TOWN OF FOUNTAIN HILLS
MINUTES OF THE WORK SESSION
OF THE FOUNTAIN HILLS TOWN COUNCIL
FEBRUARY 24, 2026

A Work Session of the Fountain Hills Town Council was convened at 16705 E. Avenue of the Fountains in open and public session at 8:30 a.m.

Members Present: Mayor Gerry M. Friedel; Councilmember Gayle Earle; Councilmember Brenda J. Kalivianakis; Councilmember Rick Watts; Councilmember Hannah Larrabee; Councilmember Peggy McMahon

Members Absent: Vice Mayor Allen Skillicorn

Staff Present: Town Manager Rachael Goodwin; Town Clerk Bevelyn Bender, Town Attorney Jennifer Wright

Post-Production File

Town of Fountain Hills

WORK SESSION

February 24, 2026

Transcription Provided By:
eScribers, LLC

* * * * *

Transcription is provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings.

* * * * *

MAYOR FRIEDEL: I'd like to call this work session budget retreat to order.

Can we get a roll call, please, Town Clerk?

BENDER: Mayor Friedel?

MAYOR FRIEDEL: Present.

BENDER: Vice Mayor Skillicorn is not here at the moment.

Councilmember Earle?

EARLE: Here.

BENDER: Councilmember Kalivianakis?

KALIVIANAKIS: Here.

BENDER: Councilmember Watts?

WATTS: Here.

BENDER: Councilmember Larrabee?

LARRABEE: Here.

BENDER: And Councilmember McMahon?

Mayor, you have a quorum.

MAYOR FRIEDEL: Before I pass it to the Town Manager, there's a couple of things I need to say.

This weekend, I saw a social -- social media post criticizing town staff for their work on research for road alternatives -- financing our road alternatives. I want to make it abundantly clear that that was at my direction. We are going to leave no stone unturned to look for alternatives to funding our road crisis in this town.

Recently, at the last town -- at the last League of Cities and Towns, Councilman Watts and I had the opportunity to meet with some gentlemen to explore alternative financing for our lake liner, and then taking that money and putting it into roads as well.

So, again, this is my call and my direction to have the staff explore every opportunity for road work in this town.

The second thing is, we all received an email from Jerry Butler, who was on the Streets Committee. He was appointed to the Streets Committee, I believe, by the last mayor of the town. And that committee did a lot of work. So if we have questions for that, we'll gather those questions and we'll get those to Mr. Butler, if we have any questions for the Streets Committee.

So I wanted to make those two points and be sure that we're abundantly clear about the direction of where we're headed with this.

So with that, Rachel, go ahead.

GOODWIN: Thank you, Mayor. Thank you, Council. Thanks, staff, for being here. For those of us in the audience, it's late, but there's a couple people here. Thanks for coming.

Just a reminder of -- kind of our goals for today. So thanks for being here. This is our annual budget retreat. This work session represents one of the most important milestones in our budget development process. Formal adoption will occur later this spring, but today is where final direction is established. The discussions we have today will shape how we allocate resources and prioritize initiatives.

The purpose of today's retreat is threefold. First, to review the current financial outlook and ensure we have a shared understanding of revenues, expenditures, and challenges facing our long-term sustainability. Second, to provide updates on requested items that intersect with community requests and council inquiries. And third, to receive your direction on key policy decisions and strategic initiatives so we can refine and prepare a balanced budget for formal consideration.

So all said, this is important for us. This is -- helps shape the final version we bring forward to you guys as part of the proposed budget.

It's important to note that while we will touch on a few capital projects at a high level today, many of the detailed capital improvement projects will be reviewed more thoroughly at a separate upcoming work session. That meeting will allow us to dedicate the appropriate time and attention to those larger, long-term investments. So we will have a separate CIP meeting next month.

Today is intentionally structured as a working session. It is less formal than a regular council meeting and designed to foster open dialogue. With that, Bev (ph.) probably wants me to remind you that we will not be doing the timer situation today, because this is a based on dialogue and feedback. We encourage questions, discussions, and candid feedback. Alignment at this stage allows staff to return with a budget that reflects your collective priorities and avoid surprises later in the process. So with that, I appreciate your engagement and look forward to a productive and collaborative discussion.

I'm going to hand it off to Paul. Paul is going to take most of the morning, probably, on a number of topics. Bear with us, but please, as always, ask questions. Staff is here to help.

Paul.

SOLDINGER: All right. Thank you, Rachel.

Mayor and Council, thank you for the opportunity.

Like Rachel mentioned, this is an important part of our process. It is a long day. I'll be honest, it's one of my least favorite days. It's just a long, long day of discussions. And -- it's important, don't get me wrong. But from my personal standpoint, it's a challenging day, right, to get through all of these conversations. So I'm just being honest.

So with that, we thought we'd start focusing on our revenue outlook for next year. Our proposed budget in April is where we'll talk more about our departmental expenditures, and the expenditures, and the proposed budget. But we'll be looking at revenues and -- and keep in mind, these are preliminary projections. Mainly for state shared revenues, we're preliminary in that phase because we receive updated projections from the league around the middle of March, and they give us final projections closer to the end of our -- our budget process. So today, those are more preliminary. Everything else is pretty much on par with what you'll see in the final budget. And we'll also talk about some other budget implications to consider as we go along.

So really briefly, on our milestones we've hit already. We actually started this process last year. We started having meetings. We started meeting internally. We started looking -- or we had a work session with Council as well. But for this calendar year, we worked through our initial revenue projections in January. I submitted them to the Town Manager, we had discussions about them. In January. We also met with all the departments, and we discussed the needs for next year, where they had the opportunity to provide supplemental requests to the Town Manager, which we'll discuss more at the proposed workshop in April.

And today we have our retreat, our second retreat in this process. And it's like Rachel mentioned, it's a -- it's a big milestone for the budget process. We'll have a lot of discussions today, make decisions, and receive direction from Council on priorities in the budget. We'll also have an open house open to the public March 11th, where we'll have some similar information presented to the public. Obviously, Mayor and Council are welcome to attend.

Like Rachel mentioned, our SIP work session, that's another longer work session where we'll discuss our capital improvement plan for next year and the five-year outlook. We'll talk more about that next month. I think it is a more pivotal work session to discuss, because we are -- we will bring forth a relatively aggressive CIP plan with things that we'd like to do and there's a lot of priorities out there. So there will be some decision making that needs to be made, I think, during that work session.

Then the proposed budget, another -- the proposed budget is basically putting everything together, bringing it to Council on April 14th. This is what we've discussed as far as priorities, this is what we can do in the budget, and it's a little bit of a longer conversation, and trying to receive mostly the final direction from Council at that point. Not quite final, but pretty much.

The tentative budget on May 5th will set the maximum amount the town may budget for fiscal year 2027. And so by that point, we'll hope to have pretty much everything squared away, unless there's any very final things that need to be changed in the budget. And then the final budget will be considered on June 2nd.

So initial revenue projections for local sales taxes. Local sales taxes are 50 percent -- more than 50 percent of the town's revenues overall. So it's our biggest -- biggest revenue source. We've talked about how we're intentionally conservative to reduce risk. And especially now when our revenues are flattening, I believe that it is important to keep with that approach. So we've talked about that quite a bit. But as you can see, we are projecting increases of three percent across all funds but 2.1 percent in the general fund.

Going down the different categories. Construction sales tax at 2.7 million, we are projecting a 14 percent increase. That's just because our revenues have been coming in strong for about three and a half years, sustained now. And so it's time to kind of get up a little bit closer to the actual revenues level. So we are -- we do feel comfortable with that approach.

Utilities at 1.5 percent. Just kind of like I've discussed, it's a pretty stable category that just slightly goes up a little bit each year and that's just along the same lines with that approach.

Retail sales taxes, 0.4 percent. We've talked about how our revenues have been kind of flat lately, stable. They haven't been going down for retail sales taxes. So that's kind of along those lines.

Restaurants and bars, we are projecting a four percent increase. We are seeing some positive momentum there.

Real estate, this -- we are projecting a seven percent decrease. But this is really just me going -- doing a deeper dive into the data and taking more of a data-based approach. Last year, there was a little bit of uncertainty with the long-term residential rental taxes going away. So we basically did a really strong, educated guess for the projection. This year was more data-driven, and that did reduce the projection a little bit.

Services, leisure, and tourism, we are projecting a six percent increase. This is another revenue source that has been much higher than projected, over $2.2 million per year for the past three years. We're still projecting 1.8, still conservative. I mean, for this category, the challenge is if there was an economic recession, that would be a category that would be heavily impacted. People would be golfing less, going to short-term rentals and vacations, staying at hotels less. So that is one category we're still trying to sustain to a more conservative level, but we are unleashing the conservatism a little bit with that projection.

So as you can see, we're projecting $535,000 of more local sales tax revenues next year, a three percent increase.

Any questions on that before I move on?

Yes.

WATTS: I do have a question about -- it looks like we're actually the beneficiaries of inflation. None of these are an increase in spend necessarily, but by default, there's an increase in the -- the outcome due primarily to inflation. And utilities is a good example of that because they keep going up.

The one that bothers me the most is construction. What assumptions do you have in construction? Do you have anything that is tangible? Like, what's in the pipeline for building permits? What -- do you have any projects that are included in here that may or may not come to fruition? Those types of things are just curiosity questions more than anything else.

SOLDINGER: Yeah, it's a valid question, so I appreciate that, Councilmembers, Mayor. Council member, with that one, I have a discussion with development services. We've talked about doing a more robust analytical approach, looking at building permit applications and things like that. But the problem is, is when an application goes in, they don't always go to the end. They don't always make the payment and get the building permit. So really the revenue is what drives that.

So we have seen a little bit of a decrease or slowdown in building permit revenues, but what sustains this category is home building. And right now there's plenty of parcels in town that are being built on. We've just -- I don't want to say plenty, but there's enough to sustain us for the next few years at least. There's obviously discussions in the public about more home building.

There's -- excuse me -- there's also the Town. We're doing a lot more capital projects than we have in the past, and we pay construction sales tax, so that gets remitted back to the Town. That's another component. And we were actually just made aware recently of a large utility project that will likely happen in fiscal year 27 that would also likely contribute to the sales tax revenue in this category.

Yes?

MCMAHON: (Indiscernible) -- sorry.

The legislature could possibly pass bills that decrease and cap out our TPT.

SOLDINGER: Yes.

MCMAHON: When you did this analysis -- and hopefully the governor will smartly veto those if they pass -- but when you did the -- did you take all that into consideration? Because you're only deducting like 48 or 1000. I mean, and also we've also lost other revenue. So not to insult you, I just wanted to make sure.

SOLDINGER: Yeah, absolutely. Mayor, Councilwoman McMahon, so we take all these things into consideration. With the real estate, we've actually been seeing higher commercial real estate activity. So this is actually probably overly conservative, I would say.

MCMAHON: Um-hum.

SOLDINGER: But it's just me kind of fixing the way we did it this year, taking more of a data driven approach, but I did consider that.

MCMAHON: Okay.

SOLDINGER: Fiscal year 26 was the year that the -- the revenue -- so this year the revenue fully went away -- the long term residential rental taxes.

MCMAHON: Um-hum.

SOLDINGER: So the first time we considered that was in fiscal year 25. So we've kind of seen how the data looks. So we did consider that.

The other item of note is the food tax HCR 2021, which I'll talk about a little bit, would cap our food tax rate. So we'd still be able to collect the food tax that we're currently collecting.

MCMAHON: Right.

SOLDINGER: It wouldn't restrict us from that. But if the Council ever wanted to increase local sales taxes in the future, if it's -- if it's approved by the voters -- the statewide voters, then we wouldn't be able to raise that.

MCMAHON: Um-hum.

SOLDINGER: So that would restrict our future revenues.

MCMAHON: Yeah. And there's also that situation where if you purchase something in a warehouse that's not in Fountain Hills, then we don't get revenue from that. That could be pretty significant as well. It's a pretty complex year to be, you know, making projections, I think.

SOLDINGER: Yeah, you're absolutely right. We did not -- so that has been discussed at the legislature. I'll get into that slide a little bit. But no, you're right. That's an absolutely good consideration. The league is a bit concerned about it. And if it does pass we would -- I mean, we would -- it's hard to say because it's really just up in the air at this point. And the league has kind of told us that even if it did pass, these large -- even these large companies would have a very difficult time of implementing it. So you might not even see a high compliance rate.

It's almost impossible to estimate, but that revenue source is about $1.8 million to the Town's mostly general fund. So yeah -- yeah, we're considering it. But if it does happen, we probably would have to take extraordinary measures in our budget if we started seeing the data reflected. And we'll know closer to the end of the budget if that's going to happen, and we'd have to reduce this projection if --

MCMAHON: Yeah.

SOLDINGER: -- you know. So I appreciate that -- that point.

GOODWIN: I was just going to jump in and kind of echo what you just said.

It's a great question from the Councilmember, because there are a lot of things still out there in flux that you just don't know. And as Paul and I have talked about, I'm like, you can't build a budget on a maybe. We have to build a budget on what we know.

But that being said, if these things happen, if there are changes at the state legislature, if there is an economic downturn, if something happens, yes, these -- these things change. We will have to adapt, you know, on the fly in the process, pull the levers that we need to, and we'll need to talk about what those might be. But at this point, we're building the budget on what we know.

And a lot of the decisions that come out of the legislature are delayed, meaning you won't see them in that -- this upcoming fiscal year. They may take effect, you know, somewhere down the line. But yes, we absolutely have to keep an eye on those types of things, which is part of why we take a very conservative approach so that we hopefully can weather any ups and downs and kind of stay steady.

So thank you for that question.

SOLDINGER: Yeah. I'll just add a little more. I know I don't want to talk about too long, but it's an excellent point for us to consider. Because if that did happen -- that particular bill they're saying would go into effect in fiscal year 27, and it could start impacting our revenues. We have things in our policy that would -- you know, if we start seeing our revenues coming in well below projections, we'd have to do a hiring freeze. We'd have to start looking at some budget cuts.

But because, like Rachel mentioned, we're so conservative in our projections this year, we're seven percent above local sales tax -- tax projections. That's about close to $1 million in the general fund. So it's -- we'd have to take measures, but we'd still probably be fine operating. We wouldn't have to do anything too drastic. But fiscal year 28 would be a problem. We'd have to really look at making a lot of cuts or raising revenues in other ways.

Yeah -- so. Thank you for that.

MAYOR FRIEDEL: Paul, let me make a comment, too.

I think something we're seeing in some of these projections may be the fact that we've had a record turnout at all of our events as well. So people are spending money in town as well. So I think the restaurant and bars, and also tourism that could be reflected in some of these numbers as well.

SOLDINGER: Absolutely, Mayor. Thank you.

All right. So just a quick reminder, our local sales tax revenues goes into five different funds. Most of it goes in the General Fund. Streets fund 0.2 percent of the 2.9 percent goes there. Economic development and Downtown Fund, 0.1 percent is split between those funds based on past Town Council actions. And every month we take half of the construction sales tax revenue and put it in the Capital Projects Fund. That's the ongoing revenue source for that.

Just a reminder, just to show you where that -- those projected increases of revenues are going and here are the numbers spelled out. Of the 535,000 that impacts the General Fund by 306,000 of increased revenue. Streets Fund by 37,000. CIP Fund by 173,000. Economic Development by almost 15,000. And Downtown Fund by 3,600 bucks. So just giving you an idea of where the money is -- where the moneys are going into the buckets on a on a daily basis.

This is Reiterative. It's basically -- oh, I'm sorry.

MCMAHON: I have a question.

SOLDINGER: Yes.

MCMAHON: Is this the usual split, or is this a new split?

SOLDINGER: So Mayor, Councilwoman, this is the usual split.

MCMAHON: Okay.

SOLDINGER: Most of these decisions are made by Council many, many years ago. The most recent increase to TPT was in 2019, going from 2.6 to 2.9. So that put more money mainly in the General Fund at that point.

MCMAHON: Okay. Thank you.

SOLDINGER: This is just another way to look at it as a pie chart. Most of the local sales tax revenue, 15.3 million, is projected for the General Fund. Streets Fund, 1.28, but we've been bringing in about 1.4 most years -- the last few years. And Economic Development and Downtown Fund, 640,000 projections. And Capital Projects Fund, 1.36 million.

So this is the general fund as a whole. I realized last year when we did this, I kind of made a mistake where I didn't show all the revenue sources. It just was kind of confusing. So I tried to show them all this year and showed the full projection.

So as you see, the sales tax revenue is projected at 2.1 percent increase. I will say, Rachel and I've talked about this, that's pretty conservative still. Because of our flattening revenues, this is the approach we need to take. But, you know, people have talked about, you know, Sprouts opening or local economic benefits of the IDSDC. You know, we'll see how the data looks next year. But I feel very comfortable with this approach. I saw on the news that City of Peoria was projected at 2.5 percent increase next year. So in good times, it's more like four to five percent is what you'll see other cities doing right now. 2.1 is we're being pretty careful going into next year.

Franchise taxes. I've -- since I've been here, I've never broken this out. I've kind of blended it in the sales tax revenue, but it's actually a different category. So I thought I'd start breaking it out and kind of explain it. We have a franchise agreement with Cox Communications that -- since 2020, where they operate in the town, they have their infrastructure in our rights of way, and they pay us five percent of their revenues. And so that's typical for telecommunication providers. And we've had that -- so, like, six years now and the term ends in 2030, and they'll be up for renewal at that point. But we've been receiving -- we received 334,000 for fiscal year 25. This revenue source is slightly declining very slowly at this point. So we did reduce our projections by seven percent just to get to a more realistic number for next year.

And does anybody have any questions about that? Because that's not something we've talked about much because I just kind of blend it in the data.

No?

Okay. Great.

State shared revenues, urban revenue sharing for income taxes. We are projecting a five percent increase. This is based on league projections they provide me last year, taking account for the San Tan Valley incorporation. Remember, with the flat tax implementation at the state level, this revenue source kind of jumped up and then went started going back down. And this year, fiscal year 26, is the last year of it going down in projections. It's projected to start going back up in fiscal year 2027. So that's why we have a five percent increase there.

State shared sales tax revenues. It's been pretty slowly growing the last few years, about one percent a year or so. This revenue is actually projected to go down slightly because of the San Tan Valley incorporation. They're getting a little bit of that money that came from our part of the pie. And so it's a slight decrease here.

Fire insurance premium taxes. We talked about this a lot at the last retreat. The Fire

Department -- there's Chief Ott right here next to me. They are starting to receive a lot more money, 330,000 projected for next year. That can only be used for the Fire Department for their retirement benefits. So yes, when we talk about the Fire Department, they are a big part of our budget. They have a lot of needs and need resources, but we do have this offset that can be applied to their budget of 330,000. And just as a reminder this year for fiscal year 26, we're going to receive over $500,000 for the fiscal year 26 revenue and fiscal year 25 underpayment that the state made to us. So that will help sustain our general fund excess reserves at year end. We usually receive this in June of every year, so we'll receive it in June.

Licenses and permits. We are projecting a slight decrease. Like I mentioned, Councilman Watts, our building activity has slightly slowed down not substantially. So we are -- and most of this revenue comes from building permits. There's also some finance and licensing, business licenses, and short-term rentals in that amount. But a majority of that is from building permit activity. And so we're projecting a slight 2.5 percent decrease next year.

Leases and rents. Just a slight increase in the projections up to 387,000.

Charges for services. This might be even too conservative, but we'll see how it goes. I know we just raised the community center -- oh, I'm sorry. That's -- that's the one above.

Leases and rents. We just raised the community center rents for the ballrooms and things like that. We made those decisions earlier in the fiscal year. That might impact this revenue, but I kind of want to see how the data plays out the rest of this year before kind of adjusting that.

Going to charges for services, most of that revenue also comes from community services. So if you're -- if our residents are going to the community center and taking a class, signing up for programs, signing up for the senior membership, that all goes into that revenue source. And we are seeing a lot higher revenues for our senior memberships. We slightly increased the fee.

And then Kathleen at the community center -- shout out to Kathleen. She's done a great job. She's bringing a lot more revenue for the Town. So I would say this revenue source is growing from our recreational programs, and it's probably even too conservative. We'll probably bring in closer to 300, 320, if I had to guess today.

Fines and forfeitures through the Municipal Court. All this revenue comes through the Court. Council also approved a new fee structure, increased fees. I believe it was in June of last year, and we are seeing much higher revenues so far through the court system. So that 210,000 projection, I think we've already met it for the fiscal year. And we're tracking to be closer to $300,000 range. So that's just kind of shows you the impact of when the council makes a decision approving an increase to fees, you'll see a reflected in the revenues actually coming to the Town. So we're probably going to bring in closer to that $300,000 range, but we'll kind of see how that goes the next few years.

Investment earnings. We take a stable approach. We talked about this a lot last year. We conservatively project two percent based on fund balance. Our general fund balance was a little bit lower at year end this last year and throughout the year. So the projection slightly went down by 15 percent. So that -- that does impact our general fund, but you know, that's the consistent approach that I'd like to take with this.

Other -- the only reason this one's going down by 15 percent is the past few years other than last year, we received a -- a rebate check from our risk pool -- insurance pool. We received -- my first year, received over $100,000 from the risk pool, but we have not last year, and we are not projected to do so this year. So that -- that affects our -- our revenue projection in the other category.

So -- but with that still pretty good news. At 2.9 percent projected increases, 750,000 --

MAYOR FRIEDEL: Paul, we have a question.

SOLDINGER: Yes?

MAYOR FRIEDEL: Councilwoman Earle?

EARLE: Can you explain why would we receive a rebate from the risk pool?

SOLDINGER: Yes. I can try to explain, but --

Just correct me if I'm wrong, Dave Trimble.

It's more of a Dave Trimble question, but basically, I think it works similar to, like, how

USAA works as a risk pool. Like, you pay your premium, they pay out the claims throughout the year, but if they have almost like a profit at year end, they redistribute the profits to the pool members.

GOODWIN: (indiscernible).

EARLE: Okay. I was just wondering if it's because we used it more this year that we --

SOLDINGER: It wouldn't only be the Town of Fountain Hills, it would be all the members of the pool.

EARLE: Okay.

SOLDINGER: And there's several municipalities in the pool. So, yes, I would say just from a logical conclusion, there were more claims being paid out for the -- at the pool level, and that's why there wasn't as much money to redistribute to the -- to the pool members.

EARLE: Okay.

UNIDENTIFIED SPEAKER: I think you covered it.

SOLDINGER: I try to understand things, but --

EARLE: Thank you.

SOLDINGER: All right.

WATTS: Paul, before you move on --

SOLDINGER: Yes?

WATTS: Can you help me understand? We've got a 14 percent plus increase in construction, which I would have thought would be reflected in license and permit fees. But you get a two -- $21,000 reduction. How do you -- how do you balance those two?

SOLDINGER: That's a valid point. That's a valid point. That could have been something I had carried forward to the operational budget here in the projection. I think the projection for construction sales tax has been too conservative over the past three years, but you know, understandably so, right? We -- after the pandemic, things were kind of topsy turvy and -- but coming out of the pandemic, when there started being increased spending, our construction sales tax revenues went pretty high. I think we brought in 3.4 million in fiscal year 24 -- or maybe 23.

And so my predecessor, he was really conservative with that approach because like, what if they start dropping off real quickly, right? You don't want to put the Town in a bad situation. So I would say the disparity is that we're just being too conservative because we've had three and a half years of sustained construction sales tax revenues around that three million or more mark that we can unlock the conservatism a little bit there. But the reality is our building permits have slowed down a little bit.

Again, it's hard to -- it's hard to even look at the applications and the data and make an informed decision, because a lot of times they get an application and it doesn't fall through, or they don't even get a building permit.

But no, it's a good point. I mean, it's something I can consider before we bring back the proposed budget.

WATTS: It just looks like there's a 300 or $400,000 increase in spending -- in construction revenues.

SOLDINGER: Um-hum.

WATTS: I would have thought that it would have been reflected in the license and permit fees going up comparably, rather than going down $21,000.

SOLDINGER: Yeah, it's absolutely a good point, and I will definitely look at that before we bring the -- the proposed budget back to council.

LARRABEE: Thank you. So just to clarify off that, this is more due to a change in how we calculate that than the actual projection of an increase or decrease in construction?

SOLDINGER: No, it's -- it's me looking at the data. And we talked about the projection -- so Mayor, Councilwoman -- sorry -- it's me taking a look at our projections, and we went through this process a little bit at our last retreat where, you know, we do the projections, we intentionally bring them down to be conservative, and then I take a look at the data and see what I see, and I can make some manual adjustments.

So this is me. Obviously, I'm putting myself out there a little bit, you know, but this is me saying I feel pretty good about where we're at, talking to Development Services, and -- and what's going on in the town. And so we'll see. It's very transparent, right? I have to come to you and tell you how it's going. So if it's not going well next year, I'll have to bring my proverbial hat in hand, to take -- to take Justin's (ph.) quote. So --

LARRABEE: Okay.

MAYOR FRIEDEL: I'd rather have you bring a wheelbarrow.

SOLDINGER: I will do my best.

LARRABEE: Thank you. So it's not that our actual process has changed of how to calculate that. You're just -- it's your judgment. So thank you.

Really quick, I -- would you mind expanding upon what -- How our Town invests for our investment earnings? Just to clarify what we're --

SOLDINGER: Yeah, absolutely.

Mayor, Councilwoman, we have a pretty conservative approach that we've done historically. I've pretty much adopted that approach. We -- we invest about 30 percent of -- we invest almost all of the Town's money. We have money in operating accounts. And when we need money, we redeem it from our short-term investments.

So basically, what we do is about 30 percent of our investments -- and let's just put numbers on it. We have about 50, 51, $52 million as a Town today. We invest about $15 million in a long-term investment. It's not a pool. It's an account, you know, working through a brokerage with JP Morgan. And we only invest in things the state allows, which is a five term -- a five year maturity maximum. If we're investing in corporate bonds, it has to be A rated or higher by two of the rating agencies.

And -- and we also in our financial policies, we have limits to how much we can -- for example, corporate bonds are a little bit riskier because -- because corporations can go bankrupt, right? So we have limits to how much we can invest. We follow that policy. But most of our investments are in the State Treasurer's local government investment pool. It's a short-term pool, fully invested in U.S. treasuries. And so that's bringing the town about 3.6, 3.7 percent right now. And that's the short-term pool where we can -- like, every week -- I know you get the check registers when they go out every week. Every week on Wednesday when we cut the checks, we bring -- we redeem money. So we say we need a million dollars from our short-term investment pool. It's in our bank account to pay those bills by the next day.

LARRABEE: Okay. Thank you so much.

SOLDINGER: Yeah, no problem at all.

MAYOR FRIEDEL: So I'll just add that our money's always working.

SOLDINGER: Yes, absolutely.

The only thing I'll say on this, Rachel and I have been talking about a little bit -- you know, this is a kind of we're being probably over conservative in our sales tax revenue just to be careful. But we are seeing some increases, right? Our fire insurance premium, taxes going up, fines and forfeitures, urban revenue sharing, income taxes. But we know, and we'll talk about, the legislature's trying to make changes to some of these revenue sources. And for example, the fire insurance premium taxes. We're not going to see a large increase like that in fiscal year 28. That was kind of a one-time big increase to our general fund.

So if we have another year where our sales tax revenues are coming in really conservatively estimated like that, which we have been doing and we've been intentional with that, fiscal year 28 will be probably a more challenging year than fiscal year 27. So I'm just forewarning a little bit. But we're in a good place for fiscal year 27 and we feel good about where we're at. So I wouldn't be doing my job if I didn't put a little bit of hesitation out there.

The Streets Fund -- so projected three percent increase, one point -- almost 1.3 million in sales tax revenues. We've been bringing over 1.4 million in the last few years. So again, that's conservative.

HURF revenues, that is slightly impacted by the San Tan Valley Incorporation. Very small impact to that, but we're projecting a two percent increase at 1.9 million.

Vehicle license tax is 1.3 million. That is not impacted by the San Tan Valley Incorporation.

Investment earnings. We're actually spending -- we have 14 million in Streets Fund today. We're going to have about 6 million or so -- 6 to $7 million by year end. So that's why the investment earnings projections going down. We're going to have less money to invest.

And other, this is just another case of me cleaning something up in the projections. We've had this long-standing revenue projection, the Streets Fund, that really hasn't come to realization. Talked to Justin about it, so I removed it. And so we are projecting a decrease, but it's just coming down more to reality of what we've been bringing in in this category. So still a 4.7 million projection. As you see down at the bottom we're projecting about $6 million in Streets Fund at year end this year to work with next year. One thing to note about that that I think is important, because there's been a lot of talk about we're spending a lot of money on streets, you know. We are doing that. But $6 million is still historically much higher than we have had in this fund. Most years, we've had $3 million or less in the past ten years, other than the past couple of years, because the Council has approved that money to go in there. So we're still in a really good position with the streets Fund to -- to start -- you know, keep doing some of the road work that the Council has directed us to do.

CIP fund real quick, 14 percent projection --

Oh, yes?

MCMAHON: Well, I have a question, please. On the State shared revenues, given what the legislature is looking at, is that -- and I know we're just projecting for today and I know that bill was vetoed, but it looks like they're doing other things that -- would this fund be affected if it changed?

SOLDINGER: Yeah. So Mayor, Councilwoman, are you discussing income tax conformity?

Yeah. So that would impact our Urban Revenue sharing. But the league has told us it wouldn't impact us until fiscal year 28. So fiscal year 27 is sound at this point. Fiscal year 28 -- because remember this revenue is on a two year lag. So it's based on income tax collections from two years prior.

MCMAHON: Um-hum.

SOLDINGER: So when that starts being impacted then there's a two year lag to that. So we'll talk about that on one of my --

MCMAHON: Right.

SOLDINGER: -- next slides.

MCMAHON: Thank you.

SOLDINGER: The Capital Projects fund we're projecting more revenues for construction. Less revenues for grants and that just has to do with the type of projects that we're doing, right? Our main project we're doing this year that has a lot of grant money is the Prop 479 money from MAG for the Shea Boulevard widening project. So we're projected to do less projects that have grants associated with. So based on the budget today, we're projecting almost $1 million of those revenues -- excuse me -- so $2.5 million.

Don't -- don't be scared off by the 29 percent drop in projections. You'll kind of see that as the grant revenues fluctuate. It's still pretty stable. And we're seeing the main revenue source for ongoing revenues, we're seeing we're projecting that to go up.

One other thing to note, we are projecting about an $8.89 million fund balance in our CIP fund at year end. I know there's been discussions about, you know, what we can do in our CIP fund. That's also historically high compared to where we've been at. So we're still in a strong position to do capital projects for the foreseeable future.

Okay. That was a lot. Any questions before I move on to legislative impacts?

Trying to -- trying to speed through.

Okay. There have been many things discussed at the legislature. I'm focusing on the main ones. There have been other things that they're talking about restricting. I don't know if restricting the right word, but -- development impact fees, there's some legislation going on with that. We're kind of -- it's a good thing that we just approved the -- those fees, so we have some time to figure that out if that does happen.

There's also -- there's another one on my mind and now I can't remember. Oh, they're talking about freezing all fees for a certain time period. Yeah, four years. And so that would impact us. I think we bring in about 1.5 million to $2 million of total town fees per year, other than impact fees. So I mean, it would -- it would restrict that going forward.

But for this one -- for food tax, we bring in around two, $2.1 million of this revenue per year. It's about ten percent of our local sales tax revenues, five percent of our total revenues as a town. And HCR 2021, which was introduced last legislative session, will be on the November ballot this year. And so if that is passed, it would cap our town's food tax rate at 2.9 percent. So if the Council ever wanted to approve a sales tax increase in the future, we could not increase this one and so it would restrict our future revenues.

It's kind of -- in a way it's a good thing, because also if you don't have a food tax, you wouldn't be able to -- I can't remember all the specifics, but you couldn't go above two percent. So right now at the 2.9 percent, we're kind of in a good position anyways. But yeah, we couldn't make changes in the future if that does pass.

But also introduced this session, House Bill 2839. This would make anything eligible for SNAP benefits to be nontaxable. So just some strong examples are fruit, vegetables, dairy, meats. So a majority of groceries would not be taxable if this did go through the legislature. And so if that did happen, the league doesn't seem overly concerned about it. But, you know, we'll kind of see how the legislative session goes. But if it did happen, you see on the screen a majority of our $2 million in revenues would go away, and that would be another thing we'd really have to figure out.

