

**TOWN OF FOUNTAIN HILLS
MINUTES OF THE RETREAT OF THE
FOUNTAIN HILLS TOWN COUNCIL
FEBRUARY 7, 2019**

1. CALL TO ORDER – Mayor Ginny Dickey

Mayor Dickey called the retreat of February 7, 2019, to order at 9:10 a.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. RETREAT AGENDA ITEMS

All Items are listed for discussion only. No Action can or will be taken. The primary purpose of this meeting is to provide the Council with the opportunity for an in-depth discussion and study of specific subjects. Public comment is not provided for on the Agenda and may be made only as approved by the consensus of the Council. In appropriate circumstances, a brief presentation may be permitted by a member of the public or another interested party on an Agenda item if invited by the Mayor or the Town Manager to do so. The Presiding Officer may limit or end the time for such presentations.

A. The Town Manager will provide an overview of the Council Retreat

Mr. Miller explained that the retreat is the prelude into the budget season and while there are other items on the agenda, the focus would be on the budget/finance side of things.

B. Review of the 2017 Fountain Hills Strategic Plan

Mr. Miller said that at the Council meeting the other night the Chairman of the Strategic Planning Advisory Commission (SPAC) mentioned that SPAC had gone through the 2017 Plan and reprioritized all of the tasks. He said that today they wanted to seek Council's input on if they agreed with those reprioritizations. He said that if they do, then they will go back and start working on the implementation.

GOAL #1 Maximize Economic Development Opportunities in Fountain Hills

OBJECTIVE #1 Create or utilize tools to help market Fountain Hills for Economic Development Opportunities

Economic Development Director Scott Cooper said that they have begun discussions on branding. They have a new Economic Development Plan and Marketing Plan and will be bringing those to Council within the next few months. He said that this plan will incorporate what has been done in the past and it will be broader so that it is communitywide.

He said that they have been working on a new business resource package which should be ready by this summer. He said that it contains materials that are given to prospective businesses, available both digitally and in hard copy, which will be focused on doing business in Fountain Hills. It will include more contacts and be more comprehensive than they have had in the past.

Increase funding for business accelerator program. He said that they did get that done this past year, increasing it to \$20,000 for this year. He reported that they have three new start-ups in the program and it is off to a good start.

Explore Higher Education Opportunities. He said that they have had some outreach, with NAU showing some interest. He has had conversations with Joan Keene and Kristi Farley. They are working hard to grow the NAU system throughout the state. Initially, utilizing their partnerships in town with EVIT, they would provide undergraduate and continuing adult education to meet their needs as well as the Town's. He said that they have also reached out to the community college system in Maricopa County, but have not yet heard much back.

With regard to the third party marketing company the Town contracted with, Mr. Cooper said that the contract is halfway through. They were out just before the holidays and spent three days here with staff talking with area businesses, landlords, commercial real estate agents, taking video and pictures and establishing additional marketing material. He said that the pipeline is being built. There has been nothing direct yet, but it is a timely process and they are moving forward. He said that he believes they can move forward without them for the third year now that he has an additional economic development analyst.

Vice Mayor Tolis said that he appreciated every effort being made. He wished they had results. He was against it in the beginning. At that time, he stated that he felt that Fountain Hills was what they are and no one was going to change that, but he did appreciate it and hopefully they have gotten some value from it. He was glad to hear they will not be continuing the third year.

OBJECTIVE #2 Increase population and residential densities to sustain existing and future commercial businesses in Town

Development Services Director Bob Rodgers said that the rezoning of undeveloped commercial property is done on a case-by-case basis ever since Prop 207. He said that the same is true with rezoning of unplatted lands. There is very little unplatted land other than the state trust lands and school properties.

Discussion was held on the need to go out to the property owners and developers. Mr. Cooper said that they were able to get out and talk to the commercial representatives, the realtors, and talked to all of them on the larger parcels. He said that they have had success with that resulting in activity and projects moving

forward currently. He said that they are unable to disclose the specifics at this time, but they will keep the Council informed as it becomes available.

Mr. Rodgers agreed that there are three or four good-sized projects in the works, but they do not want it to go public yet.

Discussion was held on zoning of properties on Shea. Mr. Rodgers said that they have talked with the property owners of the Fry's Plaza every couple of years for the past ten years. Once they hear the economics involved in making changes, they do not move forward. He said that another restriction on that property is it is controlled by the Eagle Mountain HOA, and they have jurisdiction.

Mr. Miller said that staff will come back and give a briefing on some of the other properties, including the old fire station. Discussion was held on the property currently designated as open space. Mr. Rodgers said that the restrictions in calling it open space only exist as long as the Town wants it to be open space.

Brief discussion was held on financial incentives that could be offered to property owners. Mr. Miller said that under state law, they are restricted by most incentives. Most of what they have in the "toolbox" has to do with reimbursements with public improvements.

