

**TOWN OF FOUNTAIN HILLS  
MINUTES OF THE SPECIAL MEETING OF THE  
FOUNTAIN HILLS TOWN COUNCIL  
APRIL 23, 2019**

**1. CALL TO ORDER – Mayor Ginny Dickey**

Mayor Dickey called the Special Meeting of April 23, 2019, to order at 5:32 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 FY2019-20 Town of Fountain Hills Budget.**

Mr. Miller said that they plan for the future through the budget process. They met for a retreat in February where they looked at different fund balances and preliminary capital budgets, held a separate meeting on capital and two separate meetings on revenue options. Today was an opportunity to shape the budget, with the plan to adopt the Tentative Budget on May 7 and the final budget on June 4, 2019.

Finance Director Craig Rudolphy then began a PowerPoint presentation (attached hereto and made a part hereof as Exhibit A) which addressed:

**VISION STATEMENT**

Mr. Rudolphy explained the internal budget process, noting that they start the process in December with direction to staff to prepare their preliminary budget and enter it into Munis (software program). He said that they are told not to include any new programs or activities. They are to prepare separate documents, known as Supplements, to address any new programs, activities, tasks, and include in their documentation whether they need money or if there would be an associated revenue source. In addition to this process, they are also to include any staffing requests. He and the Town Manager then meet with each department head to discuss their budget, supplement(s), and staffing requests in detail.

Mr. Rudolphy said that they then prepare for the retreat in February and from that, incorporate any direction from Council and put everything together for presentation to the Council in April.

He said that the meeting tonight was to go over the preliminary estimates with adoption of the Tentative Budget on May 7, 2019, which would be the maximum amount permitted to be set. The first meeting in June the Council will adopt the final budget, the fee schedule,

organization chart, and compensation plan. The second meeting in June will adopt the tax levy to pay for the Town's outstanding bonds. Also at that meeting the Council will discuss and give direction on a proposed sales tax increase and any other potential new fees.

#### GENERAL FUND PROJECTIONS

Mr. Rudolphy said that staff believes that Fountain Hills will level off, while other cities/towns in the state will continue to grow, which means that the overall pie will be larger, but the Town's percentage of shared revenues will decrease.

#### STREETS FUND OUTSTANDING BONDS

Councilmember Magazine noted that this was the smallest budget in the last five to six years. Mr. Rudolphy added that this is the total Town budget. In prior years, they were making expenditures for capital items such as the fire station and Adero Canyon improvements.

#### BUDGET HIGHLIGHTS Budget Assumptions

Councilmember Magazine said that earlier in the year Mr. Miller had suggested they talk about a public affairs staff person and he does not see that included. Mr. Miller said that was requested in the budget two years ago, but the Council at that time thought the money was not something they felt strongly about. He then reviewed the positions that are being recommended, noting that some of them have a related revenue offset.

Code Enforcement Officer  
Sr. Building Inspector  
Procurement Officer  
Part-time Account Clerk  
Street Maintenance Technician

Councilmember Magazine said that he thought that a public affairs person was absolutely necessary as they have so many rumors that go around Town. Councilmember Spelich said that they will never quash rumors. He believed that the onus of getting the message out falls on the Town Council members that have been elected. They need to take it upon themselves to go out into the community and speak to organizations.

Councilmember Magazine said that he was not suggesting that such a staff person argue with people on Facebook, but show them some of the facts and clarify statements that are not true.

Councilmember Scharnow said that he thought they had a staff person on staff already that spends some time with social media. Mr. Mayor said that the Tourism staff member in Community Services provides 20% of her time toward public information efforts. Mayor Dickey said that they have been talking about rethinking some of those duties; perhaps not with the full-time person.

#### BUDGET ASSUMPTIONS POTENTIAL FUTURE DEVELOPMENT

Discussion was held on the future development slide after Vice Mayor Tolis said that he had recently spoken with the owner of Copperwynd. Mr. Rudolphy said that this slide was generated for the Council Retreat when Copperwynd was not progressing. Mr. Miller noted that they are, in fact, back up and running after a delay due to a conflict between the developer and contractor.

VARIABLES/UNKNOWNNS  
FOUNTAIN HILLS 19-20 BUDGET HIGHLIGHTS  
PUBLIC SAFETY INCREASES TOTAL \$693,173

FY19-20 BUDGET SUMMARY  
By fund

In reference to the slide regarding funds, Mayor Dickey asked if they have too many funds. Mr. Miller said that over the years councils have set aside money for certain uses. It is a good way to show what they are collecting and for what.