UNIDENTIFIED SPEAKER: (Indiscernible).

SOLDINGER: Yes, of course.

WATTS: Before you move on, just to dispel anything that's implied into that 2.9 percent being a good thing.

SOLDINGER: Um-hum.

WATTS: There's no talk about increasing the sales tax on food at this point by anybody, anywhere, at any time.

SOLDINGER: Um-hum.

WATTS: So it's a good thing from the perspective that we retain the revenues. But I don't want somebody to misinterpret that there was a discussion about increasing it. And so --

SOLDINGER: Right.

WATTS: -- it just -- it's one of those reading between the lines and sometimes -- sometimes things get twisted a bit.

SOLDINGER: Yeah. I really appreciate that, Councilman.

Yes, there's no there's no internal discussions about raising our sales tax at any time soon. We're going to work within our constraints and our budget and figure things out. And just to be clear, for fiscal year 27, we feel like we're in a really good place and we're going to be fine.

And so, thank you for clarifying that.

Remote sellers, this one is the one that we talked about a little bit and the league is a bit concerned about. We bring in about $1.8 million a year within our retail category from remote sellers. And as we've kind of discussed, this is one of our sections of our categories that's been going up quite a bit. People are buying things online a lot more. And so if this does happen, just the basic way to explain it, under current tax guidelines, if a resident orders something online in Fountain Hills and it's delivered to their home, Fountain Hills gets the tax from the company delivering the goods.

Under this possible legislation, in that same scenario, if you're in Fountain Hills, you ordered something, but it came from a distribution center in Avondale, Avondale will get the tax.

And I think the challenge here is driving around town, you don't see a lot of large distribution centers, so this could have a large, large impact to the town. So this is the one that we're really kind of focused on and trying to hear.

I believe there's a hearing yesterday. I missed the meeting -- the league meeting yesterday, but I believe there was a hearing this week on this. So I'm sure we'll get an update here soon.

WATTS: The league has offered alternate verbiage to clarify a lot of this because it is very confusing and, you know, the distribution centers being the recipient of an order from Amazon corporate goes into that Avondale facility doesn't make any sense whatsoever. So they've gotten -- they've done a pretty good job of rewording it to protect us in that area as well. So they're offering that and hopefully they'll get some support.

SOLDINGER: Appreciate that.

Yeah, the league works hard for us. So that's helpful.

And the last one, income tax conformity. This will likely pass in some measure. I don't think it won't pass. And I know the Council directed the Town Manager send a letter of support. So SB 1106 was vetoed by the governor. There was also another bill, I believe, that was vetoed by the governor with similar provisions. But basically, the idea is to conform the state income taxes to the federal level income tax changes. And it would impact our state shared Urban Revenue sharing for income taxes, but it wouldn't be until fiscal year 28.

So whatever measure is passed, it will have an impact. I think we're in a decent place because, remember, next year we're going to start seeing this revenue source increase again. So whatever measures passed, it will basically level it out because it's increasing. It will continue to increase unless there's a big economic collapse and people's wages don't continue to go up. So it's supposed to increase again in fiscal year 28. Whatever measure that's approved, it will just flatten that out and hopefully it wouldn't go down. So we'll know more about that later in the legislative session.

MCSO, good news. Some good news today. MCSO -- we did do some background on this -- this year. We reached out to MCSO trying to get an idea of what we can expect because, you know, since I've been here, it's just kind of a challenge. You just kind of wait until MCSO provides you the cost notification in accordance with the agreement. And so they did let us know that their retirement costs continue to go down and overtime costs have. They've been doing a better job retaining their staff. So they've had less overtime. So that -- those are things that we anticipated that would decrease the cost notification. But they also did a large pay adjustment for their sworn staff. So we weren't kind of really sure. But we received the cost notification a couple of weeks ago, and our costs for patrol services are going down another $68,000 to $5.69 million. So that helps our General Fund budget.

I will say that we can't keep expecting it to go down. I'm pretty sure next year it's going to go up or -- I don't want to make predictions, but it's very likely it'll start going up again here shortly. So this is something that we'll have to take into consideration next year's planning.

And the last slide of this presentation. Last September, we held a work session on staff pay adjustments. The annual general adjustment is what we propose, and we did receive direction to move forward with it. So it's based on two factors, peer market index, which is the Maricopa County -- primarily Maricopa County municipalities in our market based on the Arizona League Survey -- and that measure came in at 4.2 percent. And ECI, which is the nationwide measure for state and local government workers, that came in at 3.4 percent. So what we're recommending to include in the budget is 3.8 percent for staff pay adjustments in the budget. And that's what we'll move forward with for the proposed budget that you'll see in April.

So with that, any questions before we move on to the second item?

EARLE: Can I ask a question?

SOLDINGER: Yes, absolutely.

EARLE: So you're just letting us know because we already approved this, so. Okay. You're not asking us for that? Okay.

SOLDINGER: Yeah. So --

EARLE: I thought we approved it for -- was it for permanently or for five years? I don't remember.

SOLDINGER: I believe it was just moving forward, Councilwoman.

EARLE: Okay.

SOLDINGER: Yeah. So it can be changed at any time. And like we mentioned, like, next year, it'll be a -- it'll be a little bit more navigating the budget, so we'll have to see. But you know, of course we discussed with the Town Manager and see what we feel comfortable with, and what we bring forth to Council each time.

EARLE: So no voting on it? Thank you.

SOLDINGER: Yeah. All right.

Did anybody log in the Teams? Is Kaitlyn (ph.) on there? Okay. Would you mind? Can we take a quick break? I'm expecting one more expert or advisor to come, so let's give them five, ten minutes. And that way they can be available for any questions you might have, so.

[Break in the Proceedings]

SOLDINGER: All right. Ready?

All right. Mayor and Council, we're also going to talk about road funding options, including a discussion about bonds.

So our streets -- oh, before I start, we have our municipal advisor, Jim Strickland and Caitlin Dwyer from Columbia Capital. He should be on the line, or he may join us. They can answer any questions you have today. They're the ones that are the experts in this field. We also have Zach Sakas (ph.), our bond council. So he has more of the legality and the election timelines and things like that. If you have questions they'd be free to answer those questions any time.

GOODWIN: I'm going to hop on that too, Paul, and just say they are the experts in the room. Please use them if you have questions, even -- even just to understand the details behind, you know, what a bond could look like, even if you aren't necessarily wanting to move in that direction. They are definitely your experts and are here to answer questions, so please feel free.

SOLDINGER: All right. Streets are obviously a discussion that we've been talking about quite a bit. We're spending about $10 million this year, including Palomino, Ridgewood, Thistle, and the other roads selected by the BOSS data. So historically, a very high amount compared to normal for the Town.

We still need somewhere in the range of 30 to $50 million to fix our roads based on previous presentations from RAS. When they came last year, they were talking about -- about a $40 million or so figure to get us -- to get our roads in better condition.

So we also have a new town dashboard we've been working on. It's not complete or anything like that, but it -- I'm going to pull it up just in case you want to go to the map at all. It'll take just a second. This is -- this shows a lot of the road work -- or the road work that we've done since 2019 or so. And so -- where's Palomino, since we're working on that right now. Somewhere around here -- although I cannot zoom in. Yep, right there. So we can refer this map as needed.

EARLE: Can I just say thank you, Mike (ph.). And who helped you?

UNIDENTIFIED SPEAKER: (Indiscernible).

EARLE: Thank you for putting that on the list. It's on our website too. Thank you.

SOLDINGER: Council has continued to make decisions by providing more money to the Streets Fund with transfers and --

MAYOR FRIEDEL: Excuse me.

SOLDINGER: Yes?

MAYOR FRIEDEL: Councilwoman?

MCMAHON: Thank you.

I don't mean to interrupt you, but given what the type of the conversation that we're having, if you don't mind, I want to ask Justin --

UNIDENTIFIED SPEAKER: Sure.

MCMAHON: -- a question.

You know, we're looking at -- possibly looking at bonds here, right? And I -- I would like, you know, I'm -- I don't want to go into big detail or anything, but I'm trying to understand that if there's a bond done, how fast are we going to get the streets done? Is it going to be year-round or whatever to use those funds, or are they going to sit there, or what -- the what's the case may be?

Because I know that you've said in the past that you can only get so many people working, et cetera. So if all of a sudden we have all this money, is a miracle going to happen and all the streets get fixed, and what would that timeline look like? And I'm not being sarcastic, I'm asking.

WELDY: Councilmember, so there are a series of questions in there, and it's all really going to depend on the decision of this Mayor, and Council, and obviously from input from the staff, and then the voters.

In regards to bonds, if a municipal bond or whatever type of bond is decided to be used, only the amount of bonding and or funding necessary that we can do in a one or two year horizon will be sold, and that work will be completed in that horizon. But it's not an all at once. It'll be spread out over a period of time.

MCMAHON: Okay. Thanks so much. I appreciate the clarification. So going in with that mindset about bonds will help. Thank you.

SOLDINGER: And just to add to that, typically with a bond, you have a three-year period to be able to spend the bond proceeds. So Justin mentioned one or two, really based on the legality of it, we could do up to three years of additional bond -- bonded road work. So one of the big benefits of I've --

UNIDENTIFIED SPEAKER: I've got one question, too, if I could.

SOLDINGER: Of course.

UNIDENTIFIED SPEAKER: At that time horizon then is two years and we have 30 to $50 million worth of backlog. Say, if money came from trees, how long would it take for us to do that kind of a backlog repair? How many -- how many years? What's the time horizon that we're looking at to get all the road work complete, if they were bond funding.

SOLDINGER: So Mayor, Councilwoman, Justin's saying five to seven. I think it kind of is a little bit more nuanced than that. It just kind of depends, right? We're going to talk about our ongoing revenues. We -- right now, we've been budgeting to spend more than we're even bringing in because we've had that money saved up. But if we don't have that money saved up, we wouldn't be able to continue doing that five million or so of road work. So that's probably thinking about that $5 million -- 5 to $6 million figure we've been doing, that would be a challenge unless Council keeps directing General Fund money into the Streets Fund.

UNIDENTIFIED SPEAKER: So since the bonding only goes out two years, then are we talking about a series of bonds every two years for maybe the next six years to get this road work done? I mean, this wouldn't be a one-time bond then. It'd be a series of bonds to -- to finish the road work, that's what I'm assuming.

SOLDINGER: It's a -- that's a very nuanced question. So I think it just depends on what -- if Council wants to do bonds, right? It depends. There's different scenarios we're presenting today. You could do more than that. But it's -- you know, there's going to be different things to consider with that.

We have an ongoing revenue situation where we can spend a certain amount of money every year. So we could add to that bond funding. And it depends on the different bond options that you look at today as well.

UNIDENTIFIED SPEAKER: Yeah. Well, I'm just riffing off of Councilwoman McMahon's query to Director Weldy that two years out, you can do the bond, but we wouldn't do a bond for, you know, the next six or seven years or for $50 million worth of road work because the horizon, I believe, he said, was two years.

SOLDINGER: It's three years --

UNIDENTIFIED SPEAKER: Three years?

SOLDINGER: -- legally, yeah, with the bond. When you receive the bond proceeds, you typically have about three years to spend that.

UNIDENTIFIED SPEAKER: But we couldn't do $50 million worth of repairs in three years?

SOLDINGER: Well, the scenarios we're bringing up today, Councilwoman, are more the 11 to $22 million scenarios. And so it would help us catch up. We could supplement that by using our Streets Fund and continue to make headway. So if $30 million -- if $30 million is the number and we did a $22 million bond, we could get to $30 million in a three-year period. I mean --

UNIDENTIFIED SPEAKER: Okay.

SOLDINGER: -- unless we're having trouble with logistics, bringing out vendors, and things like that.

UNIDENTIFIED SPEAKER: Okay. Yeah, I'm just trying to get the logistics and the math of getting this done.

MAYOR FRIEDEL: I don't think we've determined that yet. And then, again, you've got the voters have to vote on it too, so.

UNIDENTIFIED SPEAKER: Right.

SOLDINGER: Yes. With a GO bond, it would require voter approval. Yep.

UNIDENTIFIED SPEAKER: Yep.

SOLDINGER: All right. One of the big benefits of debt is it doesn't count towards the expense or limitation. So we talk about that a lot, how we're kind of maneuvering around it. But if we took out $10 million, we could spend 10 million, but we could just budget it every year until we spend it, basically.

BENDER: Mayor, Columbia's on the line.

SOLDINGER: Oh. Hey, Caitlin, are you there?

DWYER: Hey, there.

SOLDINGER: So Caitlin's also with Columbia.

DWYER: I'm here.

SOLDINGER: Yeah, Caitlin's also with Columbia Capital. They'd be able to answer any questions you have.

So Streets Fund fiscal year '25 actual activity. We brought in 9.2 million, but a lot of that has to do with $4 million of transfers. Without that, we're talking about $5 million or so of revenue and we spent $7.3 million. That's just kind of illustrating that we're spending more than we're bringing in, unless we're supplementing that fund with transferring money into the fund that the Council's been doing.

So we spent $5.6 million on road paving work, 4.9 million on road paving directly, and $700,000 for all the additional costs related to that, which are sidewalk repairs, concrete, and striping. And other streets' needs, $1.7 million.

So what are other streets' needs? I've had this question before. We -- for all our staff out of the Streets Fund and other contractual services, that's about $1.1 million per year that comes out of this fund.

Rights of way maintenance, this has a lot to do with landscaping and repairing the medians and things like that in our streets. We spend about $500,000.

Street signs, 60,000 and 13,000 for street vehicle maintenance out of this fund.

So I've had that question what do we do other than road work? Well, this is what we do out of this fund otherwise. And so that's about 1.7 million -- 1.6, 1.7 million. But we budgeted about $2.2 million for those purposes.

So same kind of scenario. We bring in about $4.7 million of projected revenues next year without transfers, without the council directing more money in there. And what are we going to budget for road paving next year? We've kind of talked about initially, you know, going back to the $5 million baseline. That's actually historically higher than we've done. A lot of years, we did two and a half, $3 million looking back in the 2010's. But we could go back to the five million. We could do a little bit more, but the risk with doing more is it's less sustainable. Without putting more money in by transferring money, at some point, we're not going to have any money left in the Streets or very little money. So we'd only be able to budget based on our ongoing revenue situation.

EARLE: Can I -- can I ask a question?

SOLDINGER: Yes, of course.

EARLE: So if we did put five million in, we're really only having three million to spend on the roads because of the other two million goes for salaries and other expenses?

SOLDINGER: Exactly. Yes, Councilwoman.

EARLE: Okay. Thank you.

SOLDINGER: And so that's what this is trying to illustrate. For our ongoing revenue situation, based on our projections, we have 2.2 million there at the bottom for other street's needs. If we didn't have any money in the Streets Fund at year end, this is all we could spend on road paving based on our ongoing revenues, $2.5 million. So that's closer to what we've done historically, not in recent years. But the Town has been able to budget more than that and do more road work because of Council transferring money into this fund.

And think of that when we're looking at the bond scenarios with the pledged revenue. If you pledge revenues for a bond, so restricting our future revenues, we'd have less money to do real work. Take 1.4 million off that 2.5, you're looking at about $1.1 million only for ongoing revenue road work other than paying for the bond.

So Council has approved many transfers of about $14 million over the past four years into the Streets Fund. That's about how much we have in the Streets Fund today, $14 million.

So $6 million, what we're projecting at year end after spending all that money on all those road projects. And so that's about 15 to 20 percent of what we need to fix our backlog of roads. So this is just illustrating we don't have enough today. We can continue to take chips at it or we can consider other options like a bond.

Again, the expense limitation that's, really for us, one of the biggest benefits of a bond is it doesn't count towards that.

I'll just kind of -- we've already talked about the exponential limitation quite a bit, so I'll shoot through this. Our -- our exponential limitation for next year preliminarily is set at $38.2 million. About 1.5 million then last year -- or this year.

And some of this is also kind of just getting into repetitive information. We've already talked about HURF revenues. And investment earnings are excludable, so they don't count towards the expense limitation. That's what we've been doing, working with Michael, saving up that money in our funds so we could take bigger chops at the road work and add more to our budget, but still complying with the constitution. So HURF is about 1.9 million. Investment range is going to depend on the year and how much money we have in that fund.

Last year, we talked a lot about how we were able to do more road work for fiscal year '26 because we had that big carry forward in the Streets Fund. So on the left, that 9.5 million is how much we had. We had, like, 11.5 million in the streets fund at year end last year. 9.5 million of that was HURF and investment earnings. And when we use that money, it doesn't count towards the expense limitation. So we were able to budget more for road work this year doing that $10 million. And you'll see that our projected carryforward of those revenues are about $5 million. So it's going down is all we're trying to illustrate. There's less ability to do one time road work going forward. There is still some, but less.

Okay. Bonds -- a bond is a type of loan made by an investor to a borrower.

One second. Sorry.

EARLE: Do you mind if I had a question before you go on to the bonds?

SOLDINGER: Yep.

EARLE: Because it was new to me, I hadn't understood that salaries are paid out of the different buckets.

So is the salary -- the salaries that are -- the expense limitation for putting money into roads, is the salary part is that deducted from that, or is it -- can the salaries be paid out of something else so more can be spent on the roads? Just help me understand that. Thank you.

SOLDINGER: Yeah. Okay. Mayor, Councilwoman, so it's really based on the revenue source that's being spent. It doesn't really -- I could be -- I'm probably wrong. Michael, would you like to explain that? Or I can kind of stumble through it. It's a complicated question, though, so I'd like a better explanation. Okay.

STELPSTRA: So Mayor, Councilmember, when it comes to the expenditure limitation, the expenditure limitation is in total for all -- all of the buckets, so Town as a whole. So we could -- if we wanted to pay those salaries out of a different fund, we could, but that doesn't help us with the expenditure limitation. It would free up additional funds in the -- the Streets Fund to -- to do on roads. But then that also takes those monies away from, say, the General Fund. And the General Fund is where we've had the excess monies to transfer into the Street Fund. So to some extent we kind of end up in a circle.

EARLE: But I thought I understood there's a limitation to what you can spend on streets specific; is that not correct?

STELPSTRA: That there's not a limit on what you can spend on streets. The sum of the revenues, like the HURF money, is restricted to streets --

EARLE: Okay.

STELPSTRA: -- so we can only spend that on streets. And that's a lot of the carryforward that we've built up in there is that HURF money. So most of that five million -- or I guess a year -- and probably -- I think it's about 3.5 of that 5 million is HURF monies. So that's money that we can only spend on streets. The other 1.5 is -- is investment earnings. So that has a little bit more flexibility. But we've put that in the Streets Fund. It's been earned on moneys in the Streets Fund intended for streets. But -- but yeah, it's the HURF money is restricted for use by streets, but there's no limit on how much we can spend on streets.

EARLE: That's interesting, because I thought I was being told before that there was a limit to what we could spend on streets.

STELPSTRA: Not -- not through the expenditure limitation or anything else I'm aware of. Yeah.

SOLDINGER: So Councilwoman, so the exponential -- let's go back to this 38.2 million. The expansion limitation is for the Town as a whole. And it's kind of like a ceiling, right, 38.2 million. And when we're putting all the buckets together in our budget, the streets is just part of that. We start with our general fund, which is most of our budget, and it's based on our ongoing revenues, and we balance it from revenues and expenditures. Anything after that, we're just kind of piecing it together like a puzzle to get under this 38.2 million. So the expense limitation just restricts the total budget, but roads is a part of that conversation. And because we've saved up that money that doesn't count towards it, when we're looking at the different buckets -- I wish I had a different slide up -- but we have the General Fund bucket that's kind of going to stay the same kind of no matter what you do. You could use -- I'm complicating it -- sorry -- you have the General Fund that's pretty much going to stay the same based on our projected revenues.

The Streets Fund, we're saying, hey, here's the ceiling. We're already here with this. We're going to put the Streets Fund here. But a lot of this bucket doesn't count towards this, so we can go over it. And so it's just the expense limitation as a whole. And it's just a navigation and like a dance to get underneath it.

UNIDENTIFIED SPEAKER: Talk loud.

UNIDENTIFIED SPEAKER: So we -- just because we have to pay so many other bills, what you're saying is that we then get the bond that goes above and beyond (indiscernible).

SOLDINGER: Yeah.

UNIDENTIFIED SPEAKER: (Indiscernible) everything?

SOLDINGER: Yeah. So -- so great question. In the illustration, I try to make General Fund -- let's just consider the two funds. Don't think of all the other funds, right?

General Fund, right now it's, like, 26 million, 27 million.

Streets Fund, let's say it gets us up to that cap, right? It's like, oh, we can't spend more money on streets. If we get a bond, we can just lump it all on top into the Streets Fund and spend it as we need to and include in the budget, because it doesn't -- this -- this ceiling, it goes through the ceiling. It doesn't count. And so that's the way I would try to explain it if that.

Does that make sense?

Okay. So bond issuers, in this case, if the Town were to issue a bond, we would be the bond issuer and we would pay principal and interest to investors of the bonds. So this is a common practice. Cities and towns across the country and Arizona issue tax exempt municipal bonds to finance capital projects. It's a -- especially with larger governments, this is a very, very common tactic or discussion.

Arizona municipal bonds are typically repaid from utility revenues, excise tax revenues, or property taxes. We don't have utility revenues. So our options are excise tax revenues, which would be the -- the street sales tax that goes in that fund. There's also maybe one or two others we could even consider. But property taxes, that would be a general obligation bond that we'll talk about today. That would create a property tax on the residents if we were to issue bonds like that.

So generally, they're tax exempt. And borrowing a tax exempt interest rates enables municipalities to get basically lower cost of issuance. So when you're issuing a bond, it's lower than other -- it'll cost you less in interest than other types of financing, such as just going to the bank and trying to get a loan, right? So -- and there are some instances which Zach and Jim could talk about what they see in the market on where you can have options to pay off the debt earlier, refinance the fees, the bonds earlier. So they could talk about those options they see. But there are options like that out there in the market.

Previous Town attempts, the Town Clerk and I look back, so we believe we have all the GO bonds for streets. I also use ChatGPT to help me search for this as well, look back in our files.

And so in 2011, the Town did try to get a GO Bond passed by the voters. And just to clarify, if you do a GO Bond, the voters need to approve it before you proceed. The Council would approve it first, go into the ballot, and then it would go to the voters.

So 2011, we tried that. It was broad. It was for street and transportation related purposes for $29.6 million. And talking to the Town Clerk, the idea was to fix all the roads back in 2011. That's how much we placed on that -- that number. You'll see that it failed. 44 percent voted for the bonds and so it failed.

We tried again 2013. We made it more specific, transportation, street upgrades, including the rebuilding of Saguaro Boulevard. So what we did is, we were asking to reconstruct Saguaro Boulevard, similar to some of the other conversations we had. We asked for up to $8.2 million in that bond election, and it passed pretty easily, 67 percent for the bonds.

So all we're trying to illustrate here is if this is something the Council wants to do, it probably makes sense to be more specific in what you're asking the voters to decide on. It's up to Council if you want to proceed on something like this, but definitely I would recommend be more specific.

GOODWIN: Paul, I just wanted to point out that, so in 2011, 2.96 million is what they calculated to fix all the streets at that time. That's how much money was needed. Now we're talking about what number?

SOLDINGER: 30 to 50 million. After doing about 15 million over the last two years, though, we've done a lot of road work.

GOODWIN: So this really just illustrates again that the cost of maintenance goes up over time. There's just no denying that. And this just sort of highlights if it had passed in 2011, that's how much it would have cost us versus what it would -- what it potentially will cost us today.

Is that accurate?

SOLDINGER: Yes.

GOODWIN: Okay.

MAYOR FRIEDEL: There's one other factor. We probably have more roads now than we did back then too. And maybe they're not as in bad a shape, but the mountain is still there.

SOLDINGER: All right. I try to get creative. This -- this is kind of a busy graphic, so I apologize.

But we were just talking internally, just giving some options, right? We looked at Palisades Boulevard, Fountain Hills Boulevard, or if the Council wanted to, you know, select a list of roads from the BOSS data. We actually got estimates from a vendor, and it's about $11 million to do either of these roads. They're two of the largest arterials in Town -- for Palisades Boulevard and Fountain Hills Boulevard.

And that would be a reconstruction project, right, Justin?

And so Justin did say, if you wanted to do --

What do you call it if you just put, like, make it look better and put some stuff over the top? I can't remember the words.

If we want to do something more simple, like, a million overlay, it'd be about 30 to 40 percent of those costs, like, $4 million is kind of the range. But $11 million is kind of a good figure for an example, right, just to consider today.

And so with a general obligation bond on your left, it would require voter approval. And if they did approve it, the Town would levy a secondary property tax each year upon the residents to pay off the debt each year until it's paid off. So it's for a limited time frame, depending on what the bond -- the bond that you'd like to proceed with is.

A pledge revenue bond, we discussed that more at length last time. That's where we restrict our future revenues. We're not implementing a property tax on the residents, but it doesn't require voter approval. And we're just saying we're going to pay the bank back with the money that we're already projected to bring in. So every year when we bring in that money, we pay the bank the debt service.

There -- there is an option to raise sales taxes to pay off the debt. Or you can -- the Council could approve that, or you could go to the voters as an option to ask them if they want to raise the sales tax to pay off that debt for a time period.

One other really important consideration -- actually there's two, but MAG includes

Palisades Boulevard between Shea and Saguaro and it's future plan Prop 479 projects. So it's 15 years out, 2041, but they would pay for 70 percent of the reconstruction costs of that road.

So that's just something -- I mean, it's a big amount of money. They have $17 million allocated to that project. Right now, today, we think it would be 11 million based on estimates to do the whole project. 15 years out, it's a long time though, but something to consider.

One thing we've recently been discussing, too, is there is a relatively large utility project that will happen on Palisades in the next year that will impact -- and part of that road will actually be repaved by the utility. So just another thing. And Justin could answer that -- those questions.

MAYOR FRIEDEL: Paul, I have a question for you.

SOLDINGER: Yes?

MAYOR FRIEDEL: So say the residents of the Town approved a five-year general obligation bond for $11 million --

SOLDINGER: Um-hum.

MAYOR FRIEDEL: -- and we have it on our tax bill every year. Can the Town make additional payments on that outside of what we're paying in order to pay that off early? Or how do you pay that off early?

SOLDINGER: Yes?

He's nodding, yes. But he'll -- he'll come up and expand on that, Mayor.

MAYOR FRIEDEL: What I'm thinking, Paul, is that if, you know, if we had increased revenues, sales tax revenue, and other things, and we were flush with money, we could -- we could retire that debt earlier and take the burden off the -- the taxpayers.

STELPSTRA: Mr. Mayor, members of the Council, it depends on who you borrow the money from and what the original duration is.

So in the $22 million example, that is more of a traditional twenty-year financing with a ten-year par call. So the majority of municipal bonds are sold twenty years with a ten-year par call. And that's an open market transaction, that's rated by one of the rating agencies and it's sold to the public, either by competitive or negotiated sale. You have other alternatives if you're willing to do shorter debt. So a ten-year debt, you are not currently rated and you don't currently have publicly issued debt where you have to be Emma reporting. And so in that instance, you may also do a direct placement with a bank. They would loan you the money. The advantage of doing something like that is, the banks are a lot more liberal with their call features. And so you could do a five-year call, perhaps even a four-year call. And then when you have that extra money, you could use it to pay down that debt.

Now, going back to a traditional twenty year with a ten-year call, if you have extra money, you could create an invested sinking fund or an escrow and put money in to that escrow to make the payments at the ten year call date. So in year five, you could put in $1 million, and in year ten it would be a million plus interest and you would pay down some of the principal.

So there's different ways of doing it. It just depends on what you're borrowing and how you borrow it. So you make covenants with the investor. And so it depends on the type of investor. But in the case of the shorter deal, we would seriously consider doing a direct placement with a bank because you don't have to then pay for a rating. You don't have to then do an official statement. You don't -- you're not selling to the public. You will not then create annual reporting requirements on a repository, so when you do it with the direct placement with a with a bank.

SOLDINGER: Could you -- could you speak on if -- if it was a GO bond and we were levying a tax on the residents, if we decided to pay off some of the debt with excise tax revenues? I think that's kind of what the Mayor -- how would that impact the levy year to year?

STELPSTRA: Mayor, members of the Council, if you have alternative sources of revenue that are not restricted, you can use those to pay down GO bonds. Historically, there have been instances where communities would vote, for example, a utility rev and a GO with the same authorization. They would issue GO bonds, but they would repay it with utility revs and not levy the tax.

So it depends on the circumstances. And then maybe to kind of go back a little bit to the discussion about borrowing over two to five years. And oftentimes on an initial borrowing for a phased program, you do borrow two years because you don't know if you're going to spend that money yet because you're still designing it. It might take a little bit longer. After you have all the design and you're under construction, you're going to spend that money a lot faster. And so then, you know, you would be looking at, maybe, a three year.

So the legal requirement under IRS rules to be tax exempt is that you have to reasonably expect to expend the funds within three years. So if -- if you know you're going to have a five- or six-year construction period, then you're going to ultimately phase that program. And so when you do your projections on debt service and future tax impact, you would see multiple series instead of a single series.

And then -- what's the other thing I wanted to say about that? You can also, during the -- the process of getting your authorization, you can establish, you know, sort of like ceilings, you can make promises to the voters as you did on your last successful bond issue. You said, we're going to borrow the money, we're going to spend it for this and nothing else. And if there's any money left over, because we happen to be going into a great recession and construction costs were low and you came in under budget, you didn't go out and build extra sidewalks or anything else. You only did what you said you were going to do.

So, you guys, you know, from our perspective, have a lot of credibility. And then you would do that going into this one. You would say, okay, we don't want a tax rate above a certain level. And if we can't get to that, we're going to delay the sale or something. You can move things around a little bit. You don't have to borrow the money all in that six-year period. You could delay that. And once you have an authorization and yes, the voters approved it, you still have to approve the sale. So you don't -- you don't lose control after you have the authorization, and you've decided to ask the voters, the voters say, yes. You may not sell those initially. You may wait a couple of years and then borrow for three years after you spend a small amount during the design phase or whatever. You have a lot of flexibility.

Any other questions while I'm up here?

MAYOR FRIEDEL: Paul, I have a question. So when we did the Saguaro bond, it was about $8 million. Did we pay that off early too, do you know?

SOLDINGER: So Mayor, we did not. As a five year repayment period, we paid it off in fiscal year '20. So about five years out. We took it out in fiscal year '15 and '19 or '20 is when we paid it off.

MAYOR FRIEDEL: Okay. Thank you.

SOLDINGER: All right.

MAYOR FRIEDEL: Councilwoman?

LARRABEE: Thank you. And Paul, or perhaps one of our bond experts, I think I had a misunderstanding of what a pledged revenue bond is. When I've heard that in the past, for other municipalities, it's been, like, for a toll road or a public parking garage, where the revenue from that project is what's being used to pay back the bond.

So could we clarify what exactly we're pledging if we were to get that bond? The reason I'm asking is I -- I have no interest in a general obligation bond. I don't want to put a tax on the voters, but I'm interested if this is something where we take on the responsibility of paying this back.

SOLDINGER: Sure. Absolutely, Councilwoman.

So Mayor, Councilwoman, going back to this slide, it's an easier way to illustrate it.

There's two we could consider pledging. So at the top, you'll see the revenues TPT, the local sales tax, that's the main one. That's what I would recommend, considering that $1.4 million. It's an excise tax revenue for streets. We could pledge that.

We could also do the vehicle license tax. That would be an option, but I really would not recommend that because it's an unrestricted revenue. And it hasn't been -- it's been designated for streets right now by Council. But that's -- you know, talking about potential revenue issues in the future, if that does happen, that would be one of the first things we want to have a discussion with Council, like, can we put more of that back into the General Fund. So we wouldn't want to restrict it and lose that ability to do that.

So that 1.4 million is what we have that we could pledge at this point.

LARRABEE: Okay. So if we were to -- if we were to do -- try and get an 11 million bond over ten years, we would be making the assumption there's not anything -- well, I mean, I guess you have to anyway, but anything catastrophic coming down the line economically since 1.4 gives us very little wiggle room --

SOLDINGER: Okay.

LARRABEE: -- considering interest rate for paying that off. Do you know what the -- If we say we want an 11 million bond, we want to pay it off over 10 years with that TPT, what would that look like for interest?