OBJECTIVE #3 Market/promote tourism to generate hotel stays and higher dollar expenditures during visits to Fountain Hills

Community Services Director Rachael Goodwin said that they continue to work with event organizers. They have brought in some new ones such as the Disc Golf tournaments and have expanded the Turkey Trot, Fourth of July, and St. Patrick's Day events. She said that at this point they are bumping up against available weekends. From now through May they have something every weekend.

Mr. Miller said that another event asked about was the Mudder event and staff will be looking into that further.

Ms. Goodwin said that they have talked about the pros/cons of weekend events. She said that this last year Phyllis Kern brought forward the Balloon Glow which provided an activity between Christmas and the New Year when visitors were still in town. It was very successful and was a good example of how staff has tried to work with organizers.

Discussion was then held on whether Fountain Hills should be marketed as a "destination." Conflicting views were voiced; some residents do not want more traffic in the area while others enjoy increased activities.

Mayor Dickey said that the Town incorporated in 1989 and the fountain installed in 1970. They should be looking ahead and start planning something for next fall to commemorate these events.

Discussion was held on the different pricing tiers and rates involved when it is a Town-sponsored event or private. Ms. Goodwin said that they have a tiered pricing plan. She said that there are no two events that are exactly alike. They work with

each event that comes in to help them take advantage of what the Town can do, and what fits best.

Vice Mayor Tolis said that Rachael and Grace have done an amazing job with marketing Fountain Hills and it is hard to improve on what is being done. He said that after speaking with Vision Fountain Hills and reviewing the financial needs of the community the public has given them little choice but to promote tourism and destination advertising, to increase the sales tax. If they do not have a vibrant downtown or a park that is the best of the best, the state trust land will never be developed in any capacity. Families are not going to move to Fountain Hills 20 minutes off of Shea and 30 minutes off of working areas and buy affordable housing if they do not have the amenities that families want.

Further discussion was held on the need to continue to promote Fountain Hills as a destination and the related issues that causes, such as parking and traffic. It was noted that until the downtown is vibrant other businesses will not come and people will not move to town. Events do affect the bottom line.

It was stated that they continue to have this same conversation, but they need a plan. It was noted that SPAC and Vision Fountain Hills are addressing specific action to be taken.

GOAL #2 Ensure that infrastructure in Fountain Hills is well-maintained and safe

OBJECTIVE #1 Invest in and maintain the community's infrastructure

Mr. Miller said that they have a facilities/replacement fund. In 2015 they had a study done and came up with an investment plan. They came up with a pavement analysis update which was completed around December of 2017. The plan identified the needs and recommends an investment of \$6 million annually in reconstruction and pavement activities.

He said that when the property tax question failed, they heard the public say they wanted to have a say. Staff will later be bringing back to Council consideration of placing a question on the ballot in 2020 for a bonding program. He said that they do not know what the dollar amount will be at this point.

Public Works Director Justin Weldy said that they have developed a short-term and long-term sidewalk infill program, which they intend to bring to Council in the near future. He said that it will be part of the Capital Improvements Program.

OBJECTIVE #2 Promote environmentally friendly initiatives

Mr. Weldy said that they have just given their first draft of this plan into the Town Manager. They will get together after he makes comments and when the final draft is completed they will run it by people with expertise. With the Town Manager's approval, they will bring it forward to Council for adoption.

Mr. Weldy said that they have had communication with SRP who offers a program for recharging. It requires a level of voltage that is not currently available at the

Town Hall Campus. He said that they are working with other manufacturers and SRP to determine if they can use what is existing or if they have to install new infrastructure which would be very expensive.

Staff was asked who they anticipate would be using this service. Mr. Weldy said that the public would use it. He said that there are different systems available and they still have more research to do. Mr. Miller said that doing the research does not mean they are going to do it. He said that SPAC had quite a bit of discussion on this item.

Councilmember Magazine said that they have to be careful with looking at things that are necessary versus things that they would like to have. Mayor Dickey cautioned staff in the amount of staff used to do an environmental plan. She spoke with the Land Trust and they are open to increased density, and looking to break up the property into smaller pieces. However, there are concerns about doing that possibly leaving some unusable parcels.

GOAL #2 Attract Families and Working Professionals to Fountain Hills

OBJECTIVE #1 Create or Utilize Tools to Help Market Fountain Hills for Economic Development Opportunities

Mr. Cooper said that they have completed a Shop Small Campaign, designing a handout and incorporating local businesses in videos.

Ms. Goodwin said that the next two tasks (Expand Use of Social Media and Online Messaging, and Include Family Branding in Marketing Plan) have been combined and they are being worked on together. She said that Grace manages the social media pages and they have also redone the tourism video and pushed that out through social marketing.

Vice Mayor Tolis said that he wants this communicated the right way. For many years they have said they want to increase families, but he thinks they have a situation. He said that they should not put themselves in a box that they want the state trust land for family housing; they should look at the highest/best use and open the discussion, while letting the school district know that they believe in strong education. He said that they have great schools in Fountain Hills and affluent people have kids, too. He said that they need to stop talking like they do not have families in town.