Councilmember Scharnow said that they all have balances and sometimes people think they have all that money sitting in the bank, when most of them are restricted on spending. Mr. Rudolphy said that during the Retreat staff went through the 18 various funds and indicated whether they were restricted or unrestricted—whether they were Council-imposed or statutorily-imposed. He said that their accounting policies and standards have strict requirements as to what can actually be called a “fund.”

He said that the auditors had a debate with him on the Environmental Fee fund, but in the end they allowed the Town to continue it. He said that if the Council chooses to eliminate it, then the auditors are going to say they cannot have that fund. Councilmember Magazine said that he recalls the Mayor’s suggestion that if they eliminate the fee that they maintain the fund, in case the legislature makes changes in the future.

OPERATING BUDGETS – CHANGES  
CORE SERVICES FROM ALL FUNDS  
RESERVE FUNDS (Fund Balances)

Brief discussion was held on the Rainy Day Fund. Mr. Miller noted that it was restricted only by the Council policy. Mr. Rudolphy said that the current policy is to have on hand 20% of the average expenditures of the General Fund for the last five years.

He said that whenever they do a bond issue they submit the bond statement to the rating agencies. Depending on which ones they choose, they will come back with a rating—currently that rating is AA+ which very few have. They consider such things as management of the organization, length of service, reserves, and demonstrated patterns. He said that if they did not have that Rainy Day policy, they would not have as good of a rating.

5-YEAR FINANCIAL OVERVIEW  
FIVE YEAR GENERAL FUND REVENUE PROJECTIONS  
PAVEMENT MANAGEMENT PROGRAM

GENERAL FUND PROJECTIONS  
OPERATING COSTS PER CAPITA  
GENERAL FUND PROJECTIONS  
ORGANIZATIONAL CHART  
PUBLIC SAFETY

Discussion was held on the Fire Department. Mr. Ott said that the budget reflects the same personnel as before. They have made some changes to the service areas, but that has not been fully integrated into the dispatching. They hope to have that in the CAD program in the near future.

Mayor Dickey asked if they would change the number of fire fighters per shift. Chief Ott said that the current model works well; he does not see a change in the near future.

Discussion was held on who dictates which team responds to a call. Chief Ott said that is dictated by Rural Metro. He said that back when they started running things, they found that one paramedic and one EMT worked well. He said that a lot of calls do not take the fire engine. The ladder tender is able to run that call and make that the best efficiency and use of what they have. He said that the Town Manager and Rural Metro dictate staffing and the contract.

FIRE & EMERGENCY MEDICAL  
LAW ENFORCEMENT  
MUNICIPAL COURT

Mr. Rudolphy said that the increase of \$48,252 in municipal court is for staffing to help with collections. Councilmember Spelich asked Judge Melton to come forward to provide details on the outstanding fees and criminal versus civil fees.

Judge Melton said that they have three types of collections: 1) collected; 2) never collected; and 3) collected with some support and encouragement. He said that right now there is really no one that can do that for them.

Vice Mayor Tolis asked what others in the field do for collections, or if they ever consider a collection agency. He said that having worked with FDIC-secured bank loans, when there is nothing at stake, there is no motivation for people to pay.

Judge Melton said that there is a collection agency that many courts use. They send out letters and if they do not pay, they suspend the registration on their vehicles, and it can affect their driver's license as well. Typically, they can do an Order to Show Cause if not pay and issue a warrant, but some people do not pay regardless.

Vice Mayor Tolis asked if someone would be arrested if they have an outstanding warrant. Judge Melton said that sometimes in that situation, they are difficult to find. They try not to do that initially as it costs a lot of money to do it. Councilmember Spelich said that in his personal experience, it is amazing when a judge orders a bench warrant as money appears from everywhere. He asked the judge if it was his intent to issue bench warrants.

Judge Melton said that he does not always. The first booking fee is \$325 the first day. If they are chasing money they are never going to get, it is not effective.

Councilmember Spelich said that if it was civil, they could suspend their driver's license if they do not pay and a lot of jobs are contingent on having a valid driver's license.

He said that he and the Judge also discussed the ability for the courts to fund this position by increasing court fees, which, in turn, could pay for it. Judge Melton said that was correct. He said that there are other things they can do as well, such as intercept an income tax return.