SOLDINGER: Okay. So Mayor, Councilwoman, we'll get to that slide a little bit, but let me kind of touch on it and I might need to pull them up.

But basically, the 1.4 million is what we're actually bringing in. Remember our -- our projections are conservative, so the projection is closer to 1.3 million. So the example we'll get into for the $11 million, that's about $1.4 million of payments of debt service each year. We probably couldn't do that under our current projections. We could do something very similar, maybe do 11 million over 12 or 13 years, or whatever. Maybe just adjust the repayment period. So if we're to do something like that, that's kind of the -- kind of options we'd have to -- to discuss.

LARRABEE: All right.

SOLDINGER: Does that sound about right, Jim or Zach? Or is that if there's anything you can add. Is that okay?

Yeah, sure. Of course.

SAKAS: Mayor, Council, Zach Sakas I'm a bond attorney at Greenberg Traurig. If anybody needs to take a big drink of coffee before I respond to your question.

LARRABEE: Thank you.

SAKAS: So what we see most commonly for Arizona municipalities on a pledged revenue situation is typically your excise tax revenues, plus your -- your state shared revenues, you have the most flexibility.

LARRABEE: Okay.

SAKAS: And so most commonly what we'll do is you'll pledge your excise taxes, plus your state shared revenues. But with Paul, Council input, Jim's financial advisory services, Town Manager, Town Attorney, we structure it where the repayment schedule matches up with the -- the more limited amount that you identified and that Paul was just chatting about, that 1.4. So you get the benefit of, right, larger number, so now you're a stronger credit and more attractive to obtain potentially a lower interest rate from investors. But then you size it appropriately, so the repayment stream, you're not, you know, spending above your means or what you want to spend in that situation.

So I wanted to make sure that part on the pledged revenue structure. Very common, not a toll road. It's just a, you know, it's a contractual obligation that the Town is authorized to enter into.

LARRABEE: Okay. Thank you. And sorry, just to clarify, I didn't think we were building a toll road. I just meant that that's what I've heard that used as in the past, is for the revenue from that project comes. Anyway -- thank you. I think that's all I have.

EARLE: So may I ask a question? If we do a pledge bond, then are we taking that money away from our actual Streets Fund that we have now so we would be able to do less. But if we did the GO Bond, we would be able to do that main road, plus keep doing the monies we have for the Streets Fund right now. So it would add to it instead of, kind of, taking away from it?

SOLDINGER: Yes -- yes, Councilwoman. Exactly.

EARLE: Okay.

SOLDINGER: Exactly. You have -- your -- perfect understanding of it.

So -- so let me get back. Where were we?

Okay. So we issued the GO bonds for 7.6 million, repaid over a five year period. I did look this up, and we did sell the bonds at a bit of a premium. So we brought in a little bit more than the face value of the bonds, about $300,000. So we brought in -- we issued the bonds, we were going to pay the debt 7.6 million, but we actually received about 7.9 million of proceeds.

So that also -- that's a complicated subject. I'm sorry for bringing it up, but if you want to talk about it more, we can. Sometimes I do that.

GO bonds, so last time we led with pledged revenue obligations. I think to Councilwoman Earle's Point, it's a good option, still the pledged revenue bond, which we'll get into a little bit. But the problem is, if we have 3 -- 30 to $50 million of backlog, we're going to be -- if we do a pledge revenue, we're restricting our future revenues. And so if we don't feel comfortable with that, we're going to take care of our backlog. It almost does -- I don't want to say it doesn't make sense, but it would make it harder for us to do more road work in the future, and that would become a challenge.

And so talking about GO bonds, I know they can be popular with some, not popular with others. I get it. But this is the option that we would bring forth first for Council, right? It does raise additional tax revenues by doing a tax levy on our residents every year to -- to raise the money to pay off the debt. So it would be required to go to an election. So Council would approve and then it would go to an election process.

The recommended election would be next year. And the only reason for that, it does cost the Town more money to do a special election. But this year it's a little bit too late in the game. We don't really have any runway to discuss it, do any public outreach. So if you -- if the Council did want to do something like this and wanted to stick with the general election, that would have a higher voter turnout and cost the Town less. You could push it to 2028, that'd be two and a half years from now. So then we could have this conversation again in a year or two and start making those decisions. But that's the reason for the recommendation. It's because it's just kind of late in the game to do it this year if you wanted to do that.

WATTS: Just a quick question. What would the cost be of that special election?

SOLDINGER: Bev and I were talking about it.

Bev, could you add to that.

BENDER: Somewhere around 53,000, because we would have to bear the brunt of the voter -- how they charge it is it's $2.12 per voter --

WATTS: Okay.

BENDER: -- if we pay for it. And then it's 50 cents a voter if we're on the ballot with someone else. That's why you always try to pair up.

WATTS: Okay. Great. Thank you.

SOLDINGER: Yeah, of course.

And Bev and I actually looked at our -- our archives print out Excel sheet yesterday and the last two bond elections we did, were special elections. They do cost the town more money. So that is a valid concern and something to think of. And it would typically have a lower turnout than a, you know, a general election.

But typically, bonds are over a fifteen-to-twenty-five-year repayment period. More typical -- the examples we're going to go in in a second, are 10 or 20 years. And these are realistic scenarios that we're bringing to Council for -- for the Town.

Very strong bond holder security. Like I mentioned, people pay their property taxes. Almost -- almost everyone pays their property taxes. So it's a strong bond holder security. The revenue is a very strong source of income to pay off the debt. And typically, that results in lower costs of -- of the debt for the town. And again, it doesn't count towards the expenditure limitation.

So this is just a recommended timeline. We spoke about that quite a bit. Next year would be recommended or 2028 if you want to go with the general election.

I will say -- we, like I said, we still have 6, maybe $7 million of money in the Streets Fund year end. We could probably do a couple years of a little bit more roadwork. We could see if we could bring in more general fund revenue. So 2028 seems like a long time from now, but we could probably do a decent amount of road work the next couple of years. So it's not something that doesn't make sense to do. It could work logistically on -- on, you know, wanting to do more road work.

MAYOR FRIEDEL: Paul, if we did the bond, we could still do additional road work on top of that so --

SOLDINGER: Um-hum.

MAYOR FRIEDEL: -- we wouldn't have to -- and we're not sitting here talking about doing a 40 or $50 million bond. I think that's way too much. It's -- it's the whole apple instead of a bite out of the apple. But if we did a 10 or $12 million bond and we had --

we were -- we still had flush, we still had money there to do additional road work, it would be it would go a long way toward catching up on a lot of this backlog. Do you agree with that?

SOLDINGER: Yes. I believe I was following you. I agree, Mayor, doing a bond would give us a lot more resources, funding -- funding, sources to work with when to sign on road projects, absolutely.

EARLE: Maybe this isn't the right time to ask it, but how did we choose Fountain Hills Boulevard or Palisades in our which road is in worse condition? And --

SOLDINGER: Okay. I'll touch on that, then I'll ask Justin to come up.

EARLE: Okay.

SOLDINGER: Mayor, Councilwoman, it was just in conversations, trying to give good examples. These are large arterial -- let's go back to the map, if we could for a second. I've only been here two years, so I do get kind of confused sometimes where the roads are. That's something I need to get better at, but these should be pretty obvious. Fountain Hills Boulevard, right here in the middle of your screen. It's similar size as Saguaro Boulevard, which was done with the 7.6 million. Palisades, also kind of a similar size and width, as far as I understand. Both have repair issues there, as far as -- I don't know what the PCI scores are, but they have issues. They would probably be recommended for reconstruction at some point, whether it's the BOSS data or staff driven.

And so they were just kind of easy examples. They're bigger roads. We have Shea, Saguaro, Fountain Hills Boulevard, and Palisades. We did Saguaro. Shea's in good condition. These are the two other large roads in town that could really use this type of work.

EARLE: But the 11 million only does one of the roads, not both of them?

SOLDINGER: Yes, about $11 million. There's -- there's some contingency built in, so it's a little bit of a high estimate. But yes, 11 million is the estimate at this point.

EARLE: Okay. And I saw there was a suggestion to possibly use it for what the BOSS recommends. I'll just state it here. I don't think that would be a good idea, because if we're asking the voters to vote on some other people's roads getting done. I think that should stay in -- within our regular Streets Fund being done, so it's not feeling like it's picking out certain people. Although the main roads are the ones that everybody drives on.

SOLDINGER: Yeah, and that's a good point. These are roads that people drive on daily and widely used, so appreciate that.

All right. Oh, now I'm lost.

MAYOR FRIEDEL: And let me add, I think if we're going to get help from MAG, even though it's several years out, Palisades is a good candidate for MAG to help us with at some point -- Prop 479, so.

SOLDINGER: I'll just mention Seguro(ph.) is also on the list, but it's past 2050, so.

MAYOR FRIEDEL: 2050?

SOLDINGER: I'm guessing most of us won't be here in 2050, but we'll see.

MAYOR FRIEDEL: Let's make sure we keep maintaining that road, Justin, please.

SOLDINGER: Yeah. This is just to let you know about also some constitutional requirements. There is a limit on how much debt we can take out. We don't have any debt. It's not a big consideration. But we could take out 62 million in a GO bond. There are other -- there are other categories we could look up to issuing $260 million of debt based on current assessor data.

All right. So the examples. So this is just based on the discussion, realistic examples of what you could do with a GO Bond, if that's something you consider. These were provided by Columbia Capital.

For $11.2 million bond issuance with a 10 year repayment period, assuming a 5 percent coupon rate -- hopefully through the bond issuance process, we could maybe get a little bit lower coupon rate than that -- but it's about $1.47 million of annual debt service payments. And so, it is higher in the first year, 694,000, but it goes down as you're paying off the principal. And so 70,000 last year. So you're paying 14.7 million total over the ten-year period for an $11.2 million bond. And so under a GO Bond, each year you'd be levying a property tax to pay off. So the additional revenues would be coming in to town cafes to pay off the debt.

Another example, a $22 million bond. Say you want to do the two big roads at the same time, or $22 million of (indiscernible) roads -- whatever the Council thinks would be a good idea. This is an example. Over a 20 year repayment period, also assumes a 5 percent coupon rate, you're paying about $1.8 million a year for that debt service. 1.4 million of interest in the first year, 86,000 in the final year. So you're making $36 million of total payments on a $22 million bond.

And so what does that mean to the average taxpayer in Fountain Hills? So we looked at the 2026 tax year assessor data, and we evaluated and calculated these amounts. The average -- the average home in Fountain Hills is -- has a full cash value. This doesn't mean this is how much the house is worth. This is based on the assessor data. $681,000 is the average home in 2026. And the limited property value which the -- the tax levy would be based on, the average LPV, is $459,000 for a home in Fountain Hills. And simply, what does that mean for our residents? If this did go forward on that $11 million scenario, it would mean about $109 per year on the average residence in Fountain Hills for about a ten-year period. It fluctuates a little bit year to year, but that's just an example for you.

For the $22 million GO bond, it would be $135 per year over a 20 year period to repay that bond.

EARLE: Can I just make a statement? If it was the 11 million -- which I kind of like the 22, if we can get both -- no, we're not going to do Palisades because that could be paid -- yeah -- that works out to $9 a month.

SOLDINGER: It does, yeah.

EARLE: And I do not want to make that decision for the voters, but I like the idea of it going to the voters, they let us know, and then after that, we vote on it again after hearing from them. Okay.

SOLDINGER: All right. The only other thing I'll say about this is, it does change the year to year. It's based on the full cash value, limited property values in the town. So the town grows, and the limited property values grow a bit. This amount will fluctuate here and there, but that's a pretty good example of what it will be.

Pledge revenue obligations, we talked about quite a bit already, but this is the other option. And it's a good option if we feel like doing it would catch us up and we'd be in a really good place with our roads. I think it is a good option. It does not increase Town revenues. It's from the future revenues. We'd be repaying the debt based on the future revenues that we're projected to bring in.

And so the Council could ask the voters to raise sales taxes to pay it off, but not required to do that. Yeah, I know it's probably not a popular option. It's just an option.

No voter authorization required. You can -- the Council could move forward on this. And it's from what I understand, it's a relatively faster process. You can get the proceeds quicker. And similarly, typically, you do it over a 15 to 25 year period, but the examples we gave were 10 to 20 years. Again, even in this scenario, it doesn't count towards the exponential limitation. So that is for us from the finance perspective, that's the big benefit of being able to do more road work.

So this is the estimated fees on both scenarios. It's just an itemization of what the estimated fees would cost. This would roll up into the bond from the bond proceeds. We'd make those payments based on the bond proceeds. So $135,000 of total fees on an $11 million bond. $185,000 on the $22 million bond. So just some other information for you to understand.

So with that, I know Jim and Caitlin are here. They know what they see in the market, what they've seen. So some questions, if you have them, they could answer those. Zach, if you have questions about election timelines, or other timelines, or legality of bond considerations, he could answer those and they're available for your questions.

MCMAHON: Excuse me. So your option number two, is that basically encumbering the revenue?

SOLDINGER: Yes, Councilwoman. It's pledging the revenue. It's saying we're going to repay this debt from this revenue. So we couldn't just use it on road work like we've been doing. We have to pay the debt off with that revenue.

MCMAHON: So wouldn't that affect the spending capabilities of that money on other things?

SOLDINGER: Yes, Councilwoman. So we'd be able to do less ongoing road work, other than the bond proceeds work. And so that was -- when I was talking about how it's a good option if you feel like it will catch you up and you'll -- you're going to fix all the backlog of roads, it's a good option for the town. If you don't feel that way -- and maybe Justin could add to that on -- on some of that. But --

MCMAHON: So this one is basically filling up -- is addressing the backlog?

SOLDINGER: Well, it's just doing road work, whatever, you know, the Council would decide to do with the bond proceeds. And if you feel like it would fix the backlog, that would help. Because one of the concepts that we've talked about internally is if you fix the backlog -- because a lot of these reconstruction projects that we've talked about recently, like Palomino, Thistle, Richwood, it cost a lot more to reconstruct a road than just to put preservative and maintenance. A lot -- a lot more. So if we get to a point where our roads are in a lot better condition, our maintenance program should hypothetically cost a lot less on an ongoing basis. So that's where -- that's the kind of assertion or implication I'm making. If -- if you spend money to fix the roads and get them in better shape, it will cost us less to maintain on an ongoing basis, but we'll have less money on an ongoing basis to retain --

MCMAHON: Well --

SOLDINGER: -- to keep them in good condition.

MCMAHON: -- I'm trying to understand this. So it's basically encumbering the money. It's not fixing -- really fixing the problem all over. And we also -- we are already putting a couple extra -- working hard to put a couple extra million dollars a year in the fund.

SOLDINGER: We are.

MCMAHON: So basically, we're already doing that with -- without encumbering an income source?

SOLDINGER: We're doing -- so Mayor, Councilwoman, what we're doing is giving the Council the ability to make decisions year to year --

MCMAHON: Um-hum.

SOLDINGER: -- rather than getting a lump sum of money like we could do --

MCMAHON: Um-hum.

SOLDINGER: -- and do a bunch of road work at one time. So we're doing the most we can within the constraints.

MCMAHON: Okay.

SOLDINGER: The only thing I'll say on that is our general fund revenues are flattening. So if that continues, it'll be more challenging to put more money in the Streets Fund in the coming years.

MCMAHON: Right. But weren't these going down too? I'm trying to -- it's a lot of information.

SOLDINGER: No. So for our local sales tax, it's flattened. It's flattened a bit.

MCMAHON: Yeah.

SOLDINGER: But our projections are conservative. So our revenues are coming in above our projections still.

MCMAHON: If Council wants to look at this further, would you be able to show us some cause and effect, you know, if this was encumbered on the budget?

SOLDINGER: Yes, absolutely.

MCMAHON: Thank you. Yeah.

LARRABEE: Sorry. I think he was ahead of me.

WATTS: Paul, I think a question that is going to -- we're going to be presented with is what the public is going to ask. And we have a certain amount of money to spend, like any -- any individual, any family. How did we choose to only look at bonds, whether they're GO bonds or whether they're the excise tax bond? Did we just arbitrarily say we're not going to look at any capital improvement issues, because we could take money from the general fund and move more money into the streets projects? Why did we make a decision to go down this path as opposed to alternate solutions?

SOLDINGER: So Mayor, Councilmember, we were directed by the Mayor to start looking at this again. And we've had several discussions with other Councilmembers. They're just interested in having the conversation again. It's just an additional -- it's a way to raise money at a time when the Town's revenues are a bit flat and becoming more of a challenge.

And the two options we provide today are the most common, by far, bonding options for municipalities. So that's why we brought these. The other options are -- they would cost the town more in the long run to -- to do that.

WATTS: So is it really an issue of we have a fixed amount of money to spend on roads, regardless of where it comes from and the public has to make a decision. Do we want to add a tax, additional -- it isn't really a property tax, but an additional taxation basically or do we want to keep in one way, shape, or form, cobbling together the -- the amount of money that we did this year, whether it's from the General Fund, the HURF fund, wherever it all comes from in aggregate, to be able to accomplish what the public wants. So that's the decision they really have to make, isn't it?

SOLDINGER: Yes, absolutely, Mayor, Council -- Councilmember. If the public wanted to do this, we brought it to the voters, they would decide. But the Council has the policy making ability to just continue to do what we're doing. So it's really kind of up to you on how we move forward on this process.

WATTS: I think just important to make sure the public recognizes that we are trying to look at all options to -- that benefits them the best. That they need to be vocal about things like this and they need to express themselves, make sure that we understand what they -- what they prefer. Because if I didn't live near Fountain Hills Boulevard, or Saguaro, or Palisades, maybe I wouldn't have the same feelings about doing those roads, and I'd rather not have my -- my taxes go up. But on the other hand, if you have to look at the whole aspect of the town, think about how it affects the town as a whole, then maybe I would want to do the general obligation.

But I'm not really a fan of the excise tax, because it does limit the amount of money that we can utilize for the ongoing repairs, and I think we're -- we're cutting ourselves short. So I think we really have to look more at the general obligation bond to make sure that we continue to maintain the streets.

I don't know that the amount of money that we've got remaining after the pledge is sufficient to maintain the streets, particularly at the rate of deterioration that we're experiencing, whether it's weather, or traffic, or whatnot. So I think if I had to go one way or the other, I'd probably go with the general obligation. But I want to make sure we explore every opportunity to continue to do what we did this year before we go down the path of a bond. Thanks.

MAYOR FRIEDEL: Before I turn it over to Hannah, I'll just make a couple of points to what you said, Rick. I think anybody that comes to the Town or drives through the town on the way out, these major arteries are something everybody uses. So the residents need to be aware of that as well. It might not be a neighborhood street, but I think the bond gives us the ability to do -- continue doing both things, get the major arteries taken care of, and continue our residential work, which helps all the residents. So I think it's something to consider, and that's why we're just talking about it.

But Hannah, go ahead.

LARRABEE: Thank you. And I do appreciate the conversation.

I wonder -- for option two, I agree with the concerns that have been brought up. I think that we need to make sure that there's enough money left over to also maintain. Which makes me kind of default back to this year by year understanding what we can transfer in. I think that our ability as a Council to make wise decisions to chip away at these things and catch up on our maintenance is the more responsible option personally, because this tax pledge, it's a great idea for getting us caught up, but then we have to deal with each year after and make sure we have the ability to maintain. So it's a good -- how do I say -- almost like instant gratification, I guess. Like, we instantly get what we want, but there's a cost to that.

Option one is putting what is a government responsibility as a burden on the taxpayer. We have this backlog because of, you know, many, many, many past councils, and it's something that we need to deal with. I do not feel right asking the voter to say, you know, some -- some things were put on the back burner years ago, and it all built up, and now we would like to you to pay for it now. I don't feel right about that.

So my -- my wonder is if there's an option three of creativity within our means. I think there's other things that we can limit within the budget, such as maybe there's some tighter decisions that need to be made on capital improvement projects. I think that we've been doing a good job of that each year on this Council to transfer in -- I think last year you said, four million; is that right?

SOLDINGER: Yeah. Fiscal year '25, four million. This year 1.5 million.

LARRABEE: Okay. Right, so far. And that's just my two cents on it. I go for option three, which didn't have a slide, but I made it up.

SOLDINGER: Appreciate it.

Is there any Council direction at this time? I mean, is just have another conversation in the future or --

EARLE: Can -- I think we're going to hear from Justin?

SOLDINGER: Oh, Justin, yeah.

EARLE: Yeah.

SOLDINGER: Could you talk a little bit?

WELDY: Yeah, I could.

MAYOR FRIEDEL: Well, Justin's heading up, I'll just say this, if we have the voters decide, we're still giving them the vote and the voice as to what direction they want to go. So I think that's important going forward with this, you know. If they're happy with what we're doing, piecemealing this together, so be it. It'll cost us, you know, what -- $50,000 roughly, to have a special -- 60, 53 -- 53,000 to have a special election. It might be well worth it to -- to get the input from the voters and see what -- what they think. But I'm just one -- I'm just one vote up here.

WATTS: So I think I like -- I like option three. I think it's -- it's our responsibility to say we can do this. And maybe the question is how can we accomplish the goal without a bond under our current financial constraints? How can we do that? Do we eliminate all the CIP stuff? Do we -- what do we do?

But I think it's incumbent on us to -- to give the voters -- if we put this on the ballot as -- and again, my preference would be the General Obligation bond -- if we put it on the ballot, I'd make -- I would want to make sure that the voters understood, we did our due diligence as well, saying, here is the only real way we can accomplish what you want to accomplish. And if you don't, here's the alternate, which is three, and it's going to take a longer period of time. We're going to maintain the roads that we've got, but here's how we can accomplish it. And just saying, you may lose some of the amenities that you've got today. They may be maintained but not necessarily improved.

I think that's option three Is what Councilperson Larrabee was saying, is that we haven't done completely all the work yet. We've done the work going down one avenue. We need to go down avenue three as well.

EARLE: Then my question is, can you explain to us why -- or if roads were not done, and what period of time they weren't worked on, and the reason for them not being worked on, and did that actually cause us to have a backlog now?

WELDY: Mayor, Councilmembers, so a little history trip. So as -- and I am going to go considerably deeper into this with the next presentation -- as part of incorporation, the Town absorbed the three road districts. Those three road districts simply did not have the taxing authority or funding to address the roadway network that was there. After incorporation that continued to plague the local government. So the Town has simply not had enough revenue to maintain the roads they inherited, nor build new ones. Some of the roadway network was built by new development. Some of that is gated and paid for by other revenues within those gates. The rest of it was assessed to each individual home.

The bottom line is, there's simply never been enough funding to address the roadway network because there is not a steady revenue source to do so.

EARLE: Do you foresee that we could get caught up and then get into a maintenance program where we can actually keep everything up to date like it should be, and what that process would require?

WELDY: The current scenarios or options that are being floated do not address the backlog. So the backlog is at a steady growth, even with the funding we're spending right now. In order to have adequate funding, you need to address your backlog and keep it at a manageable rate while you continue to do work.

So that the scenarios or the funding that we're looking at -- and let's look at the priorities -- arterials, collectors, local. So when we're discussing asking the folks for money or figuring out another alternative for that, our priorities are going to be on the arterials, which is Shea, Saguaro, Fountain Hills Boulevard, and Palisades.

Then we're going to be addressing the collectors, that's the Palomino, the El Largos, those types of roads.

And then lastly, and this is no offense to any homeowner in this community, are the local roads. Because they have -- they are least impacted. It's also important to note that unless you live in a gated community, all of the roads, regardless of their classification, are public streets, and public streets require funding not only right now, in the past, but forever because you have to maintain it.

So the answer to the question is the backlog is not being addressed with the bonds. We're looking at priorities and some select locations.

EARLE: But if we did get the bond, we would be able to take care of the local roads in a more timely manner; is that --

WELDY: That's a little bit of a challenge there. But we would -- it would be up to this elected body, with the guidance from the gentleman behind us, and Paul, and the Town Manager on -- on how to proceed and approach that. There are several different options there. And one of them would be if we weren't doing something in regards to a collector or an arterial, we may be able to address some of the backlog in the local area.

MCMAHON: Justin, did I hear you right -- and I'm trying to understand this -- is just the backlog would not be addressed if we had a bond?

WELDY: Mayor and Councilmember, that's correct.

So what we're looking at is a -- again, the priorities arterials and or collectors. The discussion we've had here today is focusing primarily on Fountain Hills Boulevard and Palisades. So while they are in our backlog, they're not a large enough percentage to give us a downtick. So this discussion today is not addressing the backlog.

MCMAHON: Well, if -- if we're going to -- if -- I know this is just a discussion, but if we're going to go out there, and we're going to have a bond, and maybe ask the voters to vote on it and increase their property tax, even $100 or whatever a year, how are we going to explain to them that we're not covering all the streets? That we're not covering the backlog with that?

I mean, it's not making sense to me, because if we're going to go that far to get a bond, I would hope that it would include the backlog streets as well, because otherwise, it seems to me like we're going to have to double up. We're going to have to get option one and option two, option two to do the backlog. Or I guess, use that bond primarily for that, and whatever money is in the budget to pay for the backlog. But how are we going to pay for the bond?

So that's my concern, just having heard that, and maybe I'm misunderstanding how all the financial logistics will come together if this comes to fruition.

SOLDINGER: Rachel?

GOODWIN: Mayor, I think Paul and I are both going to try and address that.

I'll start, Paul, just to give your voice a second, but then feel free to fill in.

So I think where this conversation is going is, if we do a bond, regardless of which kind, if we do a bond, it will be for a specific road portion, potentially. And I think the examples were Palisades or Fountain Hills Boulevard, and those were just examples, that doesn't necessarily mean that's what we're going to do. But the idea being that those are primary roads used by a large majority of our community.

That being said, if we pass a bond for that purpose, the rest of our maintenance monies will then go towards other priorities, i.e., our residential roads and our backlog. So we'll have the bond to take care of, what I'll call, a main road, and our remaining annual budget to take care of the backlog.

Right now, the scenario is, we can't do both. We don't have enough money to do the maintenance on our larger roads as well as -- so right now we're piecemealing, to use the term that's been thrown around. So the -- the bond is asked for potentially to give us a head start on a big road and allow the rest of the funding to go towards back roads -- or our backlog.

MCMAHON: Well, then part of this conversation, I think, then -- and if it's in here, I --

you know, taking a look at how that's going to affect the budget and how are we going to pay, and how many years, if we get down the road more into the details and intricacy, so that we're basically might have two different bonds, and then plus have money in the kitty to go and still address other streets.

I mean, to me, this is like what we're asking to fix all the streets at once, and -- but it -- through three or four different channels, but at the same time knowing we can't do that.

GOODWIN: Well, I think that's where -- so option one or option two, but you can't do one and two.

MCMAHON: Okay.

GOODWIN: So one --

MCMAHON: Good to know.

GOODWIN: Yes.

So one is funded by the residents, right?

MCMAHON: Right.

SOLDINGER: Two is essentially --

MCMAHON: It's covering our assets.

GOODWIN: Exactly. We're just using future money.

MCMAHON: Right.

GOODWIN: Basically, it's a loan. We're getting a loan on what will -- future money. But the concern, as Paul kind of pointed out, is by doing that, we then know we don't have the money available for the backlog.

MCMAHON: I know. And if this goes and the conversation continues, if we get close to doing this, et cetera, we are really going to have to be clear with our residents about what this applies, so that there's no rumors, you know, that make it something that it isn't --

GOODWIN: Yes.

MCMAHON: -- if that happens.

GOODWIN: And I think that goes back to the timeline, is that there's not a lot of runway right now, if we were to try to do that. It feels rushed. It feels incomplete. It feels like there's not enough information for our community to understand the full depth and breadth of the question. Which is why the -- this fall is not ideal.

One other point I wanted to make, and then I'll yield the mic to Councilman Watts or Paul, whoever wants it.

The idea of option three. And thank you for bringing that up. That one is something we've been talking about internally, and so much as if -- if we do if we do not -- if we do no bonding, if we need to find the money internally, how do we do that? And CIP is obviously one of the bigger buckets of money that is available to us.

That being said, it comes at a cost. All three of these versions come at a cost. There is no -- there's no easy answer here. Insomuch as if we were to use CIP funding or reallocate it, keep in mind that there will be other things that are backlogged, and that is how we got into -- a good example of that is our wash maintenance, right? There's not enough to go around. So we shorted -- or we didn't fund some other projects that needed it and now we're playing catch up in that area.

Doing that through the CIP will cause the same outcome, just a matter of where. And so it's a matter of what is the most tolerable delay. And that is part of that conversation because nowhere -- nowhere is there an easy option. So just understand as we talk about it from the CIP perspective, we will be delaying something. And maybe it's something that's certainly delayed or certainly, you know, tolerable by the community, but just knowing that there will be a tradeoff there at some point.

WATTS: So two things. One -- and I absolutely agree, and I think that's where we are sometimes deficient in making sure that the public knows that we did our due diligence behind the scenes, looking at option three, and here's how you could do it, and here's the impact of doing it that way.

But I also think at the same time, that maybe we didn't go far enough in option one with the general obligation bond, because if it's \$135 a year for the average house, then maybe we should be able -- maybe we should double that and go to \$44,000, because it's between that 30 and 50, if streets can accomplish that in the time frame.

So my question really is, are we constrained by Arizona statute that we are limited to three years, or is there a workaround to do that to stair step somehow? That -- that's what I don't know. You know, clarification on the bond. So how do we -- how do we do it, stair stepping it, staging -- staging it and is it worth considering going higher?

SOLDINGER: So Mayor, Councilman, so, like Jim mentioned, it's based on IRS regulations that you have to reasonably be able to spend the money within a three year period. So what we'd probably do is we would use the bond proceeds for all the road work we're doing until it's spent. So we want to make sure if we're -- 44 million is a large number. If we decided that's what we wanted to bring to the voters, we would have to feel pretty comfortable that we could spend $44 million over the next three years after we receive it. But what we'd be doing is just saving money up in our -- our Streets Fund, our ongoing revenues, to use that later after that three-year period ends.

And then I think, Caitlin, where are you going to jump in?

DWYER: Yeah, Paul, just one. This is Caitlin at Oakland Capital. I'm Jim Strickland's colleague here.

Just to -- just to jump in here real quick. And what to -- to solve this exact problem that other communities face. Sometimes what you see is a community might authorize $50 million at vote. So it gets the authority at election to issue over time $50 million. Then what it does is it eats up that authority every few years, a little at a time. So it might borrow 10 million and then two or three years later, borrow another 15 million, two or three years later, borrow the balance.

And the idea there is that they're not borrowing more than they need, and they have a reasonable expectation, which is the language in the -- the IRS -- the tax code there that they can spend at any point in time. When they issue bonds from that issuance date, they have a reasonable expectation within 6 months of spending 5 percent, and within 3 years spending 85 percent of the bond proceeds.

So that's kind of -- that's the genesis of the three year timeline you're hearing. It's a -- it's an IRS rule that -- because the City has the benefit of issuing tax exempt bonds, the IRS wants to make sure that they're not issuing tax exempt bonds and investing them in taxable bonds and netting the arbitrage there for your benefit. So one of the guidelines there, is a reasonable expectation that you can spend 85 percent of the bond proceeds within the first three years. But again, you can authorize 00 you can -- you can take $50 million to the vote of the people and then separately decide to issue bonds any time after that, in smaller chunks to help you meet the spending guidelines.

Does that -- does that clarify that?

EARLE: I do have a question though. But when you issue the bonds different time periods then, does that mean the property tax increase would change? Just -- just go into effect when you've issued the bond?

SOLDINGER: Yeah. So Councilwoman, every year we look at how much we need to pay off the debt -- the debt service payments and that's what you base the tax levy off of. So if we issue a bond for 10 million, that's what the tax levy would be based on, paying off that debt. If you had another 10, there's maybe a little bit less because you paid off part of this -- say it's 18 million. You have debt service payments of two million or whatever it is, you do a tax levy. So it would increase the bonds incrementally -- or the -- the property taxes incrementally as you issue more bonds.

And Zach, did you have a couple of things to say? This conversation is going over time, just FYI.

SAKAS: I thought Caitlin's response was excellent. But just, Mayor, Councilmember, in response to your -- so very common. I have some cities -- you know, I work with cities and towns throughout Arizona. I have some that maybe they go back to the voters every ten years. And so they'll -- they'll have authorization under Arizona law. The authorization does not expire. And then, you know, as design and engineering is complete, then they, sort of, you know, bite off small portions over time.