Lengthy discussion was held on the enrollment numbers in the Fountain Hills Unified School District. It was suggested that they invite the School Superintendent to a meeting or have a joint meeting so they can each understand where the other is coming from.

Mr. Cooper said that he started a Young Professionals Group in the summer of 2018 and it is now well underway. He said that they have had regular meetings with the group and several social events. They have formed an organization and have started to run those meetings on their own.

Ms. Goodwin said that their recreation team has brought in as much as they have room for. Over last summer they offered camp, cooking and other issues.

She said that someone spoke to her recently stating that the Town does not have many organized sports. She said that there is little league, basketball, soccer, tennis, flag football, active sand volleyball, etc. She said that they do have quite a bit and staff does support them through having fields ready, lined, etc.

GOAL #4 Ensure that Fountain Hills Finances are Stable and Sustainable

Mr. Rudolphy said that when they go through the financial presentation they will go through it fund by fund and explain it further.

Mr. Miller said that they went through a big exercise and every year they look at revenue options. Back in September 2017 the Council came together and determined revenue options they wanted to consider at that time.

**GOAL #5 Focus on Strengthening the Community and Improving
Town's Quality of Life**

Mr. Cooper said that they do include the School District in all of their marketing tools, and also in the new Economic Development Plan. They also include EVIT as part of that conversation.

Mr. Miller said that in the past the Town met with their School District to identify how they could assist with getting their properties sold, but the governing body shut them down as they were not interested. He said that perhaps that could come up again at a future meeting.

**OBJECTIVE #2 Utilize Intergovernmental Relations to Achieve Fountain
Hills Priorities**

Mr. Miller said that they have done a number of things to get the Town positioned regional. Through their work with the League, they got short-term rental legislation dropped.

Mayor Dickey said that she is waiting hear the actual restrictions they have for selling the property previously discussed. Mr. Arnson said that he is in the process of researching that further.

Vice Mayor Tolis said that if they would pull the notes from the meeting of February 21, 2017, they would find it all laid out—what they can and cannot do, voter approval, when, etc. If it is approved, it goes on the market and proceeds can only be used for certain capital projects.

With regard to volunteers, Mr. Miller said that he believed the Town excelled in this area with almost 1,000 volunteers. He said that the Town has a lot of retired executives with all sorts of talents, and they do take advantage of that.

Mr. Miller asked if, before the break, there was consensus on the Council for agreement with the re-prioritization of the plan. He said that after today, this would

come back to the Council for formal adoption and then the SPAC will start moving toward 2020 when they redo a whole new plan.

Vice Mayor Tolis asked if it was possible to have a Council discussion specific to this item. He would like to digest what they have discussed and debrief based on the discussions today. He said that after the rest of the retreat discussions they may have a different thought on the prioritization.

Councilmember Scharnow said that doing so may also allow enough time for them to have a joint meeting with the School Board. He said that they need to be careful as the School Board is their own entity. As elected officials, they have their expertise on their side; they do not come to the Council asking them to act on issues. He said that they need to be careful on how they broach the subject.

A break was taken from 10:45 a.m. to 10:56 a.m.

C. Proposed FY2019/20 Budget, Capital Improvement Program, and Five-year Financial Forecast

Finance Director Craig Rudolphy then began a PowerPoint presentation which addressed:

TODAY'S AGENDA
FINANCIAL POLICIES
FUND BALANCES

Mr. Rudolphy explained that the Rainy Day fund is a policy adopted by Council, to have 20% of the average General Fund revenues for the last five years.

He said that the General Fund was uncommitted, unrestricted funds, and the number shown is what remains after everything else is accounted for. Mr. Miller added that most cities/towns have their Rainy Day Fund included in the General Fund.

Mr. Rudolphy said that the use of the Rainy Day Fund is very specific, such as a Governor-declared emergency, or an unanticipated event. They cannot tap into it just because they are short on funds.

Mr. Miller noted that if funds are used for something like a natural disaster, they have to be paid back within five years. Mr. Rudolphy said that the number shown in the fund is as of December 31, 2018, and it fluctuates on a daily basis. He said that they may be looking at a debt package in the future and rating companies will look at these funds. He added that any surplus money over the policy amount is put back into the capital fund. Last year that amount was around \$1.6 million.

PUBLIC ART FUND
VEHICLE REPLACEMENT FUND
HIGHWAY USER REVENUE FUND (HURF)

This fund is legally restricted for use on highways and street purposes.

SPECIAL REVENUE FUNDS
ENVIRONMENTAL FUND

COTTONWOODS MAINTENANCE DISTRICT FUND

Mr. Rudolphy said that these funds are levied to the 59 property owners in that area and are used for maintaining their wall and landscaping.

DOWNTOWN STRATEGY FUND

He said that this fund was created by the Council ten years ago to make improvements to the downtown area. It was used to provide for the rehab of the linear park on Avenue of the Fountains. He said that this fund generates under \$100,000 each year.