Vice Mayor Tolis said that there is nothing worse than throwing good money after bad. He asked Judge Melton if he was saying that if it is uncollectable he would not impose a fee. Judge Melton said that in that instance, he would not issue a warrant. He said that there are some that live in the area that have had a number of problems with the court and they are what they are.

Vice Mayor Tolis said that he was in favor of collecting the fees. When Councilmember Spelich brought this issue up three weeks ago he contacted the Judge and asked for a list of those that owe, and whether they were individuals or entities. He wondered if they were collectable if someone had filed bankruptcy. Judge Melton said that he was not a bankruptcy lawyer and could not answer that question. Mr. Miller said that they will be evaluating this and see how it is working, and they will provide periodic updates to the Council.

Mr. Miller said that they did send an e-mail regarding outstanding fines or fees. In looking into this further, most fees are charged at the front end of the services, such as rental fees and user fees. Where it gets clouded is with construction sales tax. They have had action or judgements where a contractor did not admit their sales tax. They are still trying to compile the information requested.

Councilmember Leckrone asked the Judge if he would anticipate the new employee tracking down information to provide to law enforcement to arrest people on bench warrants. Judge Melton said that they will be able to fill in gaps on information. They did find that helpful when he was in Guadalupe.

Councilmember Spelich stated, for those not in law enforcement, it is very hard to not leave a print of where someone is, even if it is five years old. They will arm this individual with Lexis Nexis and if anyone applies for any type of utility, it would pick them up. He just found a guy in Alaska in a fishing village who thought he was off the map.

Mr. Miller explained that it would be run through payroll as a temporary employee with no benefits, and it would not show up as an FTE. They will evaluate it and then bring it back in the future.

Mayor Dickey thanked Judge Melton for his work on Teen Court. She noted that the Council would be discussing this further on April 30, 2019, in their joint meeting with the Fountain Hills Unified School District.

GENERAL GOVERNMENT

Mr. Rudolphy said that this is the place where costs applicable to the entire Town are recorded. A lot of that is membership in organizations, and community contracts that are budgeted there.

#### BUDGET HIGHLIGHTS

Brief discussion was held on the Comprehensive User Fee Study listed at \$50,000, when Vice Mayor Tolis said that he remembered that being a \$36,000 charge. Mr. Rudolphy said that the contract was written for \$36,000, but when the budget was put together he was estimating that amount at \$50,000.

Vice Mayor Tolis said that with all due respect, when they are having public meetings like this and there are rumors going around about misspending, they should be sure that the numbers are precise. He said that if the contract is \$36,000, then the slide should indicate \$36,000.

Councilmember Magazine asked about the \$80,000 charge for the general plan update. He asked where that number came from and if staff found any use in those plans. Mr. Miller replied that the General Plan is very important and it does have a lot of value to cities and towns, especially with regard to land use. He said that he does not agree with the mandate that the State has given them, but it is required. He said that the money is used to pay the consultant for putting together the General Plan based on input from the community. He said that the plan will provide deliverables in the end.

Mr. Miller said that there are important elements to the plan such as economic development, transportation, open space, etc. It contains a lot of elements that provide direction to staff and the Council. He said that this is not an oddity; every municipality in the state has to update their plan every ten years.

Councilmember Scharnow said that they could debate the number, but they are mandated to have this done every ten years. He said that just like the Environmental Fees that are federally mandated, this is a state mandate.

Councilmember Magazine asked what the relationship is between the General Plan and the five-year Strategic Planning Advisory Commission (SPAC) plan. Mr. Miller said that they are two different plans. He said that the SPAC is due for a complete redo next year, but the state law requires specific elements to be included and the General Plan must be approved by the voters. He said that he has met with the Vision Fountain Hills 2.0 to make sure there is no duplication of effort and he and John Wesley met with the consultants to make sure they are not duplicating surveys, etc. He added that the General Plan gets into higher-level planning detail for the community. It is also used by companies and others that are considering development in Town.

Mayor Dickey said, in regard to the contingency fund, that if they do decide to impose an increase in the sales tax, it would probably start in September. One of the questions she had was whether they could add to the contingency to allow for some of the funds collected to be used this next year if they were to have another catastrophic event.