WATTS: So if I understand, can -- could we do and -- hypothetically, a $50 million bond, get the authorization from the voters, and then utilize it in $10 million increments over five years?

SAKAS: Or a longer period.

WATTS: Or a longer period?

SAKAS: But, you know -- and then, again, as Jim mentioned earlier, right, so Council would provide policy direction to take it to the voters, but then each issuance is still approved by Council as well.

WATTS: Right. But it doesn't have to go back to the voters at that point because they gave you the preliminary authorization. And then that incremental difference in rate, whether it's coupon or whether it's the reflective rate, would be adjusted, based upon Paul's explanation about what we need to pay off the debts. As it decreased, we would add more and so on and so forth?

SAKAS: Right. When each -- when each series of bonds is sold to the market, the interest rate may be different on the bonds. But -- and then as that flows over and translates into the tax rate -- the tax rate, right -- there's -- there's several moving parts in there because you also have assessed valuation moving as well. So -- but generally long dated fixed rate bonds so that the Town can, you know, financially plan and then manage that tax rate as Paul described.

EARLE: I'll just put my input on that is, I wouldn't be comfortable with that because it would be fluctuating. The homeowners here wouldn't really know from year to year what it's going to be. It's going to go up or down. I'd like it to be more one time. You know -- you know what it is, if you're going to do either 11 or the 22 million and they know what that would be, as opposed to, okay, next year it's going up again, or is it or is it not, to be able to plan ahead. That's just me.

WATTS: Well, I think if we came to a -- an aggregate amount that we were going to utilize over a period of time, the bond rates themselves don't change a lot year over year. So I think the interest rates are fairly stable, at least in this environment. The bonds have gotten beat up pretty good. So I -- I don't think it's going to be a huge difference.

Here's what they could see. I think it's in the explanation of how the mechanism works. If you give us the authorization, here's how we intend to utilize it to achieve your goal of fixing all the streets and then maintaining them going forward.

EARLE: But the statement that we then would be putting the money that we have now in the roads fund would just be sitting there.

WATTS: No, you would still have to utilize that.

EARLE: I would rather not do that. I would rather --

WATTS: You still utilize it.

SOLDINGER: We can still utilize on top of it --

WATTS: Right.

SOLDINGER: -- if there's enough -- the only reason I said that with the $40 million --

EARLE: I don't think we need 50 million.

SOLDINGER: Okay.

WATTS: Hypothetical number. We don't know exactly what we need.

MAYOR FRIEDEL: We don't -- so let me make two points here. You -- you know, the residents have to have an awful lot of faith in us to make that decision. So that's got to be established.

And secondly, not to pick on Chief -- Fire Chief Ott, but before your time, before my time, this Town had a fire district that got dissolved and there was no offset. So we privatized the fire department. We own the buildings, we own the equipment ahead of time, and now we're paying all that expense without a fire district to support it as well. And again, that's not any reflection on you or me, but that's just what happened in the -- in the history of the town. So. And now that's we're trying to catch up from all that as well. So there's a lot of moving parts.

SOLDINGER: Absolutely.

Anything else? Any direction?

GOODWIN: (Indiscernible). What we're asking for now is do you want to continue this conversation? If so, how and, you know, what version of this, if there's any path forward that you'd like to see?

MCMAHON: You mean today or in the future?

GOODWIN: Future -- both.

MCMAHON: You know, I would like to -- to be honest with you, because I don't want to shut this off because our streets need to be repaired. This might not be the resolution, but I'd like to see how it will affect the budget in depending on which one that we pick and the different amounts, if you don't mind. Because I think we need that information before we can make a decision on it. Thank you.

WATTS: Yeah, I agree the same thing. I think we -- we need to look at the option three. I need -- I think we need a couple more data points before we can give you a specific direction on how to move forward.

GOODWIN: Would it make sense to potentially do a work session just on this topic later this spring, so that we have some more information?

MAYOR FRIEDEL: I think that would be good.

GOODWIN: Okay.

WATTS: Another eight hours.

MAYOR FRIEDEL: No.

GOODWIN: Whatever you want.

SOLDINGER: The only thing I'll add to that is, it depends on the timeline you want to go with too. If we're talking about 2027, then maybe the spring is even too soon. We could start talking about the fall again because we have runway to do it. You would need to authorize that by about April to May of next year. But if you want to start having the conversation sooner, we can. It's just up to you on what you want to do as a Council.

MAYOR FRIEDEL: I think this Council also has to realize if we slash our CIP budget, there's going to be some sacrifices to the residents in the town. And how much pain do people want with -- with a reduction in some of the things we're doing around our parks, sidewalks, and other things that we're -- that we've done a lot of work on. So -- and the downtown -- and the downtown plan as well.

Sorry, Amanda (ph.). Yeah. No tomatoes.

But anyway, so that's all -- that's all stuff that we have to consider as well with this. So -- so -- so I think -- yeah, I think we should definitely continue talking about it.

EARLE: My input is to continue talking about it. But as I -- I was 110 percent against any bond before, until doing all this research. The only type I would support is a GO bond, but very conservative GO Bond. I wouldn't feel comfortable getting everybody to authorize 40 or 50 million ahead of time. I would want it to be the 11 million and be very specific to that it's going to be Fountain Hills Boulevard.

And going to the voters, I think I am willing to listen to and have the voters have a chance to let us know how they feel about it. If they don't want us to do that, then they don't. But we definitely -- I think we're doing number three already and continue to do number three as best as we can. But I understand -- myself, my -- my house is old and I'm looking into remodeling and sometimes you got to borrow a little bit of money and then as I can pay it back because I don't have a big chunk to get it all done, but it's cheaper to get it all done at once. You don't want to piecemeal here and there. At some point you got to redo certain parts and then -- which is how I've done it and I've been very fiscally responsible within my own family. We don't have debt either. And I kind of see sometimes debt is not a bad thing. And if we all come together on roads that we all drive on.

I live in a gated community, so I'm willing to spend a little bit extra to help the main roads, even though I'm -- it wouldn't benefit me to where I live. But I'm thinking we bring that to the voters and let them decide.

SOLDINGER: Thank you. All right.

MCMAHON: I -- I thought that doing these, looking at this and looking at this funding, one of the reasons we were looking at it is so that we don't have to cut -- make severe cuts or whatever to other projects.

SOLDINGER: Yes.

MCMAHON: So --

SOLDINGER: That's what a GO bond would allow us to not --

MCMAHON: Right.

SOLDINGER: -- make cutes to other projects.

MCMAHON: Okay. Thank you.

SOLDINGER: Um-hum.

WATTS: And I, too, think that we need to condense this a little bit so we have more data points, and then we put it out in the public, maybe even do a survey and say, here's option A, B, C, which one would you support? It gives a little bit of direction as to how to move forward.

SOLDINGER: Okay.

WATTS: And see how it goes. And then if we get direction and it's unequivocal that they want to spend the maximum amount and get it done once and for all -- assuming that Justin can get it all accomplished in the time frame that we end up deciding on, that'll give us more clarity on it. And I think that's what I'd like to look for.

SOLDINGER: Okay.

LARRABEE: Thanks. Okay. Yeah, I'm -- I'm fine with continuing the discussion. I want to look at all three options.

I -- I fully understand that all options have a cost, and I want to make it clear that my suggestion for CIP isn't to just, like, get rid of the CIP budget. There's obviously things that we want to keep and weigh our options. But I want to make sure that we're looking at all options and -- and not accidentally putting ourselves in a false dichotomy, even before we go to the public, if we were to do a survey or something. Which I see a lot of excitement in the audience about the idea of a survey.

But I do. I want to hear more public input and -- and honestly go through each possibility before we say to taxpayers, hey, we would like a check.

SOLDINGER: Okay.

UNIDENTIFIED SPEAKER: Thank you. Thank you, Mr. Mayor.

Yeah, just -- just my two cents, Rachel, just to give you what my opinion of is. I think that this is probably something that we should consider discussing. I -- I'm not for a special election. You know, this is a huge backlog, and, you know, we can't be in a hurry. This isn't a sprint. It's a marathon. So I wouldn't I think this election cycle is we're done. The 2028 election cycle looks -- looks pretty good right now. We're doing a good job right now of fixing a lot of roads and doing the band aid approach.

I, too, don't want to see other funding sources, capital improvement sources cut. I wouldn't be for taking from other sources in our Town to give it to the streets.

And the other thing I'd like -- the reason I'd like to bring this back, maybe not in the spring, but the fall is that, you know, I think part of this conversation is seriously got to be the backlog. And Councilmember McMahon brought that up. If we're not talking about the backlog on this Council to fix all the streets, or at least some planning and fixing all the streets, including the locals, and I just don't think we're having the complete conversation. I think if we left here with a bond and, hey, we're going to do Fountain Hills Boulevard and Palisades, people are going to say, really? That's all?

So, you know, I think that we have to bring the backlog into this conversation that's going to be up to our competent staff to come up with a plan that we can address all three tertiary layers of road -- streets.

SOLDINGER: Okay. All right. Thank you very much.

GOODWIN: Okay. If this streets conversation wasn't enough for you, we're going to talk a little bit more about them.

Justin, so one of the questions we've been having is more about our immediate needs for what people often refer to as potholes, even though that's not what they technically are. It's the delamination that we're having on a lot of different roads and what we're doing to address that. And unfortunately, we do not have internal resources to address those types of instances.

So it was asked of us as to, well, what if we did? Could we buy that equipment? What would that look like? And if we can't, what can we do? So Justin's going to walk us through that conversation and share some details about that.

WELDY: Thank you for the opportunity. This presentation is only four hours.

So we're going to take a little trip back down into history again, just so we can kind of understand a little bit better where we are at and why.

As part of incorporation -- and I noted this earlier -- the three road districts became part of the new government. That -- the road districts had a single BOSS at that time. And their approach in regards to road maintenance and or repair was zoned, and they were zones 1 through 7, and they addressed each of those zones as they had funding. When they were working in zone 1 through 7, if they ran out of money that year, they stopped at wherever they were at. When they went to the next zone or the next year, they didn't complete a zone. The end result of that is really where we're at right now. We have some roads that are in poor condition.

Please note during that time frame, they had a small crew that would go out and do a little bit of paving repair. They had a full crew that went out and did crack filling the majority of the year, weather permitting, and funding available. They also had pavement marking equipment and some other miscellaneous road maintenance gear. Through time, it was discovered that the cost to maintain that equipment and keep those supplies, it was just not reasonable because the Town was beginning to struggle more and more with funding to not only maintain staff, but the roads.

It was just before 2015 that the balance of that outdated -- and in this case, antiquated -- equipment was sold. The primary reason is it was simply less expensive to hire a contractor when possible, or practical, to do that work. Associated with that was also a number of injuries. And we're not going to get real deep into that, only to say that when you have a couple of hundred gallons of 300-degree tar, things can be a little bit tricky.

As part of a discussion with the Mayor, and Council, and the Town Manager, this is what we looked at. This is a hot box -- and it's a technical term -- this would slip into the back of our existing dump truck. We would utilize this piece of equipment to go to the nearest plant that was making a material -- a asphalt material that was suitable for that day's activities. More often than not, that is a much smaller aggregate. And the Town Manager touched on this and the introduction.

Most of what we had is -- we have is delaminating. That's where the multiple coats of slurry seal and or a type of polymer are coming off, and they're on average from an eighth of an inch to sometimes a half inch thick. You simply cannot fill those with a traditional asphalt, which usually starts at a 3/8 aggregate, or the smallest rock, and it is 3/8. You have to use a sand mix. There are only a couple of plants in the valley that produce that type of material, and they don't produce it every day because there's not a big call for it.

Having said that, we would go and pick up, up to three tons of material in this truck when we needed it. You don't want to really exceed three tons for a shift, which would normally be 7 a.m. until just before lunch, because the material, even kept in a hot box is barely going to -- I say, barely -- it'll be kept in the 270 to 310 range, depending on the weather conditions, but it's a lot of work to drive around town and do repairs on that. This is the cost for just that machine utilizing multiple agency cooperative agreements where negotiations have already taken place for the unit cost.

This is the next one that we looked at. This would be the -- a relatively small roller, but adequate for the type of repair that we are discussing. Once again, this $63,000 piece of equipment is -- the number is derived from cooperative use agreements and or multiple government agency agreements. This would be a must in order to get the material into the voids to the best ability possible.

This one right here is actually a tact trailer, and this is a little bit larger than what we would use, but they didn't have a picture of the smaller one that cost just under $37,000. This is for more of a wider road, a single lane pass. The one that we would be using is a 5 or 600 gallon, and it would be applied by hand wand. But the cost for that is about 37,000.

This is a picture of a skid steer previously approved by the Mayor and Council -- different name brand that we own. What we are attempting to show you is the planer that is on the front. This is the grinder that, if we decided to do some areas in an intersection or where we have heavy truck traffic turning, we would go in and use the profiler, very similar, but a much, much smaller scale than what they're using right now on Palomino. Just the planer, it doesn't include the skid steer -- we already have the water tank for the planer -- would be just under $30,000.

Lastly, this is the one that keeps tar -- well, once you get it up and running, it takes about two hours to get it to temperature. This is what keeps the crack filling material and there are really only about three different types. And the type of material you use is based on your -- primarily your weather conditions and your traffic. Since we don't have the thaw free cycles here, there's only a couple of different ones that we would use. To purchase this piece of equipment is right at $33,000. They are a little bit of a challenge to keep clean and operating, because the -- the hose that you dispense it with, if you have a flat or something happens and you got to run off, it takes a little while to get that material cleaned out. So the next morning they're usually spending a -- first part of the day cleaning out the hose so the applicator works.

You can see each and every one of these pieces of equipment that we are showing you today on our asphalt repair jobs or our pavement management jobs, Council has approved. The different types of treatment that we're describing here that will be taking place between now and June 30th. As we get underway on those, if any one of you would like to go out on that day, please contact myself, Jeff Pierce, or the Town Engineer, and we will make sure that you can get out and actually see how they function. That's the equipment -- the basic equipment that we would need.

Obviously -- and the staff report I wrote, you would see that it's going to require some additional staff and some planning.

My recommendation, just based on my knowledge and my background from just this community and my overall knowledge, is that we continue to utilize contractors. In this case, it's a local contractor -- two of them -- that do this work. It's much less expensive and more practical for the type of work that we're doing.

WATTS: Have you had the opportunity to annualize our costs versus a contractor's cost?

WELDY: Yes, Councilmember, we have looked. We know what their unit rates are --

WATTS: I know you got --

WELDY: -- based on their cooperative unit rates.

WATTS: -- units, but annualize -- if you said, you've got a crew that goes out for X amount of hours a day, they use this equipment, and you annualize those costs, have you compared that to what the contractor's cost is? Not on a unit cost, but on an overall annual cost?

WELDY: I did not do that for this presentation, no, sir.

WATTS: I think the information you gave us was good to tell us that there's an investment that we have to make, but if we can -- if the annualized cost for us is half of what a contractor's cost is, and maybe it is worth the investment. I can't tell that based upon unit costing. But if it's equal to or greater than with the labor costs that you've projected that are necessary to do this, then it would be beneficial to go to a contractor. But I'd like to see something that analyzes all of this, to tell me what the investment would be and what that return on investment would be if we went forward with it.

WELDY: We'll pull together a spreadsheet and do an analysis on the staff and equipment cost, and kind of break them out there and share it with the entire Council.

WATTS: Yeah. Do the same thing with the contract -- those same numbers, the number of hours, the type of equipment, and material that are utilized, and apply the same thing to the contractors. And so you get an annual cost if you utilize the contractor versus utilizing internal staff. Thank you.

WELDY: Understood.

UNIDENTIFIED SPEAKER: And again, I heard you mentioned that would require retaining more staff. How many extra staffers would be required?

WELDY: Mayor, Councilmember, approximately five. So we need a supervisor that just oversees those crews, and then at least one operator, and three to four crew members, so.

UNIDENTIFIED SPEAKER: Would this be seasonal or year round?

WELDY: The employees?

UNIDENTIFIED SPEAKER: Yeah.

WELDY: That's a little bit of a tricky -- I don't know that we could secure and continue to have seasonal. So they would be year-round.

UNIDENTIFIED SPEAKER: Okay. Okay. Thank you.

WELDY: You're welcome.

UNIDENTIFIED SPEAKER: (Indiscernible)?

WELDY: Correct.

MCMAHON: Would you -- if this were selected, would it give you more ability to repair the potholes a lot faster? I don't think it would be year-round because of the heat in the summer, but could it be closer to that?

WELDY: We could certainly get closer than we are right now to keeping up with it.

MCMAHON: Um-hum.

WELDY: But we would have to find other things for those folks to do during, obviously, incumbent weather, or if it's just too hot to work in that type of environment.

MCMAHON: I'm sure you could think of things for them to do.

WELDY: Well, we're kind of balanced right now, so we would -- we would -- we would have to work through that.

MCMAHON: Okay. Thank you.

WELDY: You're welcome.

GOODWIN: Justin, to follow up on two items.

I want to be clear, based on Justin and Mike's conversation, this is not the direction we would recommend to move in. Short of -- to your point, breaking it out and analyzing it and really understanding the dollar for dollar, the time investment that Justin mentioned about going and picking up the materials, and prepping the sites, and cleaning the sites, it's a -- it's a large time investment.

In lieu of that, Justin, we did talk about what could we be doing better so that we are addressing this more proactively. Justin, can you share where that landed and what we're doing with that?

MAYOR FRIEDEL: And would that include a different product possibly to -- is there -- have we looked at every different product? I don't like the idea of adding five additional employees, and the liability for me is a concern, too.

GOODWIN: Yes, the liability is quite high, especially working with that type of material.

MAYOR FRIEDEL: Because you've got to have insurance and -- and just I think the cost just escalates. But if there's another product that we can look at too.

Go ahead. I'm sorry.

WELDY: Apology unnecessary, Mayor.

So I've been working with the Town Manager, with a local contractor, and trying to determine if we could do a biweekly. We have arrived that we have some funding set aside for that -- or unspent funding is how we'll refer to it for this conversation. We are currently working through that now, and he sent us an estimate for that. And it's based on three to five tons a day, one day a week, twice a month, that we would come out and address -- we would already identify the locations. We're going to give that a try until the end of June here and see if we can't catch up on some of the backlog for the concerns.

And please note, regardless of where you go in this Town to do crack filling or do laminate repairing, people are going to be upset because, in their opinion, their road is in poorer condition than the one you're currently working on. So that becomes a challenge. The contractor can simply refer them back to me. When it comes to the staff out there working, it can be a little bit different. Some of the staff might be a local resident and might want to lean towards helping that location or that individual. So we got to race those challenges to the finish line as well.

MAYOR FRIEDEL: I like that idea. It's proactive and, you know, at least we're attempting to get some of this delaminating caught up.

WELDY: That's it.

GOODWIN: All right. We're going to shift gears. We're going to give roads a break for a little while. We're going to bring up both Paul and Chief Ott -- I believe, after Paul gets his snack.

SOLDINGER: Michael's doing it.

GOODWIN: Oh, Michael's going to do it. Where's Michael?

SOLDINGER: He'll be right back in a minute. I'll go -- let me pull up his presentation.

GOODWIN: Based on timeline and where we're at, Mary, you can let us know if you'd like to do a working lunch, i.e., when lunch gets here, we can take a pause, and go, and then just keep -- keep moving forward; if everybody's okay with that?

SOLDINGER: All right. Let me just go let Michael know, and we'll get started.

GOODWIN: We're. It's pizza -- pizza and salads.

So we'll give Michael just a second. He is our sort of expert in this field. But I know he'll be able to hopefully explain what's going on and where we need to go with the Fire Department.

Oh, there he is, the man of the hour.

STELPSTRA: Sorry, Councilmember, I thought I had more time.

GOODWIN: That's okay. Good try. Good try. Welcome back.

WINTERS: All right. Mayor and Council, I'm here to discuss the -- some fire department overtime issues. As we move into this presentation, I'm going to start giving you -- by giving you a bunch of quantitative data. And then I'm going to turn it over to Chief Ott to give you more of the qualitative aspect of this.

So before I jump into the charts, I want to start by giving you a bit of a primer on Fire Department overtime, because it is a different animal from just the regular overtime we have with any other town staff.

So let me grab my water a moment.

SOLDINGER: I have plenty of water if you need it. All the drinks.

WINTERS: Okay. So first of all, Fire Department overtime. We ought to talk about the way our Fire Department is scheduled.

So we have three shifts, ten guys per shift, and they work two days on, four days off. So that's six-day rotating cycle. Going through a 14-day pay period means that two of the shifts are working five days. Each one of those shifts is working four days, and that four-day shift rotates between the different shifts from pay period to pay period. Those are 2 hour days. So you've got two shifts, total of 20 guys that are normally scheduled for 120 hours per pay period and the other 10 guys that are scheduled for 96.

Now under the Fair Labor Standards Act, the overtime threshold for firefighters is 106 hours. So that means that we -- for those 20 guys that are scheduled for 120 hours, there each, as part of their normal regular schedule, are going to have 14 hours of overtime. So as we move into the slides, you'll see that I'm talking about regularly scheduled overtime. So that's the overtime that I'm talking about there. That is just the normal way that our Fire Department is scheduled. We do expect a minimum level of overtime, because that's just normal.

What we're experiencing now is even more than that. And part of that is because of absences. Either they're taking their regular vacation personal days, or it's a sick day, or extended time out, but that also increases the number of overtime -- or the amount of overtime. Because unlike with, say, an office worker upstairs, they take vacation time. Nobody's coming in and working in their place. Fire Department in order to maintain the minimum staffing, somebody else has to work in that place.

Well, we've already got, you know, two thirds of our guys are already in overtime. So anybody that comes in from those shifts, that's all overtime. Anybody that's coming in for -- that is just on the 96 hour schedule, they've got about ten hours -- first ten hours there that's regular time, but everything else is overtime. So you can see the overtime can very quickly add up there. And so that's what we're experiencing.

So let me jump into the slides here. So what I've shown here, this is the amount of overtime hours that we are experiencing over the last year and a half on a per pay period basis. So that bottom red line that goes all the way across, that's what I was talking about, the regularly scheduled overtime. So we would expect, just on the basic schedule, that each pay period, there would be 280 hours of overtime, that's just regularly scheduled. When we did the budget for 2025, that's what we used because that's what we expected. So that's why you see that line is both the 2025 budget and our regularly scheduled.

This time last year, we realized -- you can see where the numbers were at, you know, about a year ago -- that's that big peak before it starts coming down -- that 280 hour was just not adequate. So as part of our 2026 budget, we increased that to 454 hours so that we had additional room in there. And that's really to take into account those instances, like when somebody is off, somebody else has to come in and work for them. So -- but so that -- so that short red line that's starting with 2026 and our 454, our budget. You can see we're well above even that. And that's because this year, unlike last year, beyond just having people out for regular vacation, or personal leave, or an occasional sick leave, we've had some folks out for extended periods of time, either for military leave or for medical reasons.

So what we're talking about today is looking at, is there a way to possibly add staff to help reduce some of that overtime? Now, even with that high overtime, this next chart I want to show you is, this is the average number of personnel we've had per pay period through this time period. So, as I said, we have ten guys per shift. So fully staffed would be to have ten people, and that's that red line there. So if we had all ten people there, all 14 days of the pay period, we would be at that red line.

You can see that we're not making that. So we are bouncing somewhere between the nine and ten range. So having nine guys is, I believe, adequate, maybe not ideal. Chief Ott can address that. But you can see even with that higher overtime, we're still just maintaining that kind of central range there of the nine to ten staff.

So that's the data I wanted to present to you. If you've got any questions on that, I can answer that. Otherwise, I'm going to turn it over to Chief Ott.

MAYOR FRIEDEL: I have a question -- I have a question for you.

WINTERS: Yeah?

MAYOR FRIEDEL: So fully staffed is ten. And I see the -- I see the graph. Did you run a scenario if we added a part time person in there or anything like that?

WINTERS: We have not done a projection of the scenario of where that would add. I'm just giving you, based on the actual data here.

MAYOR FRIEDEL: All right. Thank you.

MCMAHON: Would it be less expensive just to -- or can you hire another employee to fill in? And -- because that's a lot of overtime. And my question, too, is, do they get double time and a half for that, if it's not the regular overtime?

WINTERS: All overtime is at time and a half.

MCMAHON: Okay.

WINTERS: And I'll let Chief Ott address the rest of that question.

OTT: Good morning. And thank you for that segue, that works quite well into where we were going here.

But I just have one point of clarification for you, I was around during the Fire District. I appreciate you thinking that I'm younger than I am, but I was part of those painful days with the Fire District, not directly working in Fountain Hills all the time, but I did work up here under the Fire District, so. And it was a little bit of a challenge, and it did leave us in a position where we were kind of backpedaling, lost our funding source, and as it is now, we're -- we're kind of in the pool with everybody else with the same sales tax revenue, looking at the General Fund to try to keep things rolling.

But thanks, Michael, you did an excellent job on explaining that.

As Dave Trimble can attest, as we were going into the transition phase of the Fire Department and coming up with what would work best for pay period, of work periods, and how that affected the FLSA overtime exemption for Fire Departments, it was quite -- there were probably two weeks' worth of classes that we took so that we were all on the same page, that we knew where we were going with it, and what we were looking at. The 14 day pay cycle worked well with the town. We didn't have to integrate anything else differently schedule wise or change payroll processes to that. Really, the overtime for the Fire Services, anything over 53 hours in those kind of blocks. So we pick the two weeks, that's 106 hours, that's our overtime threshold, and that's where we're at.

So kind of one of the things that we were looking at was in working with -- with Paul, and Michael, and -- and finance, it's hard to schedule that unscheduled overtime, if you will. So that high peak that corresponds to the low peaks on the fully staffed side, that's where our overtime comes into it.

And one of the things that it does, too, is that it's --it's kind of overly taxing some of our -- our members. Our schedules are usually set up. We've got the two days on, four days off so that you have significant downtime so that you can recoup physically and mentally. You kind of need that break in there. Once we start working our -- our people, we -- we came up that we would only work them four days in a row. There's a possibility that we could work them five days if they had a slow shift. And conversely, if they're wanting to -- or willing to -- work that fourth day, if they've had a busy shift before that, we're discouraging them from working because that doesn't give them the time that they need to recoup, and mentally and physically keep our -- our -- our composure and our time together.

So our staffing level we kind of worked at nine. Ten is ideal. Just as conversely, when we had the rural contract, they only contracted for eight people a day as part of the contract. So we've increased what our staff is to be able to up what our service level is. And part of the automatic aid, mutual aid, conversation is typical staffing in the region is four person trucks. And as part of the auto aid or mutual aid, you got to give what you get. So if we got a four person engine from Scottsdale, when they turn around and ask us, either under auto or mutual aid, for an engine, they expect a four person truck. That's pretty much the way it is in the region. National standards through NFPA are four person staffing on the trucks.

In the region, we also kind of modified that a little bit to you've got a captain on every truck, two paramedics, and then another firefighter, whether that be a paramedic or a BLS firefighters. That, statistically, is -- has been proven to be the safest model for not only our people but also the residents that we serve.

So at nine person staffing, that gives us one battalion chief, and two, four person engines. We have dipped, I think, a couple times down below nine. Not ideal, but we didn't have anybody to work through that.

And as Michael said this year, maybe average for us, it may be an anomaly where we've got one member that got deployed for a year. Under (indiscernible) Title 3, there's not really anything that we can do to change that. He is safe and in a safe spot. So that's a good part of that.

We also had a number of people that had some extended injuries that are out. That also adds to that overtime piece.

What ideally would work for us would be -- kind of taking the proactive approach -- is if we could add one person per shift, but looking at the impact of that, if we added three -- three members to the Department, we're looking at about $270,000 a year. What would help us out in this aspect would be that if we broke that up and hired one person over the next three years.

It's really hard to get a part time firefighter. It would -- it gets kind of convoluted in that most of them would be full time somewhere else than working part time for us. It just makes it kind of difficult to be able to schedule that person when they've got another job. It's -- ideally for us, with training and everything, it's better to have a full time employee than a than a part time employee. If we were able to reduce that impact of the 250, $270,000 for the three employees at one time and broke that up into increments of $90,000 a year, we're -- we're relatively sure that that will bring down our overtime costs at that other line above the 454 and get us closer to that 280, and also be better all around for the physical and mental health of the members of the Fire Department, so.

SOLDINGER: Mind if I add to that, Chief, real quick? The calculations that we did, the 90,000 didn't include all the benefits and overtime. So when we redid the calculations, it's about $127,000 per full time -- bringing on full time firefighter. So if it was to be three, it'd be three times that amount, closer to 400,000.

And there was another -- there was something else, but I forgot, so I'll probably chime in later. Sorry.

OTT: No, that's quite all right. I like my numbers better, but I'll go -- with I'll go with Paul's number. And I'd just like to take that opportunity to point out that this year we're getting about $500,000 from the fire insurance tax. But just to throw that out there, that we're not always the money suck, that sometimes we -- we do bring some things in. But that's kind of what we're looking at.

Again, the -- the overall goal would be that adding that person is going to drop that overtime down to where we're closer to the normal level. And it's a little -- if you take a look at Phoenix, it has about 300 -- 3,000 members. They're struggling to be fully staffed, but they have a much larger pool to be able to pull people in for their overtime and get their added needs.

Some of the other things that add to the overtime would be if we've got training issues that might require people to come in, because the training is only offered on -- on so many days. That has a slight impact to it, but really the majority of it is because we've had to pay overtime for people to come in to fill the positions at that point, so.

WATTS: So Paul, that 40 percent, approximately, labor burden is that because of insurance?

SOLDINGER: So Mayor, Council, just all the benefits included with the full time position, as well as the overtime. So the initial calculation, we have -- we have forms that calculate some of these things for the budget. And the initial calculation was based on a part time. It probably included some of the overtime calculations but not all the benefits. So yes, to your point, mainly all the benefits associated with -- with the position.

WATTS: So it looked like three was the magic number, but we really don't have, necessarily the budget, regardless of the $500,000 that we've got coming in?

SOLDINGER: Yes. So -- I'm sorry.

WATTS: My question is, if you -- do you still have that worksheet that you can show us what the impact is of the -- the overage and the overtime? And I realize that the FLSA is slightly different from what we normally understand as overtime, over 40 versus how firefighters are measured. Because we could usually provide some sort of data set that would say productivity is, X, and here's what we're getting for that, and we can measure that. We can't do that same thing here.

So we have to -- we, literally, have to do it based on body count. And I hate to be that cold about it, but it really is. What do we have to do to reduce the overtime? And does the overtime reduction offset the cost of one, two, or three additional firefighters?

SOLDINGER: Yeah. Excellent question. Lots of parts to my answer, so I'll try to keep it all squared away.

This is not an uncommon issue. You can read about this in other municipalities. I know in the news last year when in Gilbert where they went way over their overtime budget. And so this is an issue that we're encountering that's not uncommon.

But because we're small, we've been implementing more monitoring and discussions -- finances, monitoring overtime, working with Chief Ott. So we are trying to handle it to the best of our ability.

And we've had several discussions, like, what can we do to make it work within the current staffing structure? It's been a challenge. Like, Chief Ott mentioned, it's been a bit of a disproportionate year with three guys being out pretty consistently. Is that the norm, is that not? It's hard to tell at this point. But to your point, can we calculate or estimate, the impact to the overtime if we brought another person? We can't. It's really kind of unpredictable. We just think it will. It will -- it should. But can we quantify it? Not at this point. We don't have enough data. They've only been a fire department for a year and a half. We just kind of think it will offset some of the costs. And to the point of overtime discussion is, you see the data. There's a lot of overtime, and it's above our budget. The fire department's not going to go over budget as a whole this year. But they're going to most likely go over their overtime budget. So we're trying to reel that in a little bit, is probably a priority. And also the strain on the staff working all that overtime.

So there have been several conversations to this point to get us here, where, you know, we've kind of worked through the scenarios and what we could do. And this seems like the best viable option. And just before -- the other thing I wanted to add is, you know, Chief Ott would like three people, like he said. But that would be really challenging in our budget this year. So that's where we kind of had this discussion about coming with one, and seeing where that takes us. If that really alleviates this issue or not. And if so, looking at next year, seeing what we can fund the budget or not. Going back to council again. So it's more of a staggered approach. So all I'm trying to say is, there's been a negotiation and several conversations about this to get us to this point.