Mr. Rudolphy said that the Town's sales tax rate is 2.6%. The Council adopted a policy that says that 1/10 of 1%, (.1%) is pulled off the top and of that amount 80% goes into the Economic Development Fund and 20% goes into the Downtown Strategy Fund.

DEBT SERVICE
CAPITAL PROJECTS
FACILITIES REPLACEMENT FUND
DEVELOPMENT FEES

Mr. Rudolphy said that these are legally restricted funds that may only be used for projects related to growth. He said that the Town currently has a Development Impact Fee Study going on. The intent is to look at the current development fees. The consultant is saying it will be December before they will be able to adjust their development fees.

Mr. Rudolphy said, with regard to the Facilities Replacement Fund, that the Town has a 30-year study with big items coming up such as a lake liner for \$3 million. If they raided those funds, they would not have anything left with which to fix it.

He said that 50% of the construction sales tax goes in there, but that is not adequate to fund the Town's needs.

Mr. Miller said that when they go through the budget process, they will go through the replacement items so they can see that there has been a lot of deferral because they do not have the resources and they are trying to extend the life of them.

Councilmember Magazine said that is where the problem lies and he thinks that is why the property tax did not pass. If those funds get depleted then they can run into serious problems. Mayor Dickey said that it was like having a mortgage in escrow. They have to be prudent with their money.

Mr. Rudolphy said that the Facilities Replacement Fund (FRF) Study was done in 2015 and it was recommended that they put \$900,000 a year into the FRF, but that has not been happening.

Vice Mayor Tolis asked where funds would go if they were to sell the property on Shea and the old fire station property. Mr. Miller said that funds from selling the fire station property was slated to go back into the capital fund. He said that the Shea property is a policy decision for Council. Staff would like to use that money for one-time types of uses.

**DEBT SERVICE
OUTSTANDING BONDS**

Mr. Rudolphy said that one of the GO (General Obligation) bonds will be paid off in July 2019.

CURRENT FY18/19 BUDGET BY CORE SERVICES – ALL FUNDS

REVENUES

Mr. Rudolphy said that the actual revenues this year are 4.5% higher than last year's. Mr. Miller said that some of the revenues are seasonal while others are known ahead of time, such as state shared revenue and income taxes.

**EXPENDITURES
ASSUMPTIONS**

Councilmember Magazine asked if MCSO had an escape clause. Mr. Miller said that both MCSO and the Town do. He said that it has been about 18 months since numbers were revised on what it would cost to take back law enforcement in-house. He said that at that time it was close to \$5 million, but staff will get those numbers revised and bring it back to Council within the next few weeks.

POTENTIAL FUTURE DEVELOPMENT

Mr. Rudolphy said that the red numbers indicated on this slide are those included in the revenue projects. The ones without a red number they do not have a good feel for timing of them.

FY19-20 BUDGET ASSUMPTIONS

Mr. Rudolphy said that he has heard in the legislative update calls that there may be a bill introduced to look at the construction sales tax. That is a complicated issue and he hoped it did not get done. Additionally, the impact of PSPRS on the MCSO is still an unknown.

He said that another issue is Prop 126 which prevents cities and towns from taxing services, but it is not clear what "services" is. There have been several towns that have filed suits to challenge that. He said that based on what is being presented today, there have been no service level changes.

He said that .4% was the Town's slice of the pie from the state. He said that has come down from a few years ago when it was .5% and it may end up being around .3% this year. Mr. Miller said the big thing that will affect this is the estimated populations. Going into the next census, those communities experiencing the real

growth will be getting a larger slice of the pie, which means that the Town's will be reduced.

**BUDGET BY CORE SERVICES
Special Revenue Funds**

Mr. Rudolphy said that this number includes the Streets Fund. They have been behind in doing pavement maintenance and the project has not been completed this year. With an upcoming \$3 million project, it will go down to around \$3 million.

FIVE YEAR FINANCIAL FORECAST

Mr. Rudolphy said that in 2013 Council indicated that 100% of the proceeds from VLT should go into the Streets Fund for pavement purposes. They have been doing that since that time. In anticipation of the upcoming shortfalls, staff is suggesting that they send 70% to the Street Fund and retain 30% in the General Fund, which would equate to approximately \$300,000 a year. Mr. Miller said that in most cities in Arizona, the state shared revenues is typically just put in the General Fund. At the time the Council made that decision it was a good one, but with facing the shortfall next year, it would make sense to consider keeping some of it in the General Fund.

He said that the chart represents \$300,000 going into the General Fund, no increases in staff and no increases in service. He said that this really will not impact streets because in one more year they will have the debt services paid which is around \$300,000 a year so that amount would then be available in that fund.

Discussion was held on doing another bond issue after the current bonds are retired. Mr. Miller said that there are differing opinions on what should be covered with a new bond issue, but it can only be for mill/overlay and capital and that is really all they would want to do. They would not want to put maintenance on "the credit card."