Vice Mayor Tolis asked if they currently tax online things such as Amazon. Mr. Rudolphy said that is a complicated matter. The Town is able to tax such companies as Amazon

because they have distribution centers located in the state. If there is no physical building in the state of online businesses, they are not able to tax them.

Vice Mayor Tolis asked what kind of tax revenue they were receiving from them. Mr. Rudolphy explained that it is confidential information. He receives monthly reports from the State for payments made by individual taxpayers, but he had to sign a confidentiality statement in which he agreed to not disclose that information.

Mr. Miller said that this will be changing again—it is called the Wayfair legislation. He said that in the past Congress exempted the states from imposing sales tax on online businesses, but they eventually compromised and said that if they had a brick and mortar facility within the state, then they could be charged sales tax.

He said that right now the state legislature and the League are trying to work out an arrangement in the model tax code that the cities/towns use. He said that the state is trying to put in a moratorium on such tax.

Mayor Dickey said that is why they are needing to talk with the Legislature. At first it was good; it would have created a nexus. It was going well, but then it got amended. As of Monday they were told the League is at the table to represent local governments. She said that it is complicated and is not yet settled.

Mr. Rudolphy said that up until a few years ago, they were able to pick up a phone and question the Town's contracted TPT sales tax auditor whether a company was paying their taxes and they would do a desk review. Based on that review, he would determine if they needed to do an onsite visit. With the TPT revision a few years ago, the legislation removed that option for the Town.

Now he has to undergo training for himself and his staff. They have to be certified by the Department of Revenue and become an agent of DOR. They then have to request information from the DOR, assign it to their auditors, and then they would determine if it was legitimate. Whenever he makes a recommendation it has to be sent back to Department of Review and they review his work. In the past, if they found that the taxes were due, they could have him file a tax lien. Now all tax liens must be filed by the Department of Revenue.

#### ADMINISTRATION

#### ECONOMIC DEVELOPMENT PLANNING APPROACH

Councilmember Magazine said that they received an e-mail this week saying that the Town is not doing anything in economic development, making suggestions, some of which are not legal. He asked if staff had a list of new companies that have moved into Town. Mr. Miller said that staff could provide that. He said that the Economic Development department does track that. He said that it is probably time for the Economic Development Director to come before Council with an update.

Brief discussion was held on the third-party marketing company. Mr. Miller said that the principals moved and went to a different company, and the Town went with them. When the Council asked for the second position for economic development last year, the money was not budgeted for the retail strategies contract to continue into the future.

Acting Economic Development Director Michael Martella said that they began three years ago at \$50,000. It was renewed for a second year at \$25,000 and it is not being proposed to continue with them into the future. He said that they do attend trade shows, conferences, etc. putting Fountain Hill's name and brand out there.

Councilmember Magazine said that he supported this in the beginning; now he is questioning his vote. To him the bottom line is, "how many companies are coming here?" Vice Mayor Tolis and Councilmember Spelich agreed.

Vice Mayor Tolis said that now they have Scott Cooper (prior director) resign and they are starting all over again. Mayor Dickey said that the Town wished Scott well, but she would not agree that nothing has happened. She said that some of their pursuits may have been a little unfocused due to a number of reasons. They are looking at, and talking about, doing different things.

Mr. Miller said that just before Scott left they were launching another Economic Development Plan Update with a focus on what is successful and what others have had success with, and they will be bringing this back to the Council.

He said that staff did interviews last week, but they are not ready to make any announcement. They believe they will have someone on board soon. He said that he is very proud of EVIT, the business accelerator, which has been open and they have had businesses in there. It is just the beginning.

Mayor Dickey said that economic development is more than how many retail businesses come into town. Some of their events involve economic development. There are great relationships working together between departments.

Councilmember Scharnow said this is one of those areas that is not mandated. He remembers sitting in the audience the last few years when councils were talking about this and budgeted money toward it. Now they have a new council and they need to decide if they are willing to stay in it for the long haul. He said that it was the same thing with tourism. The Chamber used to address tourism; when they dropped it the Town took it on. He said that they are marketing and branding the Town and getting exposure.

Vice Mayor Tolis said that he is passionate about this department; 52% of their budget comes from sales tax revenues. There is a direct correlation between sales tax revenues and businesses opening. He said that he is thinking that they have not seen results over the past few years. He thinks Scott would still be here with a raise.

Councilmember Magazine said that he sees it differently. He thinks that Scott did an excellent job with terrific results, and that is why he asked for a list of businesses, as there have been a lot.