WATTS: But I understand that not all of the time that the firefighters are absent, or not on call, is PTO, is it? Is it -- some is uncompensated? It's at their discretion? Or is it all PTO?

OTT: Well, some of it -- an example of our guy that's deployed. He's not getting paid. He's paying -- well, he's a single employee, so his insurance and some of his benefits are covered. But if not, if he were off, he would be without pay. He would be paying those benefits towards them. But he exhausted what he would have had for PTO. We've got another one of our people that's out kind of long term, who is now on long-term disability. Again, he's being compensated, but not fully compensated -- but that's coming out of a different pool there. And we also changed a little bit of what our policy was for allowing people off. Where previously we would let two people off per day. That really dropped us down to eight people, and then having to fill that position back with overtime. So now we're only allowing one person to be off on vacation per day. That still doesn't account if somebody calls in sick, we might have to bring somebody back, but that would put us back to the nine people. More people can be off, but they have to find their own relief, which is not a cost factor for us. They can switch days off, and that's just an internal thing for us. That doesn't give a guy off on vacation. It lets a guy be off, and somebody else works for him. He works for that guy at a later date, and that all evens out in the long run. That's fairly standard in the fire service as well. Was covered in one of the many days of our Curt Varone FLSA training. So we're well within the standards of what's right, and legal, and just kind of the right thing to do at that point.

WATTS: Right. But if you got to the 170 hours of overtime, you can calculate what the value of that is, and you can use that to support the number of additional firefighters that you may or may not need. You're not going to get perfect down to zero overtime, but it would be able to help substantiate whether we do one, two, or three, and fit it within our current budgets as well. So you could get there from a from a math standpoint, couldn't you, Paul?

SOLDINGER: We could try. I would think that the number we gave you would be a really rough estimate still. And we haven't done that calculation. We could. it will offset some of the overtime. We 100 percent believe that. If you bring on a firefighter for $127,000, it's not going to reduce your overtime by 127,000. If I was just guessing, maybe 25 to 40,000, maybe 20,000?

WATTS: Right.

SOLDINGER: Somewhere in that lower range, there will be an offset. But it also depends on how many guys are out. If everyone's healthy, there's no issues, you know, then there shouldn't be a lot less overtime. Just going back closer to that 280 budget for the scheduled overtime. So it's complicated is all I'm trying to say. And we're not there yet. Maybe if after --

WATTS: If it was easy, I could do it.

SOLDINGER: Yeah.

OTT: We'd like to have you join in.

WATTS: I'd be happy to participate.

SOLDINGER: I should add, too, just to make it clear, council did approve the change to the command structure last year. And so that's carrying forward, adding to our budget already this year. And that's why we asked Chief Ott to take this more staggered approach for his request. We've already started implementing that in our budget. And the 240 was the amount that was being thrown around. We were able to reduce some of the benefits budget because we have a better understanding of the fire department now. So that amount is increasing the budget by -- it's like 150 or 160,000 rather than the 240. But that's already increasing the budget. So this is on top of that. So I just want to make that clear for council's understanding.

OTT: And we're --

MAYOR FRIEDEL: I --

OTT: -- oh, go ahead, sir.

MAYOR FRIEDEL: Oh, I'm sorry.

OTT: No, I --

MAYOR FRIEDEL: Peggy's got a question. Did you want to add something else? Go ahead.

OTT: No, I was going to say. By all means, chime in whenever you want.

MAYOR FRIEDEL: Go ahead.

MCMAHON: Chief Ott, thank you very much. Listening to this, it sounds like you might need an employee that would help out. Instead of just looking at the overtime cost, look at your staff. You don't want them burn out like you said. You don't want them strained, et cetera. If this is happening as constant as it is, you know, is the workload increasing? Does it seem like? I mean, is it going to be -- and I'm trying to think of the best way to use the money, the limited resources. And perhaps it might be better to hire an employee?

OTT: Mayor and Council members, that's really what we're kind of here looking at.

MCMAHON: Right.

OTT: And will one employee, opposed to three? And I think what we kind of kicked around is, is if we can do it incrementally and see what one employee does. Even though that wouldn't be adding --

MCMAHON: Right.

OTT: -- one employee to each shift, having one extra employee in there in the interim --

MCMAHON: Um-hum.

OTT: -- might also alleviate some of that added stress. It's one more person out of the pool of people --

MCMAHON: Um-hum.

OTT: -- that that aren't working, to be able to come in and work. So we think that, with the workload increasing as it does -- our population is getting a little bit older, and that tends to lead to more calls, higher volume. We do bigger events. I think we're looking forward to the 4th of July celebration being probably the biggest event that the --

MCMAHON: Right.

OTT: -- town's had. Those all kind of, in little ways, all add to the added workload for us. So one other thing I'll add about the FS LA and the overtime for firefighters. Try to get something refinanced and take your pay stubs in there. And they look at it, and they say, we can't count this income --

MCMAHON: Right.

OTT: -- because it's all overtime. So it's always been a challenge. And the overtime portion for firefighters has always been hard to understand, but --

MCMAHON: And you said -- I heard you mention that one of the firefighters has been off with a disability for a while. So you really haven't replaced that person. You're asking a lot of other people to do overtime to do that job. So I guess what I'm saying is, to me, this looks like you need at least one or two other employees. And somehow, you know, we're paying this overtime. And if you hire at least one or so, then it's going to offset that -- hopefully -- to a degree. Hopefully, it would erase all of it. But let's be honest, you know, it wouldn't. But I think that if you need another staff person, another firefighter, then that's what we need to be looking at.

OTT: Correct. And I know Paul has a hard time believing this sometimes, but I am cognizant of our budget and what the overall budget impact is. And I don't want to take things away from Kevin or Justin by trying to do what we're doing. As Paul mentioned, we're a year and a half old. We've got some growing pains.

MCMAHON: Um-hum.

OTT: There are a lot of differences, and a lot of great improvements that we made in making the decision to move forward to the municipal department. A side note there -- that's why the increase from the fire insurance tax came up. Because now the town is fully responsible for the retirement portion of that. So that's what that was based on. We ended up getting the bigger increase because they did not pick up the difference between when we went from a private fire service to the municipal fire service. So that's all come in there. And that's really what we're looking at, is some direction to whether or not we can add an employee to kind of help offset this?

MCMAHON: Um-hum.

OTT: And a lot of conversations with Michael, who is way smarter than I am on almost everything. It's hard to quantify that and say, yes, that employee is really going to take that peak down. Because you're one injury, or one deployment, away from being short one person again. So -- but that's --

MAYOR FRIEDEL: Michael's ready to suit up, I think. And I think, Gayle, you have a question?

EARLE: Yes. Thank you, Mayor. Hopefully I'm using the right terminology, but is there such a thing as a per diem firefighter that you could use when needed?

OTT: It --

EARLE: That just like, I don't know -- I want to say, a subcontractor or something? And then if this works out, that someone comes back next year, we wouldn't need the extra employee.

OTT: Mayor and Council Member, there are some things -- sometimes you get into, like a combination department, which is a paid, on call type situation. As we move forward -- and I'll update you when I'm done on our auto aid application. In the region, the auto aid application doesn't really account for per diem firefighters. They look at full-time firefighters, and how that supplements the system. Because the hard thing with the per diem guy, or a part-time, or a paid on call person, is being able to maintain that level of training that they need to keep the regional consistency for everything that we're doing. So to get back to kind of, give what you get. If we sent a truck to Phoenix, we sent a truck to Scottsdale, or Mesa, they would like to see four full-time firefighters on there, and not three full-time firefighters and maybe a part-time guy, or a per diem guy in there. So it makes it a little bit hard when we're trying to meet regional consistencies. But the other 27 fire departments in the valley all operate that same way as well. So --

EARLE: And then my other question was, you were saying before, there was eight firefighters per shift?

OTT: Per day.

EARLE: What did you call it?

OTT: Per day.

EARLE: Oh per day, not per shift. And you now have ten, but you want us to go to 11. But you wanted to hire three more?

OTT: Well, three would give us --

EARLE: But could you do --

OTT: Okay, so to back up a minute. At rural per shift, which would be three shifts, they supplied eight firefighters as part of the contract.

EARLE: Okay.

OTT: So there were 24 firefighters as part of that contract. When we did the municipal model, we went to 30 total --

EARLE: Um-hum.

OTT: -- which is ten per day. So ideally, we would add one person per shift, which would bring us up to 33 field firefighters. So that would give us 11 people per day.

Makes it a little bit easier to try to maintain that nine minimum staffing, without having to use the overtime. So that's where we think that we'll be able to make a little bit of a dent in that, that peak above the 454.

EARLE: Would you be able to manage -- we wait some time and see if this levels out? If this was just an anomaly this year?

OTT: I think that what we're seeing with what our staffing is that -- and if you took a look at some of the other departments -- some of the bigger departments -- that you have a little bit of -- and I say fluff -- but you have a little bit of extra manpower already factored in there. So that that takes up when somebody is off. Somebody might be a rover, or a floater, in a larger department. That would then be an extra guy at one station until he's needed at another station to fill that position up. I think that just the odds of somebody being off at one point -- and we'd have that conversation to -- that we don't think any department in the town is ever fully staffed. There's always somebody off. It's just we don't really have the ability to not fill the seat on the fire truck. So that's the challenge that we have.

MAYOR FRIEDEL: Hannah?

LARRABEE: Thank you. And thank you, Chief, for laying out the situation here. I think my main concern is that, if we're talking about one additional per shift, which is really three new employees with benefits, and we can't quite define how much this would actually offset the overtime. This is a pretty significant financial ask without kind of the background information of where this evens out for the overtime that we're currently seeing. But at the same time, I do want to solve your problem because you're right. We need to fill that seat. So I'm wondering, I know some other municipalities do like a volunteer firefighter program. Is that something that we could look at as you know, so that there's still somebody in the firehouse, if we need to send our guys for automatic aid? If we have ten per shift, but so and so needs to take a vacation, so and so is getting married, so and so just had a baby. We could lean on a volunteer program, and that way we're not paying a salary for someone that we don't necessarily know if there's consistent workload for? If we're using them to make up for when we're understaffed, when we are fully staffed, what is that person going to do, I guess, is kind of my question?

OTT: Mayor, council member, there is no shortage of work to go around --

LARRABEE: Sure.

OTT: -- if we had an extra person.

LARRABEE: Sure, of course.

OTT: The days that we're going to have them, that just helps out with staffing. Maybe that's a person that mans the snake truck that day. And the snake truck doesn't have to -- we don't have to drop the engine to man the snake truck to go out and do those other service calls that we do. Fire alarm, battery changes, those things. That gives us the ability to have -- if we're in a position where we had the extra person there -- that would be able to fill some of those things, and not take the whole engine company at some point to do that. Or drop the staffing on that engine to be able to do those customer service, community service, and community relations type things. So that would -- and breaking it up and looking at hiring one person to start with, to see how that impacts it? And that might be enough to be able to offset that. Where it allows additional people to -- there's one more person in that pool to work another day. Right? But as far as the -- we would not let somebody sit idle. There is plenty --

LARRABEE: Of course.

OTT: -- plenty to do.

LARRABEE: Of course. And trust me, I do have full faith in that. I just wonder if for those community projects, for those in the firehouse type jobs, I wonder if we could lean on a volunteer program? I know there's quite a few municipalities in Arizona that do have, like a volunteer firefighter. You're looking at me like it's a no. I'll let you answer.

OTT: I would say none in the valley.

LARRABEE: None in the valley.

OTT: We have, and utilize, our volunteers quite well. We have about 30 people on the crisis response team. And to my knowledge, frontline firefighters in the Valley -- all of them are paid.

LARRABEE: Okay.

OTT: But there are other areas. We're a large state. As an example, over 80 percent of the fire departments in the United States are still volunteer. But if you look at what the areas are, they're mostly rural areas. It would be hard, from a volunteer side, to have somebody drop their job here to come --

LARRABEE: Sure.

OTT: -- be that extra person at the station. So --

LARRABEE: Sure.

OTT: We have looked at those kind of options early on. It was, how can we augment the staffing? And really the way that the valley is and what the standards are for the auto aid system, it doesn't really allow for nonpaid --

LARRABEE: Okay.

OTT: -- firefighters.

LARRABEE: Thank you. And I see Town Manager Rachel's light is on, but really quick. I think my direction would be to split it up, and start with the one, and see how -- see what that offset looks like, so that we can make a mathematical decision. In the future, if we're wanting to do one per shift, or if we end up needing more than that. Thank you.

OTT: Thank you.

GOODWIN: Good lead in. That's exactly what I was going to say, is that that's sort of the model we're recommending is exactly that. Is one as part of next year's budget. So when you see that in the budget, you'll know where that came from and why. And understanding, that will give us some time to see what impacts it has on our overtime. It'll hopefully give us another year of data to see again whether this is going to be a standard practice, or if this is an anomaly year. Again, it'll buy us a little bit of time, while still working to alleviate the impacts on the department overall.

And frankly, we ran the scenario with three. It is a large budget strain. So if we find we need to continue down that discussion, it gives us more time to kind of address how to do that. So one is the recommendation, and I think Chief Ott, and Paul, and

Michael, have had these conversations sort of in the background to make sure that that, again, is moving us in the right direction. It may not be a complete solution, but it gets us down that path. So that is the recommendation that we're giving as well. So it sounds like we're on the same page.

WATTS: And finally, just to be clear, the one that you're looking for -- which I am a supporter of -- is not an admin, not an efficiency expert. It's a full on firefighter, certified and everything, correct?

OTT: Absolutely.

WATTS: Okay. And the second thing is, for Paul's benefit, I'll get him a new abacus so that he can have a starting point to be able to do this in the future. Thank you.

OTT: And one other thing I would add to that is that if we find out that this position is not needed in the future, we can adjust back through attrition, and just not fill that position in the future, as they become available. Because I know in maybe 18 months to two years, there may be somebody that's not going to be working here. So -- but so that would be a good opportunity to come back in two years. This all works out. We may have an open spot and not have to hire for that. So. But any other questions? Is lunch here yet?

GOODWIN: Lunch is here. I think --

OTT: Because I had my back to --

GOODWIN: -- there's a pizza for everyone. Do we want to pause and do that? And then we'll -- once everybody's kind of got their -- everybody up here, we'll resume and move forward with the next discussion, which is about the lake liner replacement project. Okay?

(Recess from 11:51 a.m. until 12:12 p.m.)

GOODWIN: All right. With the Mayor's direction, we're going to go ahead and resume our discussion. Everybody can keep eating. Totally fine. We'll consider it a working lunch. Except for Kevin. Kevin doesn't get to keep eating. He's going to come -- he's going to present about our lake liner. We'll save an extra cookie in the back for you, Kevin, for when you're done.

The lake liner is a conversation that has obviously been a long term conversation. A lot of this council is not familiar with the study that was done, and some of the assessments that were done a number of years ago. So Kevin's going to share a little background on that. And then also where we're going to go -- or where we're recommending that we go and why. All right. With that, I'll turn it over to you.

KEVIN: Excuse me. Thank you. All right. So we talked a little bit earlier about the lake liner replacement, and wanting to get a playbook in hand so that when we do have the issue, we're not scrambling for decision making and figuring out how to actually do the lake liner replacement. We want to have that done ahead of time.

As we know in 2000 the lake liner was replaced last. Here's a couple of images of that. As you can see, it was no small task at that time. And it will be that again, this time. Only even more difficult because we have a lot more population involved. One of the things that we always pride ourselves on is getting out ahead of projects and problems, and coming up with solutions to where that we don't have as many issues. Doesn't mean we don't have any, but hopefully, we've thought through a vast majority of those issues ahead of time. Especially knowing that last time we had several issues that came up during the process. And I would attribute a lot of that to being when the town took the lake over, it was already having many lake liner issues. And so they had to come up with a plan quickly to make the changes that needed to be made.

So where we at today? This flow chart kind of gives us an idea of what the recommendation was from Black and Veatch. When we went through and looked at the -- did a really thorough look at all of the lake, the lake liner, irrigation system. And this is their recommendation. Right now, we're at a spot where we're still doing periodic evaporation tests, there at the top. We did one last year, and found there to be no leaking, which we talked to this council about when that happened. Which is a great thing. That means we still got time. We'll do another lake liner test four years from now and get us another data point of where we're at, at that point. One thing that's critical in this is understand that the odds of the lake liner just falling apart in an instant, is not realistic. It's why we were suggested to do lake liner test every five years. And if we start noticing any difference, then at that point we would do it once a year to where that we can track it to see how quickly it is failing. So their plan is, after -- not starting the planning phase until you hit 110 percent of the measured water difference between the evaporation test plot and the lake. And but I think we should get out ahead of that. Just to where -- because of the complications that are here, and the difficulty that redoing the lake liner is going to cause. So as of right now, we have zero issues with the lake liner. We're not concerned about it. It's one of the reasons why we're kind of rethinking how we want to go through the budgeting process of it, which we'll be talking about after I get done with this conversation. We'll kind of talk a little bit more about different ways that we can fund the lake liner replacement, and other things along with that.

So when we do the lake water test, this is how we do it. It's very scientific, very fancy. It's as simple as measuring the water in the lake. and measuring the water in a tank at the same time. Which gives us a very accurate synopsis of where we're at -- over a two week span, where we're not pumping any water into the lake, and we're not irrigating at all to take any water out of the lake. And we don't run the fountain, correct. To where we don't have that evaporation either. So as I was saying once we hit 110 percent, then that's when we'll be ready to move forward with getting things ready. We'll still have some time, even when that occurs. So don't think of this as, we're jumping off a cliff and we don't know where we're going. The whole idea is we want to know exactly what's happening as we move through this process.

So we've talked about several different ways that we could accomplish the lake liner replacement. And what we'd like to do with this plan is have a playbook that says, we've now narrowed it down to one, maybe two. And the only reason I say maybe two is because we could look at how far out we think it's going to be, and there could be different ways to do it. But one of the ideas was to do a coffer dam, which would allow us to basically cut the Fountain Lake into a pizza pie, and cut little pieces out of it, and fix each piece as we go. And then let the water go back into that space, and then move on to the next space. It does prove to be a little bit more challenging, and it takes longer than it would if you just had a dry basin to work out of. And so it is more difficult to get a good quality liner that way. But they keep making advancements in that every year as well. So I'll be curious to see how that's changed over the last six years.

Another option is to do an aquifer recharge. In this situation, with the quality that that our lakes at -- and that's what makes everything more difficult, is that our lake is a dead-end lake. Which means all the water goes into the lake. And the only water that comes out of the lake is for irrigation. Having a 100 million gallons in the lake and we're only using 600,000 gallons a night, makes that extremely difficult to keep up with. We end up turning the lake over about once every year and a half. To give you a comparison, the lake that we use for Golden Eagle, we turn it over several times a week so you're always getting fresh water. Where our water sits, and it evaporates, and leaves all the salts and the total dissolved solids, behind because those don't evaporate. And so each year the lake continues to get worse. So with that, to do an aquifer recharge, we'll have to pre-filter the water that's coming out of the lake, disinfect it before we could ever pump it out. And then we would put it into a storage well -- or a recovery -- into a storage tank or recovery well, to then return it back to the lake. That has significant challenges as well, which is why I want to get into where we can look at what it would take and how we could pull it off.

Another option that we talked about was doing a direct reuse. Where we would take the lake water that's there, clean it to a certain degree to get it down to a more acceptable margin, and then we'll run it with other reclaimed water that's of higher quality, to blend the two together to where that we can still have an okay water that's coming out. It may not be quite as good, but be a lot closer. So that's another option. So when I started here, we were in the 900 parts per million ten years ago in the lake water quality. And in -- that was in 2016. And in 2020, when we did this reading, it was at 1180 parts per million. So it had gone up a fair amount over that short span. And we're in the process of doing another water test right now, just to see where the lake water quality is at -- both for us using it as irrigation water, and for having the knowledge for doing this part of the project as well.

Another thing that's going to be a huge factor that we really got to look into, is working with Game and Fish to figure out what we do with the wildlife -- both the aquatic wildlife as well as the surrounding wildlife that we have. And so we need to make sure that we follow all the codes that we need to, as well as making sure that Game and Fish is happy with the decisions that we're making, and how we can either move wildlife, find different places that are interested in having it, and/or the least favorable option is euthanization of the wildlife that's in the lake. And we did a lot of that last time. So yeah, lots of fish, turtles. Yeah. So, it's definitely something that's thousands of them. Yeah.

The next thing that that we'll have to figure out what to do with is the sludge, which is certainly at the bottom of the lake. Last time the lake was drained, they brought the sludge out and laid it out on the turf areas, as you can see in that picture. Which proved to have a whole lot of issues. One was, there was a considerable amount of odor that came off of the piles that was not favorable for our residents. And the other was, there was a huge infestation of midge flies. And in 2000, they spent $10,000 just on midge fly mitigation that they didn't expect to spend when they started the project. So that's you know, this is definitely not -- the least favorable way to do it is this option here?

Another way of de-watering is to filter it and then return it to the lake. That can be done as well. And then that'll help to where we have a drier sludge when we're getting ready to haul it off. And this is another option that we've looked into. Another issue that's going to come up when we're redoing the lake is the vegetation that's already at the lake. All around in the turf, the plants. And what do we do to try and salvage as much as we can? We'll certainly lose some things. The odds of being able to keep everything alive throughout this process is slim, but we can do the best we can to come up with plans ahead of time to minimize the loss. And one is to do a coffer dam. This was a suggestion -- there was a dam discussion when I first started, that they were going to dam off this area and use it just for irrigating the park. So we could re-implement that plan. The biggest problem with that plan is it only holds 200,000 gallons of water. And as we discussed earlier, we in the summer use on average 600,000 gallons every night that we water. Doesn't mean that we couldn't do it a different way to minimize the effects that that would have on our plants. But it's certainly something that would make it more difficult.

Another option is to put in a dedicated storage tank that holds 500,000. And that would be something that would be sufficient for us to use for irrigation. This was just a preliminary spot that they picked out when we were doing the discussion last time. And since that time, I certainly have some differences of opinion of the best location for that and would want to look into that further as well.

So in review you know, we always say failing to plan is planning to fail. Well, this would be on a grand scale. And the last thing that we want to do is look like we had zero plans in place when we started this project, and it got worse from there. So what we'd like to do is make sure that we're planning for the replacement and hoping that we don't have to have an emergency replacement. But at the same time, next year, someone could get into an accident, and drive into the lake, tear the lake liner, and now this whole scale moves forward. And that's the last thing that we want to do, is not be ready for it when -- if that were to happen. Knowing where we're at now, like I said, we have some time. We're not in a rush on this. As of today, we know of zero reason to think that we would need to be doing this anytime soon. That could all change in four years when we do another test. And then we'll start dealing with that when that happens. But it's again, this is not a light switch scenario where it's either working or it's not. This is a pinhole leak that leads to a bigger hole leak. And then you start seeing the failure over time. So what we're looking to do is come up with a design plan that will help us know exactly what to do when the time comes, and how to deal with the aquatic wildlife removal, removal of the lake water, the sludge disposal, park vegetation maintenance, liner replacement, and then finally refilling and stocking the lake again.

None of this will come at a cheap price. It'll certainly have a sticker that will be associated with it. So we want to plan as far ahead as we can, which I'm very proud for how much that we've put into it already to help make this process easier. The good news is, we have more time than we originally were thinking we might have. So with that gives us a lot more time to plan, both financially and methodically.

MAYOR FRIEDEL: It gives us more time to save, too.

KEVIN: Um-hum.

MAYOR FRIEDEL: The question on the tank, that would be potable water versus reclaimed water. Is that what you're thinking?

KEVIN: We could literally do it either way. So if we were pumping into -- the biggest advantage of if we had a tank, and we started pumping out a tank, is we would turn it over every day. So therefore, you wouldn't have the evaporation issue of leaving more and more, and the water would be the same every night of the week. And it wouldn't be getting worse every day of the week, the way that our lake does now.

MAYOR FRIEDEL: And are you also thinking about doing that at the same time, and also replacing irrigation down there, too?

KEVIN: Correct. So you know, we would -- that's all going to be part of the planning of figuring out exactly what we can do, and can't do with the system. We just went in and replaced the pumps and motors. So we have a good heartbeat, for lack of a better term. So that's all there. But everything that's out in the field is 26 years old now, so it's certainly at a point where it's going to need replaced, and by the time we get to this, I'm hopeful that it'll be far enough down the road that doing both at the same time would be ideal.

MCMAHON: Thank you, Kevin. Thanks very much. I appreciate your presentation. If you don't mind, I do have a couple questions. We've been talking about the lake liner for years, and it's our iconic fountain. So in my opinion, we're always going to find the money for it somewhere. You're talking about a project that there isn't any damage or anything done right now. So my first question is, when the lake liner starts leaking, is it going to be like the same design to replace it, no matter what the issue is or --

KEVIN: Yeah, if we go in to do any replacement in the lake, it wouldn't make sense to not go ahead and do it all at this stage of life of the liner.

MCMAHON: But could you piecemeal it like a pizza pie, like you were saying --

KEVIN: Yep.

MCMAHON: -- if we couldn't afford to do the whole thing. But I know that would not be the preference.

KEVIN: Yeah.

MCMAHON: But I'm just asking because I think that's the first time I've heard this.

KEVIN: Yeah, I guess you could. But once you get all of the pieces moving.

MCMAHON: You might as well do it.

KEVIN: You may as well rip the band-aid off and have it all be new, and trying to seam a new piece to an old piece, and it be different materials.

MCMAHON: So this is a project. I don't see the cost to it, and I don't see how long it's going to take --

KEVIN: For the design of it or --

MCMAHON: -- to come up with a plan. And you know, you're talking about engineers and the whole design and everything. So I'm wondering how long -- what's the cost of it? How long is it going to take? And then my concern is, will it -- and I don't mean this as an insult because we've done studies, traffic studies to put in traffic lights. I know this is different, but -- and then it just sits there on the shelf. So I have a somewhat of a concern, you know, like as an just an example that I wouldn't want to see that happen. And I know we're testing it, and I forget what the cost is to test it. And as we move towards this aging process, do we need to test it every other year versus every fourth year? I don't know, I'm asking all these questions. That's a lot of questions. I can go back and repeat them, hopefully, but --

KEVIN: I'll start with your last question. So we'll do a test every five years until we notice that we have a difference in the evap versus the lake evap. So once we have a difference then we'll move it to every year. And then that way we can see how quickly it's going or if it's stabilized, and we have a single point of leak, then we may be able to hold on to that for a longer period.

MCMAHON: I know, but that's assuming -- that's a big assumption, no offense, that it's going to be a small leak.

KEVIN: It will be unless we have an accident -- an incident where something happens.

MCMAHON: Right.

KEVIN: The odds of there being a catastrophic failure of the lake liner tomorrow is almost zero.

MCMAHON: Okay.

KEVIN: The odds are that it will start to seep through the seams. That's where they 99.9% of the time they fail in the seams where the weld is. And so you start to see seepage, and you'll see that through the evaporation test.

MCMAHON: Okay. So again how long would this project take? How much would it cost? How effective is it going to be? You know, is there a lifespan of it that it'll expire or anything like that?

KEVIN: So yeah. So we put in for a million to do the design and have the plan so that we can suss out all of the things that we can't do and get them into all the things that we can do. And so to me, getting all the legwork in the process, even if there's a step along the way that gets changed --

MCMAHON: Yes?

KEVIN: -- because it's 20 years later, it'll still be worth having that knowledge in our back pocket today, so that if it happens in half that time, odds are we're going to follow the exact book.

MCMAHON: Well, 20 years out is kind of far. And I'd be surprised.

KEVIN: It's a very realistic number. I mean, it lasting through 2050 would not be a surprise.

MCMAHON: Well, then if that's the case, then maybe this is premature.

KEVIN: It could be. And I guess that I would rather have that information in hand, knowing that the warranty ran out in 20 years. They've lasted as long as 50. So there's a huge window, but it could also fail in 30. So to me, having a plan in place is way better than waiting and going in let's say it's three years from now, we find out that we have it leaking, or there's an accident tomorrow, and someone drives into the lake, and we don't have a plan, now we're scraping.

MCMAHON: But when I thought that we've exceeded the life of the lake liner, I think by five years now or something.

KEVIN: The warranty. Uh huh.

MCMAHON: Okay.

KEVIN: Just the warranty. That's not the life expectancy. That's the warranty.

MCMAHON: So if we have 20, we could have 20 more years on this, I mean, you know, people, architects come in and do designs and stuff. Time goes on. They relook at it, it changes. So if we're looking 20 years out, I'm feeling that's premature. Sorry, I just am because technology and everything else changes constantly right now. And if this is in a $1 million expenditure, I would be concerned that we're going to have to or the town will have to spend it another million in five years from now if something comes up. I appreciate the thoughtfulness. I appreciate what's going into this, but it might be a little bit premature right now, given we have 20 more years on the lake liner.

KEVIN: Could. Like I said, there's no guarantees in a lake liner. So it could be that in five years we notice that we're at 108 percent, and then we're pulling the trigger. So --

MCMAHON: I know, but is there something that happened that brought this up?

KEVIN: Just trying to plan for it because it's going to be the biggest thing that we do when we do it.

MAYOR FRIEDEL: It's being proactive. Let's hear from the town manager. Rachael, do you have something you want to add?

GOODWIN: I just wanted to sort of echo some of what Kevin shared. And maybe if to give the -- a little bit more background to to sort of give a little more context to what you were asking Peggy. The idea is that we know the lake liner is going to fail at some point, and we are on the downhill of that some point. Right? If -- if it's going to last 50 years, it's 26 years old. We're past the midway point. And 50, of course, is just a round number. It could be more or less than that. But we want to make sure that we have a plan. And I respect what you said about sometimes we do studies, and they go on a shelf never to be seen again, which is partly why I nudged Kevin. I was like, this isn't a plan, it's a playbook. It is something we will be needing to have so that we can address the lake liner when it happens, because it's not a matter of if, it's a matter of when. Secondly, the idea that we keep getting asked how much money is it going to take? And the answer is we don't know because we don't have any answers to any of those questions that Kevin brought forward. So going through this process will hopefully give us a better sense of cost. Hopefully, it will give us a better sense of timeline when we do the project, how long will it really take?

MCMAHON: I'm talking about the cost of the design -- the (indiscernible)

GOODWIN: Well, and that's why they mentioned there's $1 million in the CIP as a CIP project. The idea, hopefully, is that we'll need to go out and do a specialty RFP process to find the right contractor and the right vendor to work with engineering firm to work with this, because this is not your standard typical bridge or roadway or whatnot. This is a very specialty project that has a lot of different unusual elements to it. So we'll want to find the right person to work with. So it might take us a while to find that person, get them on board, and work through this process. So really that $1 million is a placeholder to get us there, so we can find the right vendor to work with.

KEVIN: The other thing, too, is the last time that we did it, we literally had pipes running down the -- down Saguaro to run it to other lakes to get rid of the water, and that will not be an option this time. And so we have to think about getting rid of one hundred million gallons of water by itself. That's a monumental task. And that's just the first step of the process.

UNIDENTIFIED SPEAKER: And it's not going to evaporate away.

KEVIN: No, we -- we did actually we looked into that too. And I think it was five years, if I remember right, that it would take for it to evaporate off if we went that route.

MCMAHON: And this $1 million is going to come out of the fund we have now for the lake liner saving up?

KEVIN: Yeah. The CIP. Oh, yeah. Yeah. Yep. Yep. No.

UNIDENTIFIED SPEAKER: I just don't want us to bring something to you at the CIP work session. That's different than what we're discussing today. Right now, what I've included in the budget, and just briefly talking to the town manager, is to spend the money we've saved up for the lake liner for the design. That's what it's there for. We don't necessarily need to do that. We could continue to keep that money set aside, but that's what I would propose for this project for the design. Sorry.

MCMAHON: Yeah. Again, my concern is that if we have 15 or 20 more years on it given technology. I mean, correct me, when it happens, a lot of us won't even be here. You know, so they might want to just discard it and do another one. And that's a concern, too.

KEVIN: And it's part of the reason why I would like to do it now is because I have the knowledge that I have after being here for ten years, and if I leave tomorrow, there's very few years of experience. And if someone were to come in new and try and figure out all the nuances of it, it would take a long time to catch up to that learning curve. Yes. I would like to think that.