Mr. Rudolphy said that those are just the General Funds. If they issued \$8 million over time the residents would pay taxes, and they would repay the bonds with no impact on the General Fund. He said that the other funds are controlled by their fund balance; once they spend the balance, it is gone.

Mr. Miller said that if the Council decided to proceed with bonding for streets, which is normal to bond every so often, then that money that is currently going into the General Fund to support streets would go into that fund. That way, everyone is sharing the upkeep of the streets.

Mr. Miller said that what streets has in the Streets Fund is doing more in the way of maintenance.

He said that the same firm that did an excellent job with the study is working on a \$8 million package to identify what would be sent to the voters. He said that their concept is to preserve what they can with arterials with a triage approach and let the lowers go, those that do not have high of volume, and then those could go into the bond project.

Mr. Rudolphy said that if they took the graph and put it into numbers, they would see that the numbers have already changed. As of 3:00 p.m. yesterday, the number was \$138,000 and that would reduce the shortfall by that amount. He said that it is a work in progress. The big unknown is the estimates from the League for state shared revenues and the charges from MCSO.

GENERAL FUND PROJECTIONS

Mr. Rudolphy said that just in the General Fund, revenues and expenditures are rising. He said that assumptions made on sales tax is more of an art than a science. Councilmember Magazine said that it shows to him that an increase in population does not help. Mr. Rudolphy said that to generate \$44,000 in sales tax revenue, they would need to generate another \$1 million.

HURF

PERSONNEL 57 FTEs

Mr. Rudolphy said that they currently have 57 FTE's (full time equivalents). Most of them are offset with a revenue source other than a Procurement Officer.

Mayor Dickey said that she believed that they needed to look at an additional code enforcement officer. She said that a lot of what they have been doing has to do with quality of life. Councilmember Magazine agreed. Councilmember Scharnow agreed as well, and suggested that they also empower other town employees to help with these efforts. Mr. Miller said that they could look into that, such as with public works.

Mayor Dickey said that the phone does not always get answered; it would be nice to have an answering machine that acknowledges the calls.

Councilmember Magazine said that this is the single biggest issue in town – communicating with the public. He said that they have no one that can put out information accurately. Perhaps they could use a volunteer or have a public information officer.

CAPITAL PROJECTS OVERVIEW

Five different ways of spending money:

1. Operational Capital
2. Vehicle Replacement
3. Facilities Replacement
4. Pavement Management Plan
5. Capital Improvement Projects

FY18-19 CAPITAL PROJECTS STATUS

Mr. Miller said that on those projects that were deferred, the expenditure authority was used on the Golden Eagle Park improvements.

Mayor Dickey asked if the amounts shown for the Fountain Hills Shoulder Paving project reflected the \$300,000 from MAG; she believed that it did.

Councilmember Scharnow asked if the Civic Center Improvements of \$150,000 was for the carpet at Town Hall. Mr. Miller replied that it was for the concrete replacement.

Staff then began review of the projects being proposed for FY19-20.

Brief discussion was held on the traffic signal at Copperwynd. Mr. Miller said that monies were paid into that signal, but the traffic study showed that the traffic counts would not warrant a signal until Phase 3.

A brief lunch break was taken from 12:28 p.m. to 12:39 p.m.

FINANCIAL CHALLENGES

Mr. Miller said that there is a bill being proposed to increase the gas tax \$.25 over three years. It would generate \$1 billion and a portion of that would be distributed back to the cities/towns.

Mayor Dickey asked why the Town does not do more contracting with the private sector. Mr. Rudolphy said that typically the private sector has more drivers of their costs. He said that at the time of contracting it makes sense, or when they are struggling to maintain a level of service, over time they really lose any benefit.

Mayor Dickey noted that in next year's budget they have approximately 60% of their costs that are contracted. Mr. Miller said that a vast majority of that is public safety. In regard to other contracted services, Mr. Miller said that while it may be a cost savings at a specific point in time, the quality of service may decline over which the Town has very little control.

Mr. Rudolphy said that there is a structural issue with the Town that needs to be addressed, and it is more of a revenue issue than an expenditure issue. He said that costs are rising faster than revenues and any further cuts in expenditures will mean a reduction in level of service.

POSSIBLE REVENUE OPTIONS TO ADDRESS FINANCIAL CHALLENGES

SALES TAX

Mr. Miller said that Prop. 126 addresses the ability to tax services. Mesa, Tempe and Flagstaff have sued the state to have the court determine what that actually means.

PRIMARY PROPERTY TAX PUBLIC SAFETY FEE

Councilmember Scharnow asked if this would be similar to the environmental fee, per parcel. Mr. Rudolphy said that would be up to the Town Council. He personally

does not like the per parcel because they still have some residents with a detached garage for which the County bills them for each. He said that they have attempted to eliminate that, but every year they get some that are missed or new ones. He said that it cannot be based on the size of the property or its value.