#### DEVELOPMENT SERVICES

In this department, Mr. Rudolphy said that they will see a decrease in building safety because they are eliminating the contract services and adding a new employee.

#### PUBLIC WORKS COMMUNITY SERVICES

With regard to the Streets Fund, Councilmember Magazine said that he is always hearing types of information that the citizens should be aware of, such as 354 lane miles. He suggested that this type of information be included in the quarterly paper, or a fact sheet. Mr. Miller said that perhaps they could include a snapshot of such data in the Fountain Hills First.

#### CAPITAL IMPROVEMENT PLAN

Brief discussion was held on the possibility of having signage to indicate a capital project and where the funding comes from. Mr. Miller said that was a good idea and staff would look into that further.

Councilmember Scharnow said that at a prior meeting he recommended the repainting of the community center and Town Hall. Mr. Miller said that it was in the budget, but is separately listed in the Facilities Replacement Fund.

#### FEE SCHEDULE CHANGES

##### PERSONNEL

Number of FTE Employees

Employees Per Capita

##### PERSONNEL

Councilmember Magazine said that this was another example of what they should be telling the citizens.

#### BUDGET ADOPTION STEPS

Councilmember Magazine said that he wanted to thank Craig and his staff. This is Mr. Rudolphy's last budget and it is result of many hours of days and work. They come in on the weekends, holidays, and they have done a superb job.

Councilmember Brown also thanked Mr. Rudolphy and said that of the presentations he has sat through, this was the best he has seen.

Councilmember Brown said that he did not see anything included for employee raises and asked if that was possible. Mr. Miller said that last year the Council authorized 2.5% on July 1 and another 2.5% on January 1. He was not recommending any increases this year. Councilmember Brown said that he thought they needed to look at that closely. He said that he would certainly hate to see staff feel that they have to start departing because they cannot keep them competing with other communities that are willing to pay more.

Mr. Miller said that he just recently met with the East Valley managers in March and they were looking at 2.5% to 3.5% increases. If Council wanted to direct him to program something in, they could do that tonight.

Councilmember Brown said that he believes that what the other communities have been discussing should be their minimum. He said that he liked the way Mr. Miller did it last year with part of the increase in July and the rest in January. Council concurred.

Question was raised as to the 20.8% increase for Council expenses. Mr. Miller said that they budgeted \$10,000 to allow for four councilmembers to attend the Annual League Conference in Tucson (increase of \$3,800).

Mr. Miller said that the Executive Assistant cost is allocated 65% in the Manager's budget and 35% hits the Mayor/Council. He said that the \$3,800 last year was for a market-based adjustment to her salary a year ago. He said that with the person they just hired, she is not earning at the same level.

Brief discussion was held on the topic of Council pay and staff was asked to look into an increase further for the next council. Mr. Miller said that staff will evaluate other cities and make a recommendation. He said that it would not go into effect immediately; they cannot claim to be personally benefiting from it. He said that having a CPI would help so that every four years it would go up automatically. He will bring back information for further discussion.

Vice Mayor Tolis said that he believes the Economic Development position is one of the most important positions in this town and he would like to see some real benchmarks, with goals and objectives. He suggested that they consider seeing bonuses for increased sales tax revenues.

He would also like to have them consider an increase in the percentage of taxes going to the downtown and tourism-related activities. Councilmember Magazine said that establishing a bonus for one person does not work. They need to look at the whole organization or it becomes a political mess.

Mr. Miller said that he is hearing some really good ideas. The bottom line is that the Council would like to have an active part in economic development, and he suggested that perhaps they could schedule a work session and have Council provide some direction and hear from the new Economic Development Director.

Mayor Dickey said that when they talk about future Council salary changes (as directed above), she would also like to discuss the term of the Mayor. She then reminded everyone that May 7 will be consideration of the Tentative Budget which means it will be the maximum amount they can approve.

Mr. Miller said that the Council will be receiving a detailed book that is a combination of program and line item.

#### 4. ADJOURNMENT

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

The Special Meeting of the Fountain Hills Town Council held April 23, 2019, adjourned at 7:49 p.m.

**TOWN OF FOUNTAIN HILLS**

  
\_\_\_\_\_  
Ginny Dickey, Mayor

**ATTEST AND PREPARED BY:**

  
\_\_\_\_\_  
Acting Town Clerk  
Elizabeth A. Burke, Town Clerk