MCMAHON: Are you documenting your knowledge and like putting it in a notebook or something like that so it will be passed on?

KEVIN: We've done studies over -- the information that we've gathered over the years is in files --

MCMAHON: Okay.

KEVIN: -- but you still have to go through and figure all that out.

MCMAHON: Thank you.

MAYOR FRIEDEL: Councilman Rick?

WATTS: Tough day. I think the thing that's hard to get your arms around is the logistical and mobilization aspect of this. The amount of time that it's going to take to coordinate with all of the design plan components, EPA permitting, and so on, that aren't even really listed here are quite a task. And I also subscribed to the philosophy similar to your failing to plan is planning to fail is proper planning prevents poor performance. So I'm an advocate of moving forward with this, getting that playbook in place. Then we've got a game plan, no matter if we have minor changes to it, because 20 years from now, the permitting process changes a bit. But we've got a fundamental playbook, and we can bob and weave to make it all work. And we know the timeline because in the playbook, there'll be a timeline of what each of these will take to execute and complete. So I'm a supporter.

KEVIN: Okay. Thanks.

LARRABEE: Thank you. Well, I do want to give credit to the concerns regarding if a study ends up sitting on a shelf for some time, that's something that I talked about a lot when I first joined the council of having consideration toward what studies are worth it. This is a study that's absolutely worth it. This is a project that we talk about every year. We have no idea if it's going to happen next month or 20 years from now, and that's information that we need to have in case it's not 20 years from now. And then, even if it is, there's certain things that we'll keep and certain things that we won't.

Something that I'm really interested in and a little bit excited about is getting more information on that inflatable cofferdam. Okay. That's a new word to me, so I didn't -- inflatable cofferdam. I think that's a really interesting concept, and it would help us save the turtles. I think it's a really interesting concept. I understand that it's more difficult, but there's also technological advancements with each year, and it would be really beneficial, I think, for our town as well, to not have the empty lake for the time that we're replacing that liner.

So if I can make the recommendation that I would really like to see some more information on where -- how that technology has progressed, what that might look like. I would assume, though, even in using that, we wouldn't be able to run the fountain because the water. Yeah. But at least, you know, the lake would still look pretty, and we can salvage that. That's my two cents.

MAYOR FRIEDEL: Councilmember Earle?

EARLE: Thank you. Mayor. Thank you for doing all the research you have so far and putting the time into this. I do think it's a good idea to have a playbook. It is not a study because a study is just do we need it, do we not need it if you're doing a study for streetlights or not, you're not getting what process are we going to do that and learn something you don't know. So this, I see, is much more of a playbook than a study. And obviously, you get a starting point, and as technology changes, you do have an idea what you would need here, and you just add to it. And I do think that we make decisions up here, not for us, or we do make decisions for us in the future if we're not going to be here anymore. Hopefully, Councilmember McMahon, I hope I'll be here in 20 years. Not on this council, though, but I want to plan for Councilmember Larrabee and her little one so that we'll have that that fountain here for the kids. So I do support this, and I think it's a really good idea. Thank you.

KEVIN: All right. And with that, I will hand it over to do some discussions on the financial side of things. All right. It's your turn.

SOLDINGER: Oh, man. Which of these presentations is it? Oh, do we not have it up? Sorry. One second. I'm just introducing it real quick. Michael's going to come up and talk about we just want to talk about the expense limitation standpoint. We did talk about this a little bit, I think, at the last retreat with the home rule recommendation, but that was more centered on there being a defined period that we would plan to do the construction.

With this approach, where it's more indefinite, the permanent base adjustment would make more sense to give us more flexibility, but there are some challenges with that as well. So Michael's just going to touch on the expenditure limitation and options for the Town to consider raising the expense limitation for something like this and a large scale project. So with that, I will turn it over to Michael.

MICHAEL: All right. Good afternoon, Mayor and Council, just to reiterate or go back to the last presentation where Paul said, we talked about the home rule. One of the reasons we were bringing -- or the primary reason we were bringing this up, is because we are saving money for the lake liner project. Obviously, if we have longer before this happens, the more money we can save up. Where that becomes a challenge for us though, is that money that we're saving is all subject to the expenditure limitation. So we talked this morning about bonds and how they're not subject to the expenditure limitation. That's a great thing with debt that it's not subject to the expenditure limitation. There are some downsides to that we discussed this morning.

While saving for that means we don't have interest costs all that, and we've got the money available to do it, but that's why we need to figure out a way to then spend it under the expenditure limitation, because that money is not excludable. So we talked about the home rule option. We talked a little bit about permanent base adjustment at that time, but we didn't really focus on it. So I'm going to -- some of this will be repeat since we did touch on it a little bit. But I'm trying to go into a little bit more depth here with the permanent base adjustment option.

So first of all this -- the permanent base adjustment option is something that's authorized by the Arizona Constitution, Article 9, Section 6. It allows municipalities to go to the voters of their of the town and ask them to increase the base limit or the base amount by a certain amount. So it is a specific amount that we would present to the voters. And I'm going to give you an example of that in on the next slide. And this increased base amount would be used to calculate all future expenditure limitations. So that goes into that base. And then the Economic Estimates Commission who calculates our expenditure limitation each year, would use that revised base. We have gone out for expenditure limit or permanent base adjustment before. That was in the May 2002 election. That proposal failed.

As mentioned in the last time we discussed this, also on that ballot was a question of implementing a primary property tax. Both failed by a similar large margin. So here's the example. So the top table you see there. That is our preliminary calculation. As Paul mentioned this morning, our preliminary expenditure limitation for 2027 is about 38.2 million. And so this is the calculation that the EEC has done to come up with that preliminary. They've calculated a population factor, inflation factor, and our base limit of 4.1 million. So when we talk about permanent base adjustment, it's that 4.1 million is the element of the calculation that we're really talking about.

So if we were to take that May 2002 election as say it had passed, so the amount that was put specifically before the voters was to authorize a $1 million increase in that base amount. So this is how that would work through the calculation. If we had a $1 million base limit adjustment. Population and inflation factors stay the same, but now our base limit would be 1.5 million. And that then equals an expenditure limitation of 47, almost

47.5 million there. So a difference of 9.3 million. So there is a multiplication effect in what we asked for the voters. So when we go to the voters and ask them for this, the specific amount would be the amount to that we'd ask them for is the base amount. But under state law, we would also be presenting in there an example called a summary analysis that shows them, okay, here's what we're asking for $1 million. This is what it really translates to. So voters would have all that information. But when we are considering an expenditure limitation or an increase to the base limit, we would kind of back into it. Look at what kind of room are we looking for under the expenditure limitation and back to that base limit amount. But this is to give you an example of just kind of how that adjustment would actually equate through to our expenditure limitation.

MAYOR FRIEDEL: Michael, I have a quick question, and I think Councilwoman Larrabee does too. Are there any provisions -- say we had the money to replace the lake liner and we found a leak or rupture, whatever? Are there any provisions for an emergency situation like that?

MICHAEL: The only provisions under the Constitution that might apply would be if it's a natural or man-made disaster. There are provisions in the Constitution that allow expenditures above the expenditure limitation if it's a natural or man-made disaster. There are nuances to that. So basically three categories. If it was a disaster declared by the governor, that's the best option. None of those expenditures are subject to the limitation. But we only have the year of the disaster and the following year to make all those expenditures. The other option would be to take it to the voters, if the governor were to -- to declare an emergency. That, too, if the voters approved, would have it all outside the expenditure limitation. But again, it has to be done in the year of the expenditure limitation, or sorry, the year of the disaster or the following year. So you know, kind of shrinks the timeline if we're going to try and get it all done. The other option is if we don't have a declaration by the governor, if we don't have approval by the voters, we can still make those expenditures outside the expenditure limitation within the year of the disaster, but that then reduces our expenditure limitation in the following year. So it gives us it just allows us to shift that expenditure limitation from the future year to the current year, which, depending on what happens if it happens late in the year, okay, we could shift some of that, but now we've reduced the expenditure limitation in that next year when we still got to continue the project.

So that -- that last option is really not ideal because we're just shifting around the existing capacity. If it was, you know, like one of, I say one of those natural or man-made disasters that the governor declares or is approved by the voters, that's ideal. But that's really the only provision under the Constitution for us to go above the expenditure limitation without penalty.

LARRABEE: Thank you. First and foremost, just to get it, like on the record in super clear language, the PBA, it's just permission to spend more money. We're not asking for a tax increase or anything like that.

MICHAEL: Correct. Yes. And I was going to cover that in a later slide. But yes, this is only dealing with the expenditure side of it. This is not a revenue measure. It does not raise any money. It does not prohibit you as a counsel from using your existing options to raise funds. But it has nothing to do with the revenue side. This is all just on the expenditure side, and giving us the room within the expenditure limitation to spend the money we already have.

LARRABEE: Thank you. I just wanted to make sure we got that on the mic for you know, our -- our thousands of fans at home -- our four people who are watching the live stream. Anyway, with the PBA, I think the word permanent is where a little red flag is going off in my brain. Because if we're doing it for the lake liner, but then we say it's a permanent increase, then it does allow for some, you know, maybe a sales tax increase later on or something to increase the amount of money we're bringing in so that we can meet that expenditure limit. I think I'm not necessarily concerned for the year that we fix the lake liner. I'm concerned for five or ten years after when we have the expenditure limit that high. So are there any ways to establish boundaries, I guess, on that to say, okay, we want the expenditure limitation increased, but it expires in three years. Or is that a possibility?

MICHAEL: Not with a permanent base adjustment.

LARRABEE: Okay.

MICHAEL: It is, as you point out, it is permanent. So I think that's my next slide here.

LARRABEE: I'm sorry, I'm ahead of you.

MICHAEL: Maybe so. But yes, as you say, it is permanent. So once the voters approve it, this goes into the calculation, and it is in that calculation forever forward. It doesn't prohibit a later permanent base adjustment. Some municipalities, counties have done multiple. But yeah, once it's in there, it's in there. To contrast it with the home rule, like we discussed last time, home rule, we were talking about putting in a specific exception. And that's where we can put boundaries when we're putting an exclusion in there. But with a permanent base adjustment, we're just putting a specific dollar amount before the voters. There's no way to restrict that under the Constitution. It's just we're asking them to increase our base limit by X dollar amount. And that's what's going to go into the calculation. And that additional expenditure authority can be used by future councils for whatever they want to.

So yeah, there are no boundaries. There's no expiration on that. That is a benefit of the home rule because we can put boundaries on there. And it is good for only four years with the home rule. Okay.

LARRABEE: Thank you so much. And it sounds like I'm asking ahead of your slide. So I'll shut up for now. Okay. Thank you.

MICHAEL: Okay. So --

MCMAHON: So that's -- Maybe I was having a side conversation, but I thought we were talking about just the lake liner, but is this another subject that you just want to raise the base limit across the board? Then we would there'd be more money to spend on roads and other things as well. Correct?

MICHAEL: Correct. But yeah, maybe I missed a part in the intro there. So this is about the lake liner. So as Paul said, when we came to you last time, we were thinking this was on a definite schedule, and so we could get the permit, get the home rule in there in time based on the schedule. But now that we're we don't have a specific schedule based on this new information, we'll do it when it happens. Well, depending on when it happens, when the elections are it, the timing may not work out there for us to get a home rule in there. So we're thinking if we get a permanent base adjustment in there, we've got the room whenever this happens. So that's the reason we've kind of switched gears to the permanent base adjustment. But also to your point. Yeah. Once we have that authority in there in the interim afterwards, if we have the money, that also gives us room under the expenditure limitation, because like Paul talked about this morning, when we're talking about bonds, you know, we only have a set amount of expenditure authority in there. So you know, we've got to balance all of the different priorities. If we have more room, then we can do more on other priorities, such as streets. Then we could otherwise without it. So it is something that we could use for other things, but the primary intent in bringing this forward is related to the lake liner.

LARRABEE: So then my next question is do we have the revenue for this base expenditure. And if we do, where is that excess money going?

KEVIN: At this point I don't believe we have the --

LARRABEE: Okay.

KEVIN: -- revenue to fund a higher a higher amount. And like we discussed earlier, this isn't a revenue measures. This isn't going to raise any new money here. But it could if we see revenue increases over the years, that should happen to increase at a rate faster than inflation and population. That could be a situation that we eventually have more revenues than we can spend. But really right now is we're -- the reason for the lake liners are doing this for the lake liners, because we're saving up money to be able to do that in the future, and that is subject to the expenditure limitation. So if we were --

MCMAHON: Savings?

MICHAEL: What we've saving, yeah.

MCMAHON: Oh, okay.

MICHAEL: So that's why when it comes time to do this, we may, you know, ideal world, we've got all the money sitting there to do it. But if we don't have an expenditure limitation option, that means that we have to cut our spending everywhere else in order to make room in the expenditure limitation, to spend the money we've already saved up.

SOLDINGER: Can I add to that, Michael? So just think of it here. I'll stand up because Kevin gave me a hard time earlier.

Well, Kevin, you know him. Think about it. Today, if we did have the $17 million. $17 million is the number we've thrown out as what we think it would cost. We're going to get a better idea this next year, right? But let's say we did have $17 million saved up today. And we're planning for next year's budget to do the lake liner. Well, pretty much we have some wiggle room because of the carry-forward we've been saving up. We could make some things work. But think of it as an easy way we'd be able to do our general fund spending, the lake liner, and almost nothing else, basically, is how it would work out. We wouldn't be able to do roads, we wouldn't be able to do CIPs because we'd be using all of our expenditure authority on the lake liner project and operating our general fund. So that's how I work under our current expansion limitation. The permanent base adjustment, while the concerns and discussion is completely valid and understood, it would give us more ability to do more work if we have the savings.

And so without something like that, if we still want to do roads, we still want to do CIPs this year because we have money in those funds, the only way we could do the lake liner this year is by taking out a bond, even if we had the money saved up. So that's kind of the reason for bringing it up. The home rule, going back to that, with it being indefinite, it would just be hard logistically. We'd have to come to the voters every four years to ask them to approve it for a four-year period until we do the work. And so that's why it's not as ideal in this type of situation, but it is possible.

MCMAHON: Along those lines, the if we take out a bond for the roads and we do the Geo bond, will that affect our ability to if we had to take out a bond for the lake liner, the limit us with what we could take out a bond for that.

MICHAEL: Yes. So Mayor, Councilwoman, it probably wouldn't -- it just depends on the dollar amount. Right now we're under that there is a Constitutional limit. And right now that limit is 62 million for the broad municipal purposes. So if we took out a $50 million bond, the most we could take out is another twelve million right under that limit. Okay. So but it changes every year based on the full cash value. So it will tend to go up year to year.

MCMAHON: But if we raise the base -- the base limit, we could so do more of a bond or no, we'd have to have the money. If we didn't have the money.

MICHAEL: Then we would have to probably issue a bond or find money from other funds. The CIP fund right now right now we have 6.7 million saved up for the lake liner and a facilities reserve fund. We have another 1.8 million in that fund for other repairs and maintenance around town. So right there yeah, 8.5 million. If we need to do $17 million today, council, and it's an emergency, we just need to do it. You could approve us to transfer all the CIP funds into that fund and do it all. But we'd have no money for CIPs. We'd have to start saving up again.

So we could actually do it today. Well, technically not, because we don't have it within our budgetary capacity. We'd have to figure that out and hopefully plan for next year. But we could make it work. We just have almost no money for other things.

MCMAHON: So don't we have. Am I correct to say we have like 45 million in a rainy day fund? And can you explain to everyone how that works? Why we can have that sitting there and not use it or.

MICHAEL: So it's our we keep a rainy day fund in our general fund. It's just a best practice actually I think adopted from the state. It's in our financial policies. It's $4.9 million. And so we keep that. We also retain another $4.9 million. It's just based on the average revenues of the general fund for the. Yeah. So we keep that just to make sure we can keep paying our firefighters, paying our staff to continue operations and the rainy day fund. We can only take money out of that if there's like some extraordinary. If the lake liner collapsed tomorrow, we could take money from that. We'd have to come to counsel.

MCMAHON: And now you said it's 4.9.

MICHAEL: 4.9 today.

MCMAHON: Where did I get that 45? I don't know. Where did I get that 45. I don't know.

MICHAEL: 45 is closer to the total money of the Town. We have like 52 million.

MCMAHON: Okay.

MAYOR FRIEDEL: Do you guys have enough runway to get this on the ballot for November?

MICHAEL: No, not for this, this November. We were if I can hold that and continue to do the slides, I'll get to that. So okay, so let's go back to the impact here. It would -- the Town's expenditure limitation would continue to be calculated by the EEC. So they're determining our expenditure limitation just with that higher base amount. All the existing Constitutional exclusions would apply. So if we issue debt, if we've got other grants or stuff that's excludable that continues to be excludable. And as we address this is not a revenue measure, does not authorize or prohibit any new or increased revenues.

In order to adopt it, it requires a two-thirds vote of the council, and then it can be on either the primary or general election ballot. We are recommending this for the 2028 general election ballot, which would be effective for fiscal year 2030. And that is simply because the in order to get that on the ballot, there's just not that educational runway to really get the information out there for people to truly understand what we're asking for here. So by giving us that extra couple of years there that would allow us to -- to get that information out and make sure voters understand what we're asking them to approve, especially since expenditure limitations is kind of a complicated topic.

MCMAHON: I have some questions, please.

MICHAEL: Yes.

MCMAHON: I'm concerned about this. I'm concerned about it coming up right now, especially for '28. There's going to be a different council. Using the lake liner to increase expenditures when the lake liner -- we're not spending money on the lake liner right now. It's not an emergency. It doesn't need to be fixed. Is there something going on behind this that -- that we want this expenditure raised for other reasons besides just a lake liner that's not really at issue right now, and we're not fixing, and also to have no parameters on it, just give it unfettered discretion to limit, et cetera, within different other confines. We haven't needed this in prior councils. As far as I know, this hasn't come up, and I don't know why it's coming up now. I'm concerned about it. And I don't think based upon what I've heard so far today, I don't think it's necessary. I haven't been sold on it.

MICHAEL: Mayor and Councilwoman, your comments are valid, so I'll try to address them. The lake liner is the example of why we would need this. Because we're trying to save up money. We're trying to self-fund something, and we're trying to talk about the difficulties of being able to spend money. We wouldn't be able to spend that money today if we had the money saved up because of the expense limitation.

MCMAHON: I understand, but we don't.

SOLDINGER: Yeah, I'm trying to get to it. So we have had a string of strong revenues where our revenues start outpacing our expenditure capacity. So in prior years, we weren't getting close to our expenditure limitation nearly as much. Before 2020, we were probably five or $6 million under expenditure limitation year after year. Now, we did have a time period, part of that was the pandemic recovery funds. Part of that is the Wayfair laws that went into place, where we start getting more remote sales. We also had some really strong construction sales tax revenues for a three to four year period. Our revenue started shooting up. They're starting to plateau like we've talked about, but we are getting closer to our expenditure limitation. It may not be a huge issue today, and part of that is because Michael's on staff, helping us navigate with all his 30 years of experience. And so we're being really creative with carryforwards, but the things like we're trying to do today, or give the council options for like additional road spending, it's becoming a little more challenging. It's not a this is an absolutely necessary thing today. It's something that would be great. It would make things easier. But if we had to do the lake liner, it would be almost imperative unless we want to take out a bond or just do no road work or CIPs for a year or two.

MCMAHON: No, I understand that --

SOLDINGER: So --

MCCMAHON: -- but you know, the conversation around the lake liner, the lake liner, and we could have 20 more years and stuff on it is I'm just wondering why that's being used as an example. I mean, the streets, I can understand a little bit more, but again, if it's a lake liner or if this has to go to a vote and it's going to be for '28, well, how much time do we need in order to start this happening so that it can be on the '28 ballot? I'd rather have it be more condensed in time, because if we explain it right now, by the time '28 comes around, the voters aren't going to understand why we're doing it.

SOLDINGER: And those are good points to look at.

MCMAHON: Again, I think it's premature. That's my personal opinion on it.

SOLDINGER: Yeah. Understood. I think just to add to that, Councilwoman, number one, if the council wanted to do a Geo Bond, going back to the earlier conversation, I don't know that I'd recommend putting both on the 2028 general election if that was the determination, maybe we stagger it to 2030. It would be effective in 2032, but we are getting to a little bit of an inflection point where it's becoming more challenging to do our budget every year and do additional road work and things that the counsel have asked us to do. The state trust land, you never know what's going to happen with the state trust, the Arizona Trust Department, whatever they're called, they just received an application to develop that. That's very early stages, obviously. But if the state trust land starts getting developed, there's going to be a lag in our expenditure limitation where it under current days, it would restrict our spending, and we may not be able to keep up with some of the infrastructure needed.

MCMAHON: I understand that, but there's nothing about the state trust fund now mentioned, and that's a long process.

SOLDINGER: Absolutely.

MCMAHON: It's not just something that happens overnight. In fact, I understand it takes up to ten years to get it processed and start development, et cetera. So while I appreciate and I'm not yelling at you or anything, I'm just a little frustrated that we're talking about something that I don't think is really applicable right now. I think that, you know, we're looking at this budget. We have enough in the budget to spend for what we want to spend it, and then maybe look at it next year.

SOLDINGER: Oh, absolutely. We're just trying to give runway and giving council information. Understood. You have very completely valid points. This is a complicated subject. And the public -- we've heard the public with considerations about debt and things like this. We just want to give information when we can. And this is a really good example, because if you think about today, our expenditure limitation for next year is going to be 38 million. If we had to do $17 million for one project in one year, we'd be hamstrung. We'd have very few other things we could do as a town.

MAYOR FRIEDEL: So I think it's good to be prepared and to be looking at the future for this town going forward. There's nothing nefarious here, and it's a good example to use the lake liner because, like you just said, if we had a $17 million lake liner project, we couldn't do it. We wouldn't do anything else. So I appreciate all the effort in that. Brenda.

KALIVIANAKIS: Thank you, Mr. Mayor. And yeah, I think the thing that's worrisome is that if we had a crystal ball and knew when the lake liner was going to fail, this would be pretty easy. Then we'd just do a not a permanent, but a short-term waiver because we know in '33 it's going to fail. And so you're -- we're hearing this permanent like it's forever. But on the other hand, we don't want to save all the money through prudence and care and then have it constitutionally, we can't spend the money to fix the lake liner that we need to fix. So this has got to kind of have to be done in order to -- in those future years, so our budget and our financing isn't for the year that we need to spend the money just a disaster. But can we, when we put this on the ballot in '28, designate it exclusively for single use of the lake liner that we anticipate to fail, so there's no mischief that we get the waiver, and then we spend money on other things.

SOLDINGER: Mayor, Councilmember, under the Constitution, there's no provision for restricting it. It's just we give a dollar amount, that's all that's on the ballot.

KALIVIANAKIS: So it can't be a single use. Okay. That was my question. Thank you.

GOODWIN: Brenda, if I can chime in on that, because I think one where you're going with this is exactly what our concerns are, too, right, is that it feels like it's unchecked. It feels like it's again, that word permanent feels, you know, uncomfortable. Yeah, it feels uncomfortable, I get that. I think so. There's a couple of things that you, the council, could potentially do. Well, one is you guys could pass your own policy. Now, granted, it's not Constitutional, it would be a policy that says we are going to budget to the expenditure limit, the standard issued expenditure limit, and not go above unless it is approved by the council, so we wouldn't necessarily always budget to what the new number is unless you guys gave us that direction to do so. We would maintain, as we currently are, under the annually issued limitation. So you could put some parameters in it on yourselves, so to speak. Those aren't foolproof. Obviously, different councils could unwind it. They could change that policy, but it would at least give some measure to the public that says, hey, we want to keep some guardrails on this.

Secondly, that's part of why we need the runway is to have these conversations so that, yes, it says permanent. It's scary. Here's what we're trying to do to mitigate and make sure that we're doing right by our residents and by our community to make sure that we're doing the best things we can which is why we need some time if this is where we're going to go to accurately communicate that answer questions, field the hard questions, and make sure that we're all on the same path. So there's some options, but they're not foolproof by any means.

KALIVIANAKIS: Yeah. Thank you very much for understanding my point and for elaborating on it. And yeah, I think if we would just wouldn't have the authority of the law or the Constitution, but just said when we did try to go for it and a budgetary item on the 2028 ballot, but it is a policy of the council that these monies will be expended towards the lake liner, not by law, but that's why we're doing it. And then if in the future the councils, they want to undo the mischief, at least they can point back to, well, hey, this is why it was passed. And why are we not doing that? So I think that's an excellent solution. Thank you.

MAYOR FRIEDEL: Also, any money that's spent comes back to the council anyway, so it's not like we're giving anybody a blank check to do anything.

SOLDINGER: And that's what I was going to reiterate. And the town manager was always going there. This is giving us expenditure authority under the expenditure limitation. It doesn't give us, as staff, the ability to use it. What we can do as far as staff and what we can spend is all dependent on the annual budget that council approves.

MAYOR FRIEDEL: Correct.

SOLDINGER: So just because this goes into effect and the expenditure limitation goes up, doesn't mean we can spend it. It's going to be up to whoever's on the dais --

MAYOR FRIEDEL: You've got to have the approval and the budget to do it.

SOLDINGER: Yes, yes.

MAYOR FRIEDEL: Councilwoman Larrabee?

LARRABEE: Thank you. And just to kind of piggyback off where the conversation has turned toward Manager Goodwin's suggestion, I would be most comfortable with this if it was paired with a pretty stringent policy on -- and looking beyond the lake liner as well. Not just saying, hey, this was what it was intended for, but to specify our -- I don't know if we want to be creative with it and say our -- as a policy say for emergency situations, our internal expenditure limit is based off of such and such formula. If we want to say something like that, that we have the legal expenditure limit that is higher and voter-approved, but then we say, hey, internally we're actually operating at this expenditure limit that's based off of, I don't know, our previous revenues.

Paul, you sound like you're kind of -- you look like you're kind of getting my train of thought here. So I will let the expert handle it. But that's just kind of where my mind goes. And because, again, my concern isn't the year that we do the lake liner or even the years in between where those of us here all remember why this passed, right? My concern is five to ten years after. And when that council sees well our expenditure limit's here, and we already fixed the lake liner, so why don't we just spend the money? Who cares? That's what I want to try and protect against. And I understand that council can also just get rid of the policy. I'm fully aware that it's not a foolproof thing, but just something to fully express our intention for those years after the project is completed.

MAYOR FRIEDEL: Councilwoman, before I address Councilman Watts, if you're concerned about the five to ten years down the road, remember that we've got the state trust land that might be developed by then. We're going to need infrastructure things done out there as well. So we'll probably still need that -- that space to be flexible and to get things done. Councilman Watts?

WATTS: Two questions. Does anybody know why it failed the election last time?

SOLDINGER: I would guess --

MAYOR FRIEDEL: It was on the property tax.

SOLDINGER: -- it was on the ballot with the property tax. And like I said, they both failed by a similar I think it was a 70/30 margin.

WATTS: And if it was passed, can you lower it at some future date. Can you reverse it effectively?

SOLDINGER: I've not seen that done in my experience. I believe the Constitutional wording just refers to adjustment. So perhaps that's some flexibility in there because adjustment, I guess, generally could be up or down, but I've never seen anyone attempt to decrease their expenditure limitation.

WATTS: I think this is another example of that proper planning prevents poor performance. We ask staff to look to the future to use your crystal ball, polish it up as best you can, and say how can we address issues that we don't know for sure are going to happen, but today we don't have the capacity to address them. And so I think in that light, I'd be a supporter of moving forward with it, so.

LARRABEE: I was just going to make a joke that the day the government asked the taxpayers to give them less money is the day I dye my hair purple.

GOODWIN: All right. We are shifting gears again. We are moving into kind of a three-part conversation. These next three items sort of intersect, but they also operate independently. Amanda is going to be presenting regarding the River of Time Museum. I think a lot of us have been engaged in this conversation for the last couple of weeks, understanding that there is a lease that is expiring in August, looking for some direction as to how to move forward with that agreement, as well as the building and facility, and the community input that we've received on all of this. So with that, Amanda.

AMANDA: Thank you, Manager Goodwin. Mayor and Council, before we dive deep, just a couple of things. One, this is a delicate topic. There's a lot to cover. We're going to be talking legalities with the gift clause. I would recommend allowing me to get through the entire presentation and jotting down your questions. But this is a council retreat, so let me know if that is acceptable to you, so I can make sure to look to see if I see a red light. Does that sound good?

And then also just to remind the council, and this is the first time the public will hear this, but the council and staff have talked about this in executive session. So this is the first time, remember the first time, we are speaking about this publicly.

With that so some background and this was also attached to the public document. 25 years ago, the Town and the River of Time. So the Town does not manage or own the museum. The River of Time is a tenant, but they entered into a lease agreement, which is set to expire on August 15th of 2026. They are occupying approximately 5,000 square feet and rent back in 2001, when this agreement was established was for a $1 per year, so the Town collected $25. In addition to that very reduced rent, the Town also provided $210,000. So you'll see for displays, exhibits, lighting, et cetera, and the Town also pays for maintenance, janitorial services, and utilities. So again, the Town pays for all of that.

The manager and I began having conversations with museum representatives in the fall, so around October, November to start gathering information. This information was provided by a representative of the museum. So as you'll see, if you go to the bottom 2023 and work yourselves up to 2025, you can see that membership has declined. You'll also see so we asked if they were able to share the membership demographics. Are they local? Are they out of state? Are they regional? What helps with that analysis from an economic development and tourism standpoint is you can see majority is Fountain Hills. So that means we're not collecting new revenue from either regional membership or out of state. And so that means when we're looking at that regionally again, statewide as well as nationally, internationally is someone could perhaps come to the museum, then go dine, or a big tourism impact is generating those heads in beds. So again, just based off of this, a very local museum.

We also requested a profit and loss statement. If you look at the net income on the right, and for accounting, we put things in red when there is a loss. So you can see in 2022, '23, and then 2025, based off of the results back in October and November, it is operating at a loss. Please note we received this information in November so why it's just January to October. And then also the museum was closed during the summer months.

So again, as Manager Goodwin shared, right now, what we're looking at and what we have talked with council about is we have a lease that is set to expire this August. It is our obligation and duty to look at these two requirements. Not a suggestion, but it's a requirement. Number one, we must comply with state law. Number two, is it the highest and best use of a Town facility? So when we talk about state law, and we get this has been complicated is we have to look at the Arizona Constitution. Within the Constitution there is the Arizona gift clause. And then sometimes with economic development directors, when we're working with attorneys, there's two common questions or we call it two-part test. Is there public purpose? Is it clear? And there's not an or, and is the Town receiving fair market value. There have been questions, well, you did this in 2001. What has changed in 2026? So we'll take you back to 2010. I was not here, but got to experience this with another municipality.

But some people are familiar with a case called Turken versus Gordon or City North, where this was challenged. So basically a taxpayer challenged the City of Phoenix of are we actually getting fair market value? And then based off of that case law in 2010, basically it was sent a message to cities and towns all across the state of Arizona is you better dot your I's. You better cross your T's to ensure that you are complying with the Arizona Constitution and the gift clause.

So that is what has changed. It's my job. It's Manager Goodwin's job, as well as Attorney Wright's job, to make sure we are complying. So option one, we're now starting to get into options is do we renew? You'll see that there was a document also shared where the board president of the museum is requesting one year, which is gracious. It's conservative, but I would also say just from a professional standpoint, when we look at some of that data, is how can you turn something around within a year? So is that really realistic.

Fair market value. So what the town did is currently the museum is within our downtown, within our civic district. We look just across the way to the Avenue district of other museums, art galleries, et cetera, and roughly the rent is 15 to $17 per square foot. So taking the lowest range, 15, and then multiplying it by the 5,000 is how we received 75,000. We have shared two times verbally with the museum, as well as in a formal letter, that if they have something different, they can back it up with data, the Town certainly would entertain it.

You'll see two subbullets. This is again taking directly from a letter from the board president is the museum is requesting a short-term funding plan. I have asked on two occasions, February 11th and February 23rd, can you please help me understand what that looks like? I have not received a response.

The second bullet, the museum is conducting a community fund drive. I asked again on February 11th and February 23rd if they could let me know did they self-impose on the board of hey, we're trying to get 75,000, let's just say within 60 days. Can you share a little bit more information? To date, we haven't received anything.