Mr. Rudolphy said that there has been some question of whether they could utilize the water or sewer district billing to bill per household. Mr. Miller said that collection then becomes an issue. Mr. Rudolphy said that they have talked about partnering with another entity and have the Town help with administrative fees. He said that the Town does not have the staffing or machinery to address 15,000 bills.

Councilmember Scharnow said that if they are going to have any type of increased fee, a public safety fee is an easier sell.

Vice Mayor Tolis said that they are continuously talking about revenue issues. He thinks they made a mistake in how high of a primary property tax they were going after. He asked if there is any thought on presenting a smaller property tax. Mayor Dickey said that she has given that a lot of thought. It is something that needs to be a group effort and the community would need to be on board with it.

Vice Mayor Tolis said that if they are not going to go forward with a property tax, then they really need to start thinking bigger. He asked how much could be generated by a rental tax. He said that they keep talking, but they need an action plan.

Councilmember Spelich said that it is absolutely insane for the Town to consider a primary property tax again. It was not voted down by a slim margin. It is clear that the residents do not want a primary property tax. It was too high of an asking and poorly communicated. He said that he sits on the Council today because of it.

He said that he visited 2,200 houses during the campaign and they were all against it. He said that he and Gerry Friedel worked together on a proposal, which had two options, but at the time he did not know they could not base a fee on property values. They were proposing a Fountain Hills Infrastructure and Maintenance Fee.

He said that it would be for infrastructure and Town maintained roads, not for studies, artwork, etc. They would collect it over a four-year period with a start and end date, in the amount of \$350 for each household, \$400 for commercial. After the first year the fee would go down \$50, \$300 for residential and \$350 for commercial, and so on.

He said that this would generate \$18 million in three years and the environmental fee would go away. It is less than one-half of what the property tax would have cost. From this fee they would hire a full-time staff member, or 1.5 staff, to collect the fee and the necessary software.

He said that these fees are flexible; they could try a different number as well as a different amount of time. He does not claim to be a financial expert, but in four years they can address the needs again at that time.

He said that he picked the six most negative people he could find and ran it by them. Not one of them was opposed to it. He believes that people will pay if they know what they are paying for.

Councilmember Magazine thanked Councilmember Spelich for giving this issue so much thought. He asked if the six that he asked had different home values as he is concerned with the inequity.

Vice Mayor Tolis said that he did a great job with coming up with something. It is a discussion and this is exactly what he hoped would happen. He also does not want to go after a property tax again, but they have to solve the problem. He said that another alternative that he believes should be considered is to bond for a larger amount and extend the time longer.

Councilmember Scharnow said that he agreed, but the problem is still there at the end of year four with the fee.

Councilmember Brown said that they did not draw the \$7 million tax number out of someone's pocket. The \$7 million was still falling short over a ten-year period. The idea is great, but it is a band aid compared to what they need to keep the Town alive.

He said that is his concern. He said that last time he was saying \$9 million for the tax because that was a break-even point for the Town. As they have talked in previous councils, they have to be the ones with broad enough shoulders to do this. Councilmember Spelich said that if he is bleeding, he will take a band aid. He said that they need to implement something instead of continuing to talk.

Councilmember Spelich said that there was no more of a wake-up call than when Grady suggested that the new Council meet with department heads. When he sat down and saw their passion, many doing two or three jobs, he could see that the Town is operating with a minimal amount of staff. They cannot cut anymore. He said that they need to decide what they are going to do and each one of them go out and sell it.

Staff was asked to provide some reports on bonding \$20 million over a 20-year period. Mr. Miller said that based on the discussion, they could bring that information back when they do the CIP meeting. He said that he tends to think that residents here like bite-size changes, but he will come up with these numbers.

Mr. Miller said that staff has some recommendations which they would like to go through.

ENVIRONMENTAL FEE

Mr. Rudolphy said that to cover the full cost of the service paid for by this fee, it would need to be raised to \$62.50. Councilmember Spelich said that when they proposed the \$350 Infrastructure and Maintenance Fee, that was also doing away with the Environmental Fee altogether. It was noted that the Town does not have a legal standing like other creditors with the environmental fee as Legal advised that they have no statutory authority to file a lien if it is not paid.

FRANCHISE FEE – EPCOR AND SOUTHWEST GAS

Mr. Rudolphy said that this would generate about \$200,000 annually. Mr. Miller added that most cities/towns charge a franchise fee to use the Town's rights-of-way.

TPT AUDITOR

Mr. Rudolphy said that another option is to continue to engage the TPT auditor to pursue residential rental taxes from rental properties.

He said that because of specific schedules, they will not be able to do anything with development impact fees until January or February, once the study is completed. They have also been approached to buy the land and cell towers. This would be a one-time payment for a perpetual license for ownership or some term of 15-20 years. Additionally, they could sell or lease excess land.

There has also been some discussion of adding an administrative fee to the solid waste collection billing done by Republic Services of one dollar a month, which would equate to approximately \$100,000 a year. They could also adopt a license fee for any operators in town.

POSSIBLE EXPENDITURE OPTIONS SUMMARY OF REVENUE OPTIONS RECOMMENDATIONS

Mr. Miller said that despite not wanting to raise the sales tax, it is one of the easiest ways of implementing a new revenue source. The amount is not going to solve the issue long-term, but it would get them the next five years until they can figure out a sustainable source.

Mr. Rudolphy said that several years ago the Legislature passed a bill that if a Town is going to change fees, notice has to be posted 60 days in advance of a public hearing, a public hearing is held, and then the Council can take action. He said that if Council supports this, they would come back in March with further information.

After further discussion was held, Mr. Miller said that they would come back at a later date and consider some of these options.

D. Discussion of Council Rules of Procedure (including Boards/Commissions)

Town Clerk Elizabeth Burke reviewed proposed changes to the Council's Rules of Procedure. She said that most of them were more for housekeeping purposes, but a few changes were being suggested to clarify issues. She then reviewed the following:

Proposed Amendments:

2.3 Consent Agenda – removes roll call vote

- 5.2 Amendments Mayor's Report to be:
 - Reports by Mayor, Councilmembers and Town Manager
 - Removes Reports at the end of the meeting
 - Public Hearings opened at the beginning of item
- 9.1 Updates listing of boards/commissions
- 9.2 Centralizes membership records, advertising and receipt of applications with Town Clerk
 - Clarifies post appointment process

Council agreed with the proposed changes. Brief discussion was held on whether commission members should be registered voters in Town. No consensus was reached on this item. Ms. Burke said that she would bring these back to a future meeting for formal adoption.

E. Discussion:

i. Special Event Liquor Licenses

Community Services Director Rachael Goodwin reviewed the current process used for special event liquor license applications, and presented some of the pros and cons. She said that there has been some question on whether these should be approved administratively to speed up the process and not have to bring them before Council. Councilmember Brown said that in the ten years he has been on the Council he has seen maybe one pulled from the consent agenda.

Mr. Miller said he believed that having these approved administratively in the large city made sense, but he believed that in Fountain Hills it has been working fine. She said that this way there are a lot of eyes on the applications and it keeps the Council aware of activities going on.

After further discussion, consensus of Council was to leave them on the consent agenda.

ii. Hillside Protection Easement

Mr. Miller said that staff was needing some direction from Council and he has Development Services Director Bob Rodgers to review the issue.

Mr. Rodgers said that Hillside Protection Easements (HPE) have been created differently over time. When a development came into Town one of the conditions was to protect the hillside areas. First it was slopes of 10% or greater, then 15%, and now it is 20%.

Recently two lots in Diamante Del Lago were granted HPE abandonments. This would not normally be of concern except that the HPE's that were established in Diamante Del Lago were created specifically because the original developer did not have enough open space areas to dedicate in order to get the density he wanted.

Staff has generally processed requests from property owners for abandonment of HPE areas on their property on a case-by-case basis. This process has always required Council approval and has on numerous occasions required that the property owner pay \$10/sq. ft. for the area of the HPE being abandoned. This is the same amount that would be assessed to a property owner who had illegally disturbed the HPE area. However, in such a case the property owner would also be required to revegetate the disturbed area. Within the last few years the \$10./sq. ft. fee has not been assessed, primarily due to staff turnover and no written procedure to follow.

Since the second HPE was abandoned in Diamonte Del Lago, the residents in that development have been discussing on social media having all their HPE's abandoned. This has led to an influx of applications (six currently in the queue) which seems to be in direct opposition to the original intent of the development's approval. There are other residential developments with similar requirements, but this one is currently the most pressing.

Development Services has placed a temporary hold on processing HPE abandonments until staff and Council can verify what the Council's policy is currently regarding such requests. Staff is requesting Council's thoughts on HPE abandonments in general, abandonments of HPE's that were created as a condition of the development's approval, and assessing a fee of \$190 (or more) per square foot of easement area being abandoned.

Councilmember Brown said that the property owner is paying tax on the entire lot. They have already paid for the lot once, and asked why they should have to pay for it again. He said that they need to think this through, especially on any unplatted land, such as the state trust land. Mr. Rodgers said that now if they rezone the state trust land anything less than 10,000 sq. ft. would not be required.

Councilmember Spelich was concerned with two property owners who have already received the abandonment and not paid anything.

Mr. Miller noted that going back in time, they have charged people in the past. Mr. Rodgers added that this would affect property all over town.

Councilmember Leckrone said that there is something about asking someone to pay so she will vote a certain way that bothers her. She said that she tends to agree with Councilmember Brown.

Councilmember Scharnow asked if they charge for the process itself. Mr. Rodgers replied that they did pay an application fee.

Mayor Dickey asked what the property owner thought when they bought the lot and if they knew that the development would not have been there without them.