Of course, with these options, we would define terms. And so this may be complicated. Is again when we're looking at these options, we want to keep it high level. We have to do our best to be transparent, but also, you don't negotiate from the dais and a podium. And then when another partner is not here. So again, just inviting you to stay top level.

Option two. So as again, as staff, as we assessed just again, highest and best use and, of course, complying with state law, we started to evaluate other options for the space if we were not to renew. But was there ways to sort of get the best of both worlds, is to keep components of the museum. So one suggestion was do you relocate economic development and tourism? When you think of museum, although right now the data is showing it's more local, but usually with museum it, it can draw heads in beds, it can draw those regional visitors.

Retain a component of the museum. So let's unpack that a little bit. So for example, there's 5,000 square feet. Say we narrowed the museum space to 1,000 square feet. And again, this is hypothetical. You're now looking at 15,000 versus 75,000 that can you digest that?

A second thing. And again, we have to be delicate is -- is there a possibility now that we have lowered the fair market value of 1,000 square feet, that it's now just 15,000, does the museum have the capability of providing or extending some of the services where they may? This is a may -- not have to pay rent because we enter into some type of service agreement. As you enter into the museum, hopefully you've all visited there. There is sort of a welcome center, a gift shop. We thought of, too, having a training and workforce hub tying into economic development. We have shared some of our retention visits when we're going out to businesses, the minimum time we spend could be an hour. The max could be two, two and a half hours. That, again, is this is a way to gain efficiencies. And the activating our -- and Centennial Pavilion. So this year, Economic Development has joined forces with the Community Services Department to launch our third Thursday concert series. And so is there are ways to activate our civic center in that area. And then storage. Some people laugh, but obviously to being thoughtful of if this was the approach, the museum has storage space, and economic development has storage space. So think of our visitor guides. Event guides. People need storage. These are just some examples using AI. These are not official concepts. It's just again to imagine the space. So next steps. So again, what staff is looking for today from council is direction on what option you want to proceed. So again, previously we received direction to move forward with option two, we get right. All of us can change our mind.

So with option one, what we would need from counsel is direction to proceed with option one asking staff and an attorney. And I look at Attorney Wright. I've experienced this before. And when I go to attorneys, not just Attorney Wright, they're like, you want us to be creative? I'm like, yes, we received direction. We need to be creative. And then at the direction be that we need to comply with state law. There's a bullet point here too, is staff is also looking to get this accomplished if that is the direction we receive by May, June. Why such a short time frame, do you ask? Is because this body usually takes a summer recess in July and August, and under my watch, because this project was given to me, I don't like agreements to -- to lapse. Unless you guys allow it or give direction to option two.

So again, staff previously received direction, and we've been moving forward with option two. We notified the museum in person on January 26th. They requested another meeting on February 3rd. And then at that time they requested a formal letter which was sent on February 9th, basically stating we would not renew and requesting how we derive to 75,000. Again, if we continue along this path, we would need to work in partnership with the museum on a transition letter. How does this need to be transitioned? And then the museum shared with me on February 3rd that they need three months for deaccession.

So what that is in museum terms, is to take exhibits and artifacts either offline, if you will, in the archives, their documentation, or to sell the exhibits and artifacts. And then, of course, we're still in preliminary stages. We would come back to this body on some of the budget impacts. So staff is recommending to continue to proceed with option two. I'll tell you, I have spent significant hours as how, as our attorney has, of just looking at creative ways, trying to find some apples-to-apples comparisons regarding this, and it's been a -- it's been a bit of a struggle, but again, it's -- it's up to this body.

Mr. Mayor, Council, we are here for discussion and questions.

MCMAHON: I have some questions, if you don't mind. Look, if -- if you do step one and review, you're saying here that they want a year. Do you know why they're only asking for a year?

AMANDA: Mr. Mayor, Councilmember McMahon again, I think that was their way of -- of being gracious, and then just allowing a little bit more time to evaluate and work with in collaboration with the town to just get a little bit more time. So basically, like an extension but really looking to the town to -- to dive deep into their strategic plan and documents to see if there's a way to make this work.

MCMAHON: Right. And also, too, maybe they're looking because they know that Dark

Sky Discovery Center is going to open and they might see, you know, additional traffic in a way to support themselves. I don't know. I think in looking at some of these plans as far as the photos, you know, to have a workspace, et cetera, and to me that looks like it would more than dominate the -- the museum, it might detract from it.

AMANDA: And Mr. Mayor, Councilmember McMahon, again, that's just it's just an idea using AI, because I don't have money to pay an architect. I'm not an architect. So.

MCMAHON: I think there's also a really question that has been presented to me a couple of times is there are other people, we have it in our packet that are receiving $10 a month rent or whatever the case may be, right? And so I've been asked, I can't answer that question is what -- what's different between those leases, and the -- the value they give the town versus the museum, and the value they give or not give to the town?

AMANDA: Mr. Mayor, Councilmember McMahon. Great question. One, I'm not going to steal Paul's thunder with some of the other ones, but I did give a couple of the board members of the -- the Dark Sky a heads up. So that has been asked by members of this body as well as constituents have reached out to us. First and foremost, what's before us is the River of Time. But we get it's, it's sort of natural. Well, what about the other guy or what about the other gal? So with the International Dark Sky Discovery Center, one, they are not a tenant. So this isn't a lease agreement, but a land lease agreement. Number two, with them, what we look at when it's talking about, again, about the test and then fair market value is once they complete their building, that will be a almost 28 to $30 million capital investment in this town. Second, we asked about their employment. So over ten years their employment could be six employees, is what they were estimating. And we're not talking like a service employee that they're paying them 20 or $30,000. The third thing is we did let the International Dark Sky Discovery Center know that when they approached us that we would like a third-party fiscal impact analysis done, which the Greater Phoenix Economic Council. So GPEC did that just as part of our agreement.

It was something a bit unique, but we asked them to look at that, and it's going to, again within ten years, could generate over several million dollars. So that is the difference is we're getting fair market value. And then Mayor, I'm going to look to Attorney Wright. If there was anything else you wanted to add specifically related to -- to tourism, the Constitution?

WRIGHT: Yes. So when it comes to expense -- what a town is allowed to spend money on is kind of listed in Title 9. So what you have spending authority over there are traditional government things like roads and things like that that we all know that governments pay for. There are non-traditional things that are then provided for statutorily, like libraries, open space for growing food and -- and then tourism. So there is no right to have a museum. So in Title 9, there's no like, you can run a museum. What you can do is have money go towards projects that bring in economic development, who bring in tourism.

And so that's where Dark Skies fits in is they did a -- you know, an economic analysis that said that it's going to bring in tourism dollars. And so we can then have a -- we're getting basically the -- the -- in the case itself, it says you have to -- your give has to be what you're getting. So if you're giving something, you have to be getting about the same amount in return, based off of the economic analysis, what we're giving them for the land lease in for Dark Skies is at least equivalent to what we're getting back in return from the tourism dollars.

MCMAHON: Can you say that of every single person that we have a government contract with? I mean, not just using Dark Skies as an example, because they're -- they we're not even going to get revenue off Dark Skies, is my understanding, from their gift shop and stuff. So I'm -- I'm just trying to compare apples-to-apples and understand it, and understand that, you know, fair -- fair value in return. And as for a right to have a museum, that's not at issue right now. We're not talking about a right to have a museum. We're talking about a lease -- a lease continuing to lease or not with our museum that's been around for 20 years. And does add value because it contains all of our history as part of the town.

AMANDA: And Mr. Mayor, Councilmember McMahon.

MCMAHON: Yes.

AMANDA: I'm going to stay on the museum. We use the Dark Sky as an example. And then there's a separate agenda topic that will allow Paul and our attorney to address. So sorry.

MCMAHON: Just trying to understand that the reasoning behind it, because it's become a big -- the gift shop has become a big issue, and I think it really needs to be addressed.

AMANDA: They're fair questions, and we recognize, too. It's coming from the constituents as well. Thank you.

MAYOR FRIEDEL: I think we'll hear from Councilman Watts.

WATTS: Amanda, thank you for the recap, especially the dates. And you -- and I have chatted a lot. I think what we're looking for is the give, what we're giving them, or getting back. And I could even support something along the lines of, well, we're not getting the full 75,000 back, but we may be getting 15,000. So your rent's only 60 or 37.5 something along the -- you could -- you could somewhat rationalize that. But the problem I've got is that the financial statements that they provided initially were flawed, and that's being gentle about it. What we've asked them to do is give us a business model. Tell us what you're going to do to correct what you knew 25 years ago was going to be the case today. How are you going to do it?

So they put together a list of bullet points that are word salad as far as I'm concerned, because they have no substance, no data behind them. I'm happy to support them. But they got to give us a business model that says, here's how we're going to accomplish this in that year, two years, three years, whatever that duration is with data. How are you going to increase your membership? How are you going to increase participation and events going there. How are you going to do these things? And by what amount, and what are the charges? All the things that any normal CFO, CEO understands that they have to do when they go to actually ask for a loan. And that's what they're asking us for. We have to be able to substantiate what we're going to give them. And without that, I can't be a supporter. Option two is what I would favor. Thank you.

UNIDENTIFIED SPEAKER: I hate that mine squeaks.

[LAUGHTER]

EARLE: Is that it? Okay.

UNIDENTIFIED SPEAKER: We know you're coming, though. Some. Somebody's coming.

EARLE: Thank you. So not to be judgmental or anything in this, but I know you can't answer this, but if they're listening, which I know they are just what are they spending their money on? If they don't, they're not paying rent. They're not paying utilities. That they can't -- obviously, they're not taking in guests enough. There. So what do they need the money for? The other thing is, their membership dropped tremendously by 50 percent less, I believe, or half of their membership from '23 to '25. That's not a real good. They don't seem like a good company to invest or -- sorry, to invest money in. And piggybacking off of what Rick or Councilmember Watts said, and then my other question was not that we know, but how much of their 5,000 square feet is being used for storage. So maybe the option of them, you know, coming back to us with something else, maybe going down to 1,000 square feet or whatever, or sharing with us. But I still stick with option two, which was how it was before. Thank you.

AMANDA: Mr. Mayor, Councilmember Earle, you are correct. I cannot answer some of those questions. There's been some attempts, but I brought my notebook. So can follow up if we're needing those questions answered.

KALIVIANAKAS: Thank you, Mr. Mayor. It seems to me that there's a fundamental -- fundamental misunderstanding of the gift clause on both sides of the equation. You know, and I don't want to throw any of the people that are the beneficiary of it under the bus. And I want to just keep it directed to the River of Time Museum, because some of the arguments that you used today about economic return on value also apply to data centers, and the courts are ruling them. Sorry, you don't get the gift clause applies to data centers, even though they expected a bunch of revenue coming into those communities. Data centers, we're giving the gift clause and other municipalities around Arizona. Yeah. And so anyway, so that's what I'm saying, that the gift clause has not been understood statewide, I think.

Regarding specifically, though, the River of Time Museum when this did come up in our executive session a couple of months ago it seemed like it happened pretty quickly, like, okay, you know, we're going to have this executive session, we're going to talk about this. And now it's on our retreat, and now we're talking about sending a termination letter. You know, my head kind of snapped. I wish we didn't have to do this so quickly. Specifically with the timing of the dark Sky Discovery Center opening up within the next year and having the River of Time Museum piggyback off their success and giving their staff and their crew time to maybe regear the River of time Museum, maybe update it a little bit And what I think would be really fair because, you know, I respond to constituent letters and what people tell me, and everything on the constituent letters has been trying to keep this place open. We don't care what you got to do. They've really this -- this would be a loss for our community. That would be fundamental because we're -- we're giving up on our past. If you don't know your past, how are you going to know your future? This is our past and one 5,000 square foot center. And I really think that the council should consider giving them every opportunity to make it work, even though they maybe are unsophisticated, and didn't keep good books, and that kind of a thing.

What I'd like to see is give them a three-year extension on their original 25-year contract, giving them enough time to re-up the operation, double down on their fundraising, which they've already done. Make improvements and try to piggyback off the success, and maybe keep this part of our community intact. I'm just asking for a three-year extension of the original contract. If -- if there is some violation of the gift clause, if somebody files suit, then we might have to rethink that. But you know, we do we do have an attorney, and we do have the ability to defend ourselves. And I don't think anybody's going to sue us over a three-year extension to a contract. That's something that should be preserved. And so what I'm asking this counsel is, let's give them a little bit of time to square their books and time, and then to agree on where we can go forward, because this happened awfully fast.

LARRABEE: Thank you. I -- I was expecting a lot more agreement on this. It's interesting to me how talking points change when we're talking to the paper or in a public meeting than versus maybe the executive session. But when it comes to this situation, I'm going to keep a consistent opinion. The same thing I would say to anyone in the museum, if I really wish they were here to work with us on this issue. Because there are a lot of questions that need to be answered. Something that I'm -- I am -- and I understand if you don't have the answers to these, but if it's okay, I'd still like to ask the questions. Do we know if the museum is planning to close over the summer again this year? Considering it resulted in it looks like a $40,000 loss?

AMANDA: Mr. Mayor, Councilmember Larrabee, I'm going to say right now I'm unsure. In the fall, Manager Goodwin and I met with their current executive director. I'm going to be here almost four years. That was the second executive director I worked with, and she said they were going to stay open. We've now been informed, she unfortunately had to resign. There's now a new executive director as a week or two ago, so I've not had the opportunity to speak with her.

LARRABEE: Thank you. And -- and understanding that -- that there's a new executive director, so there's likely going to be some policy changes. I hope that we are able to have further discussion with them regarding their plan, and that speaking of which, our -- we were provided with their one year, three year, and five year business plan. So a page and a half. And notably has no data in it and no action items. I -- Amanda, have we ever been on -- on top of giving them quite a lot of leniency as far as the building use? Have we ever been asked for additional funding from the museum? Has that ever occurred.

AMANDA: Mr. Mayor, Councilmember Larrabee. So approximately two years ago, not the lease, but the River of Time had requested through some previous council members $300,000, and then backed that into $1,000 from the town. Excuse me? What did I say?

LARRABEE: Hundred thousand.

AMANDA: Oh, I'm sorry, 100,000. $100,000. Yes. So 300,000. And then it was $100,000. And so at that time, we were in a retreat like setting. There was a consensus to pursue it, get a little bit more information. When I got more information, the request was to pay the salary of the executive director. And then I had started to again, so the lease wasn't assigned to me, but wanted to -- to get data. That's how I operate with the second page in of just seeing everything that the town already offers. And then also, you can't use public funds to pay for a private individual salary. I went to our attorney at that time, Manager Goodwin, the mayor at that time, and said, this is a clear violation of the gift clause. I cannot bring this back to council. And so that particular council received my assessment via -- via email, requested what they wanted to -- to do, but was pretty firm in my professional opinion. And then, so we did not proceed it with that. But yes, there has been request.

And when Manager Goodwin and I met with the museum in the fall, there was a request of, again, what could the town do? Could the town pay for signage?

LARRABEE: Thank you.

AMANDA: You're welcome.

LARRABEE: And if it's okay with you, I did have some more questions that --

UNIDENTIFIED SPEAKER: Keep going.

LARRABEE: -- again, really, I wish I was asking someone from the museum, so. I'm sorry, but I still want to get them on the record. What percent of their annual budget goes towards staff salary?

AMANDA: Mr. Mayor, Councilmember Larrabee, I will have to get back to you on that. And then just to in fairness, because this is a workshop setting and again, it's nice to ask questions. They were not invited. So just again, for the -- for the -- for the public behind me watching the thousand or four people to just be -- to be fair, that this is just a -- a work session between this body as well as -- as staff. And again, you don't usually negotiate in public, right?

LARRABEE: Would there be, though, a public meeting where they're able to answer some questions? Because it -- it sounded to me from your presentation that there's several things that you haven't been receiving responses on that has me very concerned. If -- if we're asking for a pretty big favor, I would expect someone to be here to -- to listen to the conversation. And please know I'm not -- this isn't you that I'm frustrated with, right? But I am frustrated that there has been a lot of efforts in getting the community riled up. And there's no one from the museum here to hear the concerns, and they don't appear to be answering your requests for their budget or information.

And you know, I -- I so appreciate your efforts at researching for an apples-to-apples comparison, but you know, it's -- it's really not at all surprising to me that we're struggling to find someone who has given a dollar a year, all maintenance and utilities included, leased to someone for 25 years. I would be surprised if we were to find someone else who did an agreement quite like that for an organization that -- and I can appreciate that they want a year to figure out what Dark Skies will do, if that will help them stay afloat. But the entire idea of an agreement like this is that that's what's helping you stay afloat, so that you can bring tourism, not so that you can benefit off of someone else bringing in tourism, and also benefit off of paying a dollar a year for a building. I -- I -- I find it very hard to be, how do I say this, sympathetic toward this situation, because they have had four years of pretty significant revenue loss. They had in 2024, between 2024 and 2025, they lost $103,000 in revenue. They don't appear to be bringing in any tourism. And they want to pay us a dollar a year for a 5,000 square foot place that we pay the maintenance for, that we pay the power for, that we pay the water for. And is a significant amount of that's being used for storage. And from my understanding, not being treated well, I -- I'll say it now, I'll say it tomorrow. I'll say it to the paper if they want. I'll say it to the museum. I am not in support of resigning anything until I see significant improvement in their future planning and their accountability, and in their, frankly, skin in the game.

If they want to be a part of -- if they want to be a part of the success of this town, I'm all for it if they want to be a partner with us. But so far, they're really not working with us.

MAYOR FRIEDEL: Before I get to Councilman Watts, I would probably -- hearing everything you've said, there's a lot of facts there. I would probably be in support of a one-year extension to give them time to get their house in order, and maybe have that as an agenda item, so we can have some public discussion with them here, and they can answer some questions. Councilman Watts.

WATTS: Can you tell me what would they pay annually for -- what we pay annually for their utilities?

AMANDA: Mr. Mayor, Councilmember Watts, I'm going to have to phone a friend. And that will either be Paul or Justin.

WATTS: Yeah.

UNIDENTIFIED SPEAKER: Mr. Mayor, Councilmember, the electrical meter for this campus is one. So all of our buildings run off of one. And in order to do a load summary for a single building, we would have to pay an electrical engineer. We're not at that stage in regards to the water. It's one -- it's a meter that services that area, and for sewer, we don't pay any fees. So the rest of it is basic maintenance. HVAC, paint, those kind of things, which we painted that structure not long ago on the exterior.

WATTS: And those three things, what would they total?

UNIDENTIFIED SPEAKER: Which three?

WATTS: The ones you just listed HVAC, painting, general maintenance.

UNIDENTIFIED SPEAKER: We don't have a number for that, because it's part of our regular staff.

WATTS: Could you back into the -- based on square footage, the utility costs for our campus, and then apply that cost per square footage to the River of Time?

UNIDENTIFIED SPEAKER: It's too challenging because of the opening doors of the town center and the community center. It would just be very, very time consuming and inaccurate.

WATTS: Okay. So Amanda. Can you help me understand why the owner has to find a solution for the River of Time falls on us, when they knew three years ago. Why would we give them three years? Why would -- why is the onus on us to come up with a solution for them when they haven't provided the information that you have asked for repeatedly.

AMANDA: Mr. Mayor, Councilmember Watts. That's -- that's a fair question. It's because two, there's a lease, right, between two parties, the town as well as the River of

Time Museum. And then based on we will not regurgitate my presentation what you have shared, what Councilmember Earle said, what Councilmember Larrabee said, is why staff is recommending option two, which is. Which is hard, delicate. But that's why we're leaning towards option two. If again, we were just received direction on option one. So we've heard from Councilmember Kalivianakas, the Mayor, Councilmember Larrabee. It sounded okay. Okay, too. Okay. It seemed like maybe there was a little bit of an opening. We're going to take that back.

WATTS: But even with the one year, they have been remiss in providing any substantial information of how they were going to turn things around in that year. Nothing.

AMANDA: And Mr. Mayor, Councilmember Watts, again, you're -- you're absolutely right. And what I shared earlier again, it's -- it's very, I guess generous of -- of a one year instead of requesting a 25 year on behalf of, of the tenant. But again, professionally speaking, seeing their strategic plan and several of the objectives saying objective, determine, objective, implement, identify a plan. And again, Councilmember Larrabee showing the one, three, five year plan. When I received a message over the weekend that this was going to be delivered to me, I was expecting fifty like 200 pages, not a page and a half. So within a year, just professionally speaking, you're not going to see results. We're essentially kicking the can down the road for a future council, and there will be a future council because a couple of you on the dais are not running again for them to deal with.

WATTS: Even if they had taken those objectives and put pen to paper and said, we're going to get this many new members, we're going to -- this is the value that's going to be and come up with a quantifiable number. It's a goal. We don't say you have to achieve it, but they haven't put any of that to paper yet to give us anything substantial to be able to identify and give us reason to help them through something that they should have known not only 25 years ago, but as recently as three years ago. So it to me, I can't help you, not you, but them if you don't help me, is really what it comes down to. So I don't think I could support the one year either. Thanks.

MAYOR FRIEDEL: So I do have a couple of other questions. Maybe we can get a quarterly update from them if we -- if we decide to give them one more year and find out exactly how they're advancing a plan for us. But do you know how many board meetings they have?

AMANDA: Mr. Mayor, I do not know. I know they've been meeting a little bit more frequently. I don't know if that's by design or if they meet --

MAYOR FRIEDEL: Because when I went to their website, there's people on this board or members or whatever that are listed here that are out of state, and I'm not sure how they could participate and what they bring to the museum at this point.

AMANDA: So Mr. Mayor, it has been confirmed that the board of directors listed on the website is inaccurate. It is outdated.

MAYOR FRIEDEL: Okay.

WATTS: I got a new one of those.

MAYOR FRIEDEL: Councilwoman Earle.

EARLE: Thank you, Mayor, I just have a quick question. And I guess to our attorney, now that we have -- have established that we're not following the gift clause, and that's why we're making this change, how is it that we can legally give them another year or three years? It seems to me like we couldn't.

WRIGHT: That's a hard question to answer. Again, the gap needs to be match the give. So you know, if we were to extend one year, which I would presume that means a dollar based off of the current contract. I think that would be hard to justify under the gift clause. And you know, is -- is of concern. Thank you.

MAYOR FRIEDEL: Does the match -- does the get and give have to match, or do you just have to give and get something. So could we do some sort of proration of court of sorts if they could provide something and say, we're not going to be able to do the whole thing, but maybe we're going to get ten percent of it.

WRIGHT: It has to be justifiable.

MAYOR FRIEDEL: Okay.

WRIGHT: So whatever it is, we have to be able to justify it. If we were, you know, if we were to be sued or if there were any litigations issue that came to play, we'd have to say that, you know, we believe that -- that we're getting, you know, heads in beds or whatever it is. And they're -- you know, in return they're getting reduced. You know, rate for the -- the fair market value. But the Constitution is pretty clear that you're supposed to get fair market value for services.

So and again, you can offset that. I mean, I think we saw some contract out of Tucson, the Children's Museum of Tucson, where they only pay 25 percent of the fair market value. But if you look at the extensive amount of programming, I think it was over 200,000 kids served, and they're serving -- you know, I mean, the amount of the communities getting in -- in regards to school programs, and in educational programs were significant. So we'd have to see an entire program developed that doesn't currently exist. Thanks.

MAYOR FRIEDEL: Councilwoman McMahon.

MCMAHON: Thank you very much. Is the gift clause specified that it has to be money? It has to be value in return.

WRIGHT: Correct.

MCMAHON: Right.

WRIGHT: And that's what I just said. So I said in Tucson it's they're getting twenty-five percent of fair market value. Then the other 75 percent is based off of the programing that they're receiving in the community.

MCMAHON: So you know, the value could be that people see that it's our history, you know, the whole story and the -- that we've heard before, that it holds our history, et cetera, is value to them. I think due to the turnaround or -- you know, in the board, et cetera, things are getting lost in translation and to respond to Councilwoman Larrabee as far as I know, every single business in our town relies on tourism, and other businesses to support one another, so that it's not unique to the -- the -- the museum. Museums do rely on donations and people visiting them when -- tourists in order to support them and keep them going. So that's not a negative in this situation.

We wish it was more. I do think them closing in the summer hurt them pretty badly. You know, it looks -- you know, based on the numbers provided, this one is really difficult. It's -- it's -- it's difficult to not renew the lease, but you know -- you have to again, you have to look at the value, and you know, who's measuring that value as to what they're providing or not providing. So it's a hard -- it's a -- it's a difficult decision to make. I don't know if we want to give them more time, you know, to come back, provide more information or not, because I know we're not really technically deciding this today, I don't think. So you know, it's -- it's a hard decision to make.

LARRABEE: Mr. Mayor.

MAYOR FRIEDEL: Councilwoman Larrabee.

LARRABEE: Thank you. I would, I guess it's informal, so maybe I don't have to ask through the mayor, but I'd like to ask my fellow council member how many of those businesses are paying us a dollar a year for a 5,000 square foot building?

MCMAHON: I think you're being ridiculous.

LARRABEE: Okay. So when we talk about the gift clause and that being, I mean, frankly, $25 rent over 25 years for an organization that has been operating at a loss for some time and is losing membership consistently, is of a lot of concern. I am not an attorney. But I find it fascinating that those who are -- or claim to be are suddenly not concerned about a lawsuit. When we have this conversation, I think every council meeting that we're going to get sued over something that doesn't make any sense. And now this is something that's really black and white. We probably won't get sued over it. But you're still talking about breaking the law. And I don't think it's fair for the museum to say, could you just break the law for a year? I don't love that.

MAYOR FRIEDEL: Councilman.

WATTS: I'm curious if I could get support for a 30-day window. Thirty-day window is a full-blown, highly detailed business plan. Understanding who the -- who the River of Time is, who their board members are. This is a this is a 25-page document. Probably when all is said and done That has how they're going to achieve the goals, how they're going to value they're going to provide. It's not only a narrative, but it's supported by data. That's what I would expect to provide to a lender. We effectively are the lenders. No lender will lend you money without support and security behind it. I'd be -- I'd be so inclined to go out on a limb and say, if they did that and it -- and we looked at it, and could validate it, that I could support a year or two or three years if their plan supported it. But I'm more frustrated by the lack of information they knew. And yes, this is not an open meeting and open discussion, but that's somewhat irrelevant, because we gave them -- how many months have we been asking for this same information? But one last time, I'd say 30 days. You do this 20-plus page business plan, and maybe we could reconsider.

MAYOR FRIEDEL: Brenda, you are moaning down there. Did you have something you wanted to say?

KALIVIANAKAS: There's a lot I'd like to say. Especially about the privilege of executive sessions being violated in this meeting.

MAYOR FRIEDEL: I don't remember anything specific being mentioned.

KALIVIANAKAS: But I do think that the 30-day demand letter is a little bit rough. You know, they're just nice people. I think at a minimum, we should give them the year. The maximum we should give them three years to get straightened out. And just -- just honor what we did for the past twenty-five years. You know, we've all been the leadership academy goes. We've all visited that museum. It's something worth preserving. And you know, like I said, just because they're not good accountants and they don't know how to draw up a business plan, I don't think we should be throwing them out on the street.

MAYOR FRIEDEL: I don't think we want to throw them on the street either, but maybe we give them -- they got a brand new executive director as of when. Do you know?

AMANDA: Mr. Mayor, it's been a week or two.

MAYOR FRIEDEL: Okay.

AMANDA: I haven't had the opportunity to meet her.

MAYOR FRIEDEL: Rick, would you be willing to go 60 or 90 days? You got a brand new executive director. Give him 60 or 90 days to come up with a plan.

WATTS: I was trying to back into it because of the May time frame that we were trying to achieve originally. So 30 days would put them, call it the 1st of April. We've got to have a council meeting to have the discussion in April. So we got to get it on the agenda. We just barely squeak under. If I said 45 days, that might get us under the wire. But it's an olive branch to say, look, I think everybody on the counsel really wants to save the River of Time. They're not saving themselves, and we're trying to give them that opportunity. But it isn't going to be by blank sheets of paper or ignoring our requests for information. That's not how you get a loan. So whatever we can maximize 45 days, 60 days, as long as we can get it done before summer break, because the expiration of the lease, I think that's what we have to achieve.

We're not taking any votes.

UNIDENTIFIED SPEAKER: No, Mr. Mayor.

MAYOR FRIEDEL: No, there's no vote. We're just giving direction.

AMANDA: Yes. And it's been. So there's six of you, not seven. So you guys have hopefully heard each other. It's -- it's pretty mixed. Almost a three -- three -- option two, option one. Or we'll take Councilmember Larrabee in an earlier discussion, and an option three or a hybrid. What I would recommend, Mr. Mayor, Council, because it's been very split is to let staff get back to you. Let me talk with Manager Goodwin, our attorney, on some of these options you've thrown out, I think. Manager Goodwin, I thought I saw a light.

GOODWIN: Yes, I was going to say the same. I think we'll -- we'll come back with a plan of next steps. If I imagine if you haven't checked your email today, I believe the new executive director actually reached out earlier today, offering an invitation to meet, et cetera. So perhaps we want to follow up on that. But to the point that Councilman Watts said this is time sensitive. So whatever we do, we've got to get a move on, and make some final decisions and final direction. So we'll either need to bring this back either -- either as a separate work session, so that we can have conversations. If we need any session, we can certainly do that. No, you cannot have one with them. That has to be public. So whether it's a work session where we invite them, and we -- we have this type of dialog with them, and/or a public meeting to make final direction to staff. So we'll work through that and then come back with a plan for that.

AMANDA: And Mr. Mayor, Council, I know that several of them were going to be listening in again with their one-year, three-year, five-year. You saw that note where it said it was -- they were going to be meeting tomorrow, and actually getting that approved. So again, that document, the one and a half page is not officially approved. So I'm hoping they'll sense the -- the urgency. So I've been jotting down several pages of notes. So reach out to them. Anything else? Mr. Mayor? Council?

MAYOR FRIEDEL: Thank you.

AMANDA: You're welcome.

GOODWIN: Thanks, Amanda. This conversation sort of dovetails onto the next, which is our community contracts. There's been a number of questions about our community contracts. So this sort of dovetails, actually, we're going to go out of order. We're going to go down to the properties and leases. Is that right? Yep. Yep. Sorry. This is where Mayor we talked about reordering. I hope that's okay with everybody. We're going to flip flop G and H, because this again this now -- this conversation is extending to other properties that the town owns, not just the museum, but other leases for town-owned properties. This is going to be kind of a shared, I think, Paul, you're going to take the lead, but I think Justin's here to support since he handles a lot of this as well.

SOLDINGER: Yeah. So Mayor and Council, finance, we compiled this information. Most of these are not high revenue generators. Most of them have a slight financial impact to the town. So we compiled the information. But Justin's probably going to be the one answering any questions about background or facilities.

So Ammar at the fire department well, Chief Ott's is walking away, but the fire department does generate additional revenue through this lease. They pay us $33,000 a year with a three percent annual increase to rent one of our ambulance bays. It's current through 2028, and options to renew through 2032. They don't pay any of the additional utility or other expenses. Any questions for Chief Ott while we're on this one? No.

Golden Eagle Park concession building. The Elks Lodge rents it for 1350 a year through 2026, of this year with automatic renewals through 2030. They don't pay any -- any other additional costs that's been out in the news quite a bit. Right. They use their proceeds to help community organizations, and that's a newer lease that we've had. I actually don't really know what this is. So Chief Ott air quality monitor site. Could you expand on what that might be? But they pay us $400 a year to rent a small space at the fire department. It's current through 2028 and county options to renew through 2038. And they do pay whatever utilities are associated with that small site. Do you want to -- Oh, oh.

UNIDENTIFIED SPEAKER: Justin's here.

UNIDENTIFIED SPEAKER: I see it every day, though.

JUSTIN: The aforementioned building, if you're entering the lower driveway of the fire station, is on the left-hand side. A couple of small structures where they literally just do air monitoring. They provide all of their own maintenance, and they don't have any additional utilities. They have a little bit of a backup generator if they need one.

SOLDINGER: All right. Thanks, Justin. You might want to stick around. The ISDC this lease agreement came on last year for the land. It's $10 annually for a 50-year period. They do pay an annual parking lot maintenance basically shared costs for the parking lot over there. And the landscaping associated with it of for this current year would be $9,835. That is, that $9,000 amount will increase with inflation annually, but the $10 remains the same. There's an option to renew for another 50 years, and they pay for all their own expenses, their own utilities, and they pay for those shared costs as well. And again, this is a land lease rather than a facilities lease. We didn't contribute to the capital improvement of building the building. The community garden for that land right next door. They pay a dollar annually to us with no increases. This is current through June of this year, and the town and FHCA may agree to annual renewals, and they pay their own water and trash. The Sunset Kiwanis.