After further discussion, staff was asked for their thoughts. Mr. Rodgers said that he feels they have served their purpose; to continue to require them seems counterproductive. He said that they do not have that many areas that need them anymore and those that have come in for abandonments have gotten them, so he questions the point of them.

Staff was directed to put this item on the agenda to vote to eliminate them altogether and not process any more that come in until Council takes action.

A break was held from 2:27 p.m. to 2:37 p.m.

i. Party Nuisance Ordinance

Mr. Miller said that they wanted to have a discussion on the party nuisance ordinance. Back on June 19, 2018, the Council adopted Ordinance 18-09 after receiving six months of complaints about party houses, and after researching other communities such as Tempe, Tucson and Flagstaff.

He said that as part of that, there was to be a six-month review. Staff originally met with Hank, and now Larry, has helped with MCSO. He said that they met with the prosecutor to get more insight on how the prosecution of this has worked.

He said that he did believe they have made some adjustments. From MCSO's standpoint, they were concerned with the direction they received from the County Attorney's Office. Additionally, when the ordinance was adopted they originally had wording that discussed a gathering of ten or more, but it was changed to one of more, which the County Attorney believed did not meet the definition of reasonableness.

Captain Kratzer said that one resident had 15 calls, and 8 reports or supplementation reports. One of the issues they ran into was the caller wanting to remain anonymous.

Mr. Miller said that one of the things they found was there was inconsistent enforcement, with having deputies being reassigned, and them not being aware of this and then not having standardized list of questions to ask. He said that Captain Kratzer came up with a "script" as part of the going forward the officers will be trained to ask the right questions.

He said that the noise ordinance does talk about decibel limits and they do have the required equipment to monitor it. He said that when the officer goes out they need to get a specific reading and provide a good report, a good interview with the complainant, the violator, etc. asking what the gathering is, number of attendees, etc.

Mr. Miller said that they have asked them to do this, even if it may be a zoning violation. He said that homes rented out as a function space is prohibited, so at least this gets it documented with the MCSO and it can then be turned over to zoning compliance.

Mr. Arnson said that it is clear from their discussions that there are adjustments to be made. He said that he has discussed this with Councilmember Leckrone and they want to be sure they are addressing the constitutionality of the statute, identifying what conduct is and is not prohibited.

He said that there are various statutes that already address some of the issues such as the County's noise ordinance, the liquor board regulating the sale of alcohol. One potential issue is that Representative Kavanagh intends to introduce a bill that permits cities and towns to have TPT licenses on online, short-term rentals that could be revoked.

Mr. Miller said that they will be coming back in a few meetings with recommended language changes. Councilmember Spelich questioned why they were even addressing the issue if it is already covered in the noise ordinances, in hearing what Mr. Arnson has said.

Mayor Dickey said that if someone has a business out of their home, there are laws about how many cars can come and go. She asked if that would not apply to this. Mr. Miller said that it is not defined as a business. They are not allowed to have any function space in a residential zone. He said that they have written a violation to the property owner for them renting out their home for a wedding.

F. Summary of Council discussions by the Town Manager

G.* Discussion of Pedestrian Safety.

Mr. Miller said that he and the Mayor were just talking about this issue. They have had some unfortunate situations and they are trying to address the issue with pedestrian and traffic safety. We said that they are not going to get into it today; they will be coming back with some recommendations.

He said that he would like to have the Mayor and one or two others meet with them, the MCSO Captain, Attorney and Public Works Director to starting addressing some of the improvements.

He said that right now the intersection of Verde River and Avenue of the Fountains is currently a linear park. That is going to be looked at right now to improve pedestrian safety, making it easier for walkers to go straight, and possibly making it a four-way stop. They will also be considering narrowing the Avenue of the Fountains. These are all things that this community will be studying and bringing back recommendations to the Council.

Mr. Miller said that education is a huge part of the equation. People are not paying attention, not stopping, and creating two lanes on Avenue of the Fountains.

Vice Mayor Tolis said that he had asked the Realtor Association in town, with 350 agents, for feedback on concerns with this issue. One idea was to change the

corner of El Lago and Saguaro from 35 MPH to 25 MPH and have a high pedestrian sign.

Mr. Miller said that they have also talked about rumble strips on either side of the Avenue of the Fountains which should slow people down. He added that the Public Works Department has been doing a great job getting lines restriped so they are more visible.

Councilmember Brown said that he thought they needed to take a hard look at combining the subdivision ordinance and zoning ordinance. They could get together a group of Planning and Zoning Commissioners to work on this, under the watchful eye of Marissa. He said that they are confusing and they contradict one another.

4. Adjournment

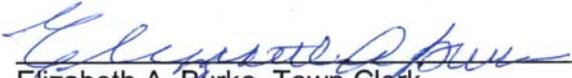
The Town Council Retreat of February 7, 2019, adjourned at 3:06 p.m.

TOWN OF FOUNTAIN HILLS



Ginny Dickey, Mayor

ATTEST AND PREPARED BY:



Elizabeth A. Burke, Town Clerk