Justin, I will ask you to talk about this building because I understand there's quite a bit of background on it, but the Sunset is not to be confused with the Noon Kiwanis. The Noon Kiwanis is the organization that recently came to contribute to a bike park project. The Sunset Kiwanis is actually a different organization. As I understand it. I could be wrong, and we do own their building. They pay us $1 annually with no increases to that annual rent. It's current through 2029. We may agree to renew, and they pay for their utilities, but we do pay for a lot of the maintenance. Although I understand there hasn't been a ton of maintenance costs recently. But we would pay for the exterior of the main building, the roof, the parking lot, and the HVAC system. Justin, would you mind giving us some background on that one? I think is kind of interesting.

UNIDENTIFIED SPEAKER: Sorry to pull you up.

JUSTIN: Well, good afternoon. This -- this -- this is one of those -- we'll give it to you if you give it back to us for a dollar. So it was a -- a town facility, for lack of a better description, that was gifted to the town, and then leased back to them again. And Paul noted this correctly. We don't have a lot of time or money invested in maintenance. Our last big investment was in the parking lot, which was less than $10,000 about eight or nine years ago. And the next portion of that will be to crack, fill it, and reseal it. So probably about 3 to $5,000. The building itself, it's mature and it's -- it's reached the end of its life, for lack of a better description. Eventually, there's going to have to be some tough decisions made in regards to what will become of the building. It's simply too old, outdated for it to be remodeled.

SOLDINGER: The River of Time, we just discussed pretty much at length. They -- they don't pay operating and maintenance expenses, and the term is through August of this year. We did look at the electricity costs while to Councilman Watts question. You know, Justin's right. We have the one meter. But we do allocate based on the buildings. So a very, very rough estimate of what the museum probably cost the town for electricity is around $15,000 a year, rough estimate. Just want to clarify, very rough. But that's about what it costs us. The library district, the main building in the library. The term for that IGA is through August of this year as well. So that will come back to counsel at some point soon for a five-year renewal. The library does not pay any operating or maintenance expenses, including utilities. They do operate the library out of the building. And so that's one of the things to -- to the town attorney's point, that's one of the things that especially specifically stated that the town can spend money on.

And that's part of the consideration of this -- this agreement with the library district friends of the library.

So Justin surprised me with this one. If you walk into the library, you see on the right where they sell books, donated books, they are an organization that sells books, but there's no lease agreement. They're just granted the use of the building. No annual rent, no terms, no paid expenses to the town. And that's the extent of our leases of town facilities and land.

MCMAHON: Paul, do you know if the. Maybe I'm going to direct this to the town manager? There are a couple contracts that look like they're coming up for expiration in '26. Are we going to be taking another look at those? having a longer, larger conversation about whether or not to extend them, charge them, rent, full rent, et cetera. Do you know?

GOODWIN: Yes, ma'am. So all of these are on our horizon, specifically the library one is the one we've been talking about the most because it is such a functional element to our community. And it serves, you know, tens of thousands of people. So that is a -- an agreement we will be working towards the community garden will be one that will need to get some direction from this body as well. So yes. So all of these are on our horizons, which is part of why we wanted to bring them up today. So that -- this was you guys were introduced to this idea and familiar with it. Thank you.

KALIVIANAKAS: And just briefly on the community garden. That's a dollar lease. What -- what do they get for that? And then as a community, what do we get back from having that here?

SOLDINGER: So great question, Councilwoman. So they get the land, and they do pay their share of utilities with the water and trash.

KALIVIANAKAS: You know how much land that is?

SOLDINGER: Justin, could you provide? About two and a half acres is, what.

KALIVIANAKAS: Two and a half acres middle of town? Okay.

SOLDINGER: So I guess it would be nice to know, you know, with a renewal coming up for this one, how you know, if there's any counsel direction or feedback on something like that?

KALIVIANAKAS: What benefit does the community at large get from having that?

UNIDENTIFIED SPEAKER: I can answer that.

KALIVIANAKAS: Sure.

UNIDENTIFIED SPEAKER: There's a big educational component. There's also a gathering place for people to learn how to garden and grow -- grow vegetables, and they also donate -- they have several beds in there where they donate to the food bank in town as well.

KALIVIANAKAS: I think those similar considerations are from the River of Time Museum that education and providing a benefit service to the town.

LARRABEE: If I might, Mayor, there's a specific statutory provision that allows the town to spend money on open spaces for the production of food. So this falls right in line with the what Title 9 allows us to spend money on. And so you know, there are -- there is a noted a benefit to having open spaces and that's why it's in -- in the -- in Title 9. So that's kind of a difference. There is no allocation for museums or even historical, because I did look through to try to find something that would enable us to spend money on those things. And there's no -- mostly historical societies that you see in other towns and communities, those are still privately, you know, organized. And they -- they manage the history which is, which is a great, you know, great thing to have. But it's also not something that the town is supposed to be expending that is authorized statutorily to spend money on, whereas open spaces is something is specifically provided for and specifically open spaces to make food, which is what this is doing.

SOLDINGER: Any other discussion on any of these or any direction? No. Okay. That was easy. All right. So I'll just get into community contracts. This is really brief. It's just an update from the previous conversation. We do budget for community contracts and -- and most of these contracts we've been funding for a long time as a town. So they're in our general fund, our general government department, which when I bring we bring the proposed budget to you. You'll see the General Government department, the amounts, all the specific dollar amounts within it won't be spelled out other than by category. But within those categories, we have budgeted about $120,000 for this purpose for really many years, and 73,000 of that has been allocated and paid out this fiscal year. One thing that was brought up, we received some council direction to try to renegotiate our unsheltered individual contract with Central Arizona Shelter Services, which we did. It was relatively straightforward because, as you all know, we haven't really utilized that contract. They reserve beds for us, but none of our unsheltered residents would go there, and they haven't utilized any beds. So the cast is willing to do the contract again next year. The only changes in terms that they would do it for 5,000 rather than 15,000, but they would only reserve one bed rather than three beds, which because none of the beds are being used. That's logical, right? The only other provision we kind of negotiated was if it ever did go above 5,000 or anything above 30 days of unsheltered residents using beds, we would pay them a $55 per day bed fee. And I'm sure we could limit that to 10,000 or something just in case.

So that's the -- the terms of that arrangement here. Here are the numbers again. The only other thing I'll add is that 50,000 in the budget, we've already made the adjustment down to 10,000 to give us more wiggle room in the budget, just to allocate for that contract if the council does direct us to keep it. If not, we could make changes. And the other organizations that are receiving money this year? Well, number one, we have a budget line item for emergency vouchers for hotel stays for victims of domestic violence hasn't been used much, but it's been the budget. And so that's one of them, the Boys and Girls Club. We've been paying them about 24,500 per year for many years now, and Extended Hands Food Bank. 24,200 again for many, many years. And the Sister Cities, which is a little bit more relatively new. About six years now, we've been paying them about $10,000 a year to run that program. And so any direction from council?

MCMAHON: I'm just questioning if those can be adjusted. Boys and Girls Club or Sister Cities, or I see Extended Hands food bank. I wouldn't want to reduce that. But tell me how the Boys and Girls Club uses that money. Or if that's.

UNIDENTIFIED SPEAKER: I can share a little bit. They have a lot of after school programs for youth in our in our community. And they also have like flag football, baseball, all kinds of stuff to keep the pickleball to, I think, don't they?

MCMAHON: Do they get monies other places as well?

UNIDENTIFIED SPEAKER: I'm sure they do, but they're right here in our community.

MCMAHON: And then on the Sister Cities, that's new something. And how do they benefit from or how is -- how does it benefit the town to pay them?

UNIDENTIFIED SPEAKER: So there's a cultural exchange between the sister cities and the Town of Fountain Hills. The various cities they send, we send students over there, and they send students back here as well. So there's a student exchange as well.

EARLE: So what is the money -- the money spent on the 10,000 then?

GOODWIN: So and I don't know that we have it in the packet, but when they presented a couple of council meetings ago, they gave an accounting of their -- of what they've done and where the money has gone. So it's something I can certainly forward to you. I'm sure it's in the packet, but I don't remember. It's not in today's packet.

UNIDENTIFIED SPEAKER: Not in today's packet. No.

GOODWIN: But essentially, that 10,000 goes to offset their expenses for the program. Just like Boys and Girls Club, you know, 20 -- I'm sure 24,500 isn't a specific line item. It goes to offset their cost of operations to provide after-school care and the different recreational outlets. I know they're really big -- the flag football and the basketball programs are what they are most popular that I'm aware of.

MCMAHON: So I, I understand how if we needed a domestic violence, someone needed a place to stay or if we need a place for someone to stay, you know, through the Homeless Boys and Girls Club, if you're helping after school kids that need a place to be. I get that. I understand the food needs for food. I just I don't understand the Sister Cities part, the 10,000 to that exchange. How is that helping? I mean, the other ones are like in a completely different category than Sister Cities to me.

EARLE: I think that this jury, this has been going on a long time with Sister Cities. This isn't this has been really consistent. There's exchange students there. I think they also probably donate some of this money to scholarships, I think for some of the high schoolers so that they can do the exchange. So they do provide value for it we can ask them. I mean, I'm sure that she'll be more than happy. I mean, she just presented and I'm sure she'd be more than happy to provide the presentation that she did. But I do think they provide community value.

SOLDINGER: And just to add to that, my understanding, Councilwoman Earle and Councilwoman McMahon is we've been funding this contract for about six years, but before that, it was a town commission. And so when at the time, whenever it that we took away that commission, the Sister Cities organization took that over. And so at that time, whatever determination was made to help fund that program. So that's the background I understand. And the only other thing I'll add is the Sister Cities has started to provide me their monthly meeting minutes. So that could provide additional information. I could include it in a packet again, or I could send that to -- to you to get a better understanding. And that's all I have for that.

GOODWIN: And just a reminder for this body, these numbers are set by you guys. This is what we -- and we've consistently just held them from year to year. Which is we've just held steady so that there's predictability for our budget as well as for the budgets of each of the recipients. But these are set by council direction.

UNIDENTIFIED SPEAKER: Absolutely.

MAYOR FRIEDEL: All right. Thank you. Paul.

GOODWIN: All right. I think we're down to our last staff item, which is a presentation, an update of the downtown.

AMANDA: We're switching gears. Are you guys hanging in there? Well, that was very exciting. Way to pump me up. All right. Well, so this presentation, mayor and council, will be a little bit different where there's about four different items within the PowerPoint where I will be seeking your feedback and direction. So just to remind the council again, folks who are viewing in from their home last year around this time, the council directed staff to work on a five year versus eight year capital improvement project specifically for the downtown. And then originally, we were proposing for this fiscal year to just do the design of Verde River. And then because of your excitement, you're like, if we can do the design of Verde River and Parkview, can you guys do that?

So here's again without the numbers. As Manager Goodwin shared in our CFO, we'll be talking about the CIP later next month. So there's no numbers.

But again, there was lots of excitement last year, and then there were some conversations about potentially removing the avenue from the five-year plan. Since then, staff has met with Tamar(ph.), which represents a small group on the avenue, where we just asked them to be patient, to watch the process that is occurring this year and next year in regards to design and construction. And then also in the fall, we asked the council to attend an evening tour with us to just show our vision. And so those who are interested attended that meeting, and part of it was to share the vision and then to talk about a vibrant downtown. And some folks say, well, what do you mean by that? I would say right now our downtown. So again, it's not just the Avenue Park View Verde River is not your typical downtown. And I've been honest my four years since I've been here. But if you look at Verde River and Park View, one may ask themselves, what has happened here? It is very dark. And then, as several of you walked with staff in the fall along the avenue, you may have noticed again too, it's pretty dark. And I think we met at between 5:00 and 6:00. There were a lot of businesses closed, and so we're trying to change that.

I'll share just a small bit. Usually, I don't like to -- to call out businesses, but Snowbird ice cream has been gracious. But last month, Betsy Lavoie, Councilmember Kalivianakas, and I conducted a site visit, and we asked them, okay, it's been four months. How are you doing with this? This 10:00 p.m. and things are going wonderful. And then they also shared that Oka Sushi had typically been closed on Sunday evenings and are now opened. And so they're getting customers from there. So again, they've -- they've had their sushi, and then they go and -- and get ice cream. So what we're trying to do is, again, position ourselves from an economic development standpoint to continue to proceed with this project. And staff continues to recommend that we include the avenue as part of that. And so this is just a check in with council of are we including the avenue as part of the -- the five-year plan? Don't all speak at once.

UNIDENTIFIED SPEAKER: Yes.

GOODWIN: I'll chime in, because we had an earlier conversation about streets and about tradeoffs and about finding revenue sources. So the Mayor jokingly but not jokingly, kind of said, Amanda, sorry. They went, you know, that's your downtown fund. So this is one of those situations where, if this is the priority. Awesome. Let us know, and we will keep moving forward on that. But it comes at that the next conversation we have about finding money for roads, if we're going to take money from CIP or other resources, this is the give. So this is that that -- that trade off that we kind of talked about. Not that this -- not this specific project, but this is one of several CIPs that were trying to fit in in this big jigsaw puzzle of how do we get everything done?

UNIDENTIFIED SPEAKER: So yeah, and that's a good point, Manager Goodwin and I would say, not just because I'm economic development and I'm the one advocating for this, as this started fifteen years ago. And then to Councilmember Larrabee and Councilmember McMahon's point of it sat on a shelf, and I received direction from all of the bodies that I've worked for over the last four years, because there's been several changing faces that we need this as part of our community economic development strategy. And we did a separate downtown strategy. And I have shared with several of you, maybe behind the scenes or publicly, with Manager Goodwin and the CFO. We don't have a local property tax. And so how are we paying for roads and parks and recreation and quality of life? It is based off of economic development. It is -- it is tourism. It is getting more restaurants that have sales tax. So again, we're trying to position ourselves and as the CFO mentioned earlier, where we're seeing things when it comes to our financials, when we're doing the -- the quarterly reports that again, we need to be mindful of these, of these give and takes. Councilmember Larrabee.

LARRABEE: What Amanda said, but to expand on that, just like I said earlier in the day, I think there's a false dichotomy being put here that's like, not straight up said, but being implied when I say cutting CIP. I did not say all of it, and I did not say downtown. So yes, I am not contradicting myself by saying I want to continue with this plan that I advocated very hard for when we passed it, and I want to be creative in how we approach our streets. And CIP was just an example of something to cut from there's other ways that we have been able to do that in the past. And I stand by what I said earlier, that we can transfer more money into streets without also kicking something down the road again for another 15 years.

AMANDA: Mr. Mayor, I've only heard, and again, we're not voting. I've seen nods, but people at home can't -- can't see it. And then sometimes a couple of months goes by, and then it's like, well, I didn't say that. So Mr. Mayor, if we can have a little bit more dialogue besides just from Councilmember Earle and Larrabee, which we appreciate the -- the support of, do you want us to continue along this path and bring it forth in a five year with everything, including the avenue, when it comes to March.

EARLE: Yes, I do. I think that we've had some detailed conversations about this off and on. I think that it's reinvesting in our community and our businesses. I think you know, having been discussed with our business and stuff, they kind of expect it. I think we're talking about a restroom downtown and other things. That's all part of developing our town. The facade program that just happened, improvements, and things like that. I think it's all part and package, and I think it's something that we have to do in order to improve our business atmosphere and support our businesses.

AMANDA: Thank you.

MAYOR FRIEDEL: Councilman.

WATTS: I did nod my head because I there's more slides that I thought were following that were the monument signs and that sort of thing that are in the package. So I'm jumping ahead of you.

WATTS: You can't do that.

MAYOR FRIEDEL: We're just pausing. I told you, there she comes. I mean, no. But fundamentally, yeah, I'm still in support of the -- the five-year program, but I would like to know what the monument signs and those other signs are, even though they don't have a title page, so to speak.

AMANDA: Okay. Thank you very much, Mr. Mayor. Thank you for the additional feedback. All right. Next. So as we became before counsel regarding the America 250 we didn't just talk about banners, but there were other asks. But during that discussion, councilmember had shared, could we increase the banners and staff had respectfully requested because we were talking about money for America 250 to maybe pause and bring this forth at the counsel retreat. So you can see. So thanks to our PIO, Mike Pelton(ph.), our public works department, there's a laser focus using drone footage to show the current banners and placement, so staff is wanting feedback from this body as we're planning the downtown streetscapes. Do you want us to look at increasing the banners right now? Again, you can see how it's structurally done. You're seeing the -- the poles how they're laid out. We can't do that in its current state, but this would be valuable information as we're planning Verde River and Parkview, because right now, those streets do not have poles. They don't have banners. Please also note that the larger the banner may be, there could be an increase in cost. So looking for some feedback, Mr. Mayor? I'm looking for feedback.

MAYOR FRIEDEL: I'm saying I'm saying go for it.

AMANDA: Oh, okay. Thank you.

EARLE: Do we just speak in order that. Okay.

AMANDA: Know I saw Councilmember Larrabee and then Councilmember Earle.

LARRABEE: Councilwoman Earl is first.

EARLE: My -- I was -- going to be my question. What's the increase in? The second question was they're beautiful. I want to see them, but I don't want them to restrict seeing other things to be so large that they kind of block your view of things. Okay.

LARRABEE: As you know, I'm a huge proponent of the -- of the downtown updates. I think our money can be spent wiser in new areas. And the reason that I hesitate on this is because those polls don't look like they're adjustable to me. Yeah. So it would be replacing the poll in order to allow for a larger banner. Is that correct?

AMANDA: That's correct, Mr. Mayor. Councilmember Larrabee, we're our recommendation is. Well, we can't exactly. To your point, we can't do anything with this. We would either do it one when we got to the avenue improvement in the five year, and then also plan for Verde River and Park View.

LARRABEE: Thank you. I -- I know that we've had big discussions about more lights on, like Verde River and Park View and other things that I believe will take up that money. I'd rather stay consistent with our current method of putting the banners and then not have to put that money toward updating the avenue ones than to then to do that and possibly take away from another project that could improve either Verde River, Park View or the Avenue.

MAYOR FRIEDEL: Councilman.

WATTS: The slide on the right. It just looks like the signage is too close to one another. And I'm not talking about the perspective of the sign on the left and the sign on the right, but the one that you can see between the between the first two signs and the one behind it. I wonder if it isn't maybe over saturating at some point with the same message and retaining some of our existing signage, because you're not going to replace it all, I assume you're going to you're going to install new on Parkview and Verde River, but not on the avenue. So is there some economics there that we can increase the spacing a little bit for these new 250 signs, as opposed to replacing the ones that are on the avenue currently if they're in good shape. I just ask you to consider that.

UNIDENTIFIED SPEAKER: Okay. And Mr. Mayor, again, we'll get back to you. We wanted to hear this information, and then we'll work with the public works team, who's the project manager of the Downtown Streetscapes, to consult with Kimley-horn(ph.), who was the selected bidder for that process. So this is -- this is helpful. So more -- more to come.

AMANDA: Okay. Yeah. Thank you, Mr. Mayor. And yeah, last time when I was asking for the larger banners, you said, Brenda, we were rolling this out now, and you rolled it out quickly. They went up right away, and they look. They look really good. I still think they're a little small. And I spent a lot of time downtown, and they're just kind of. They go unnoticed. I'm still would be an advocate since we're redoing that whole downtown block anyway. And these poles, I think they're going to have to be removed, right. Because we're extending the sidewalks out ten feet so we can't leave the poles where they are now. They're going to have to be everything's -- everything's going to be moved and rearranged. And so I would still advocate for when we do all this work, it's

like $13 million worth of work. You know, we -- I think we can afford to get larger signs that don't just check the box that, hey, we put banners up there, but it's more substantial banners. And I still think if we worked with the veterans' groups, the high schools, and other groups to put pictures of, you know, the high -- the high school football team, veterans, all that kind of thing. It'd be wonderful. And so you know, I just look at this as a small part of a big project that I'm for. And so I just want to let you know that, and then just to go back to your to the five-year plan, you know, the -- my one ask would be, this isn't a lot of money. And I just wish that if we're going to put bathrooms downtown, that we still consider rethinking that, because, you know, I went to the proposed area in that breezeway next to the gift shop and talked to the gift shop owner. And again, that just it seems like it's just a check in the box. Oh, we put restrooms in there, but there's going to be two restrooms. And is it going to really fit the need? I mean, you know, to me, you know, there should be, you know, four men's rooms, four ladies rooms. I mean, something that's substantial enough to take the traffic of all the downtown things that we do that we don't have waiting lines to get into, you know, one, one stall. And so you know, if we're going to spend all this money, I just -- I just hope you just place hold. You know, if we're going to put a restroom in there, let's -- let's -- let's go all the way. Let's put something nice in there that we can be proud of. Like at the park that we did. You know, they put the big blue, and that looks great. It looks professional. And you know, I think our downtown deserves that kind of a nice, polished professional restrooms. If we're going to do it, let's do it right.
AMANDA: And Mr. Mayor, Councilmember, we will get to that a little later, the restrooms. So but we have sufficient feedback. All right. Last year, we had requested from counsel downtown entryway and monument signs. We then were told by this body, Amanda, can we actually remove that? And can we see what happens with the wayfinding project first? So we are back again to ask, is this something you want us to consider in the CIP, and will bring it forth in March? And so again, these are just ideas of different types of signs. So think to you are at the intersection of La Montana and Palisades. You're not really sure as you're heading towards the fountain that you're in

downtown. So there would be some type of monument sign is the proposal. And then why we're asking this is again as -- as next year as we begin construction on Verde River. You don't typically want to then do the signage afterwards. It would be nice to do it all together. So just again, opening up to feedback, is there interest in moving this forward in the CIP or no? Can you verbalize your shaking your head?

KALIVIANAKAS: Well, I think when we talked about this last time, you proposed all new signage, and I thought we said too expensive, but let's refurbish the ones we have. I kind of thought that's where we're going. I'm surprised this is on the -- the menu today.

AMANDA: So Mr. Mayor, Councilmember Kalivianakas, the question that was for you in the fall was three town-wide entryway signs. So off of Shay. Two of them are off of Shay. Another ones at Fountain Hills Boulevard. So total separate project. This is something different. This is specifically for the downtown. And then to -- to still some thunder. We met last week with the manager, the CFO, some of the directors, and we will not be moving forward with the three entryway signs. Okay. We're not bringing that back. So this is specifically for downtown.

KALIVIANAKAS: And what would they do? I -- it's a lot of money, and it's just -- what would it say? Just welcome to downtown?

AMANDA: It could say it -- it could say downtown. It could be Avenue district, Ave district. So think of it as a signature mark of just kind of introducing you into the various districts.

KALIVIANAKAS: Okay. Yeah.

AMANDA: So some of it is for -- for branding. And then to just again identify you're in the downtown.

KALIVIANAKAS: Yeah. No, I think would be a no.

MAYOR FRIEDEL: Put the money into your downtown improvements. Who's next here, Councilman Watts.

WATTS: So to verbalize my head going left to right. I think the money could be used better elsewhere. I'd like to see the impact of the wayfinding signs. Any other signage that we've got going on? I don't think this is the year to do it. I don't necessarily think we got to completely discount it going forward, but right now, I don't think it's appropriate with everything else we've got going on. And there's Paul has instilled enough scare about the future of economics

AMANDA: Yeah. Good going, CFO.

WATTS: Yeah, that $600,000 over the next few years could be impactful. So I'd hold on that.

AMANDA: We appreciate it. That's why we're checking in before we bring it live in March.

EARLE: Thank you. I think that the painting is boxes are significant signage right now downtown. I think they're so unique. I wouldn't want anything to. Like I've said before, take away from it. I think right now, this is a lot of money to spend or anticipate spending on signage. Maybe it's best to wait until we get the downtown completed and then match it up with what the, you know, the new downtown, so to speak. You know, new design, maybe, you know, there might be a different logo then or whatever. Who knows? So I don't think that right now is an appropriate time to add signage.

UNIDENTIFIED SPEAKER: Mr. mayor, I'm hearing a consensus to -- to remove. Is there anyone else that --

LARRABEE: I -- I was going to say the same to kind of echo what Councilman Watts was saying, I -- I would I don't want to be a red light on this. I don't want to be a never. I want to be a not this year. Because some of these signs that I have seen in downtowns are really lovely, and they're a photo opportunity, which is a big deal for social media. As we're starting to get attention from some of these social media accounts, which I assume we have Mike to thank for that, for some of the like, wanderers and all that. Those are really good photo opportunities that I would love to have. It's just not money that I feel is quite responsible to do for this current moment.

AMANDA: We received clear direction. We will remove this from the city. Manager Goodwin.

GOODWIN: I was just going to say I actually appreciate that thought because while it may not be a this year project to -- to the point, if there is interest in seeing something, just not today, but later, that's a good thing for us to know too, because we've been working with Paul to better build out our CIP vision of five to ten years, so that we have a better sense of what is coming. Obviously, nothing is guaranteed. It all still comes back for review and approval at this body, but it helps us better understand when we're trying to get things done and how it all fits together. So that's a key takeaway to know, okay. It's not a it's not a yes. It's a let's wait and see and build it in -- in the future. That helps a lot.

MCMAHON: And I agree with that. And I like the idea of waiting until we get the downtown developed a little more. And you might have an idea, a little more of what you want it to look like. Thanks. Great.

AMANDA: All right. One more topic. Are you guys still hanging in? All right. So we want to provide an update on plot two eight. So as a reminder, we daylighted this but did not have a lot of discussion back in November. So again, the town and members of the Plat 208(ph.) board had met because again, we continue to hear that there's a lack of restrooms. So we were proposing the E slot near Sofritas for the restrooms. And then on the west lot was place making. So that was so the Plat 208 board did approve moving forward with the condition that they were going to start reaching out to property owners. They have heard from property owners. And so they are now requesting officially from their board president that they swap where the restrooms are. So the restrooms would be here on the west lot. While we appreciate that staff's recommendation would be not to move forward with that. And because you'll see directly across near Park Place. There's a little star there. The town actually owns that property. So why would we build a restroom on a private piece of land when we have land available? And so.

GOODWIN: Sorry, the original. And this is the original site we talked about. We've come full circle back to town-owned property. Is that right?

AMANDA: Yes. I'm trying to be careful of just what's been public and behind the scenes.

GOODWIN: Nope. That was definitely a public conversation.

AMANDA: Okay. Okay. Okay.

MCMAHON: But wait a minute. Are you saying to move it? From where? From down near Sofritas. To move it up near Town Hall.

AMANDA: So their request is then to switch. So instead of Sofritas near Sati. So you see the star by Plat 208 directly across where you see Park Place and Civic Center. So directly across that is town owned property. So which is adjacent to Park Place, specifically Georgie's, our parking lot. The sheriff's department? Yes. So -- so the -- the question is why one why would we build a restroom on private property? We appreciate that they -- they still want to -- to work with us. But why place it there? Furthermore, for the public's benefit a couple years ago, because again, it's probably been two years that your development director has been talking about restrooms. Just sharing the message on behalf of the -- the business community is, you'll see again. So Park Place Civic Center, why I'm bringing up the Civic Center is there are plenty of although sometimes there's arguments restrooms Monday through Thursday. There are restrooms here at Town Hall, Monday through Friday. Monday through Saturday. The library, museum that building is open. The community center is opened. So yes, you have to walk a bit further, but there are public restrooms. So I get an appreciate what we're hearing from the business community, from event organizers that we need closer -- closer restrooms. I understand that, but is -- is this the best use of town dollars? And so looking for feedback on how you want to proceed related to restrooms.

EARLE: So are they saying no to the one by Sofritas?

AMANDA: Correct. Based off of a property owner feedback, they're asking to move it to Zab Thai. However, they're still interested if the council wanted to proceed with the area by Sofritas, then being the placemaking.

EARLE: Placemaking was just an area to sit.

AMANDA: Yes.

EARLE: So that does nothing for those who need a toilet. I'd say nix it. And then I mean, we tried. But this was -- I remember when I was sitting in the audience, they were talking about that same spot where they're telling you to put it. Right. You go a few more steps, and you're at Town Hall. So it's kind of a waste of money.

AMANDA: And then Councilmember Earle, if I may, to I think you said nix it if I heard correctly.

EARLE: I did.

AMANDA: Is it just the restrooms or also the placemaking?

EARLE: It's the location. And I don't think. Why would we spend money? I mean, the placemaking, I don't. Do we need a place to sit there, I don't know.

AMANDA: Okay. Fair. More discussion. Councilmember Larrabee.

LARRABEE: I just think it's worth noting. And I want to take a moment to recognize that the amount of work that you have poured into trying to make this work, finding a restaurant, a restroom on the avenue. And thank you for that. Now that we're able to have a public discussion about some of these options, it's exciting. But with that location change is just unfortunately, it's just not worth the money. I don't think it would be responsible to place a restroom there. Because it's not that much of a difference for those that were advocating for this. So I would be someone that says, unfortunately, we got to cut our losses on this staff, especially you, Amanda, have spent so many hours trying to make this work. And thank you so much. I don't feel right asking you to pursue it any further when we just keep getting brick walls.

WATTS: I don't feel bad about you asking, going back at all, and saying it's not going to work because the proximity between Town Hall, community center, library, all of the sites that you said, it doesn't make any sense to put it up by Zab Thai. But down by Sofritas, it does -- it balances it better. It gives better access. So if they don't want to do it there, then I would scrap it. But I would go back to them one more time and say, nope, we're not going to do it. We're not going to fund that. It's there or nowhere. I hate to draw a line in the sand, but that's really what it amounts to. It doesn't -- the balance just doesn't work.

AMANDA: Thank you.

MCMAHON: Amanda, is there any other place on plot 208 POA? Not necessarily on Avenue of the Fountains that might be interested in allowing, you know, a restroom to be placed. I mean, does it have to be on Avenue of the Fountains?

AMANDA: Mr. Mayor, Councilmember McMahon, that has been sort of the what we've received as far as -- as direction. And then to I appreciate the kind words, Councilmember Larrabee, of just of looking at this again, for the public. We can't get into it too much, but we looked at, you know, public-private partnerships. We've sort of tried everything. So we're in support, and we had sort of the two representatives from Plat 208 of just some of the rationale of why this most likely won't work. And appreciate that too. They have to look out for their property owners. So a gallery there's some undeveloped land of -- of not wanting a restroom right in front of their retail shop. Totally, totally get it.

AMANDA: Councilmember Kalivianakas?

KALIVIANAKAS: No, I agree.

AMANDA: Okay.

EARLE: I just wanted to say I forgot to say thank you. Thank you, everything that Hannah said. I really do appreciate everything all the time you spent on this.

AMANDA: You're welcome. It's been it's been a team effort. But glad -- glad to work on something else. All right. I think that's all I had. Manager Goodwin. Mayor, back to you. Thank you.

GOODWIN: We made it. It is now just about 3:00. The last item is really open for any other priorities or discussion items. Anything we didn't talk about today that you want to talk about, that you want to see in the budget, that you don't want to see in the budget? Anything that we need to take away sort of last wrap up items.

LARRABEE: This is more of a direction or an ask it. I don't think it costs us any money, But when we were talking a moment ago about our different community contracts, and one of them was the hotel vouchers for victims of domestic violence.

GOODWIN: Yes.

LARRABEE: Could I request that we get a social media post out about that? Because it's something that I feel our community really doesn't know that we offer. And I would -- I would like to ensure that that gets spread out. But again, not a budget ad, just an idea.

I don't want to forget.

GOODWIN: Sure. We can talk more about that. Absolutely. So just a reminder. We'll have a CIP meeting at the end of March. We'll bring that back. So we'll talk more about the different CIPs, and then the proposed budget will be brought before you guys in April. So we're moving along with that, Mayor. I think that's everything for my end.

MAYOR FRIEDEL: Then I need a motion to adjourn.

LARRABEE: So moved.

MAYOR FRIEDEL: And a second. All in favor?

ALL: AYE.

MAYOR FRIEDEL: Thank you all.

HAVING NO FURTHER BUSINESS, MAYOR GERRY FRIEDEL ADJOURNED THE WORK SESSION OF THE FOUNTAIN HILLS TOWN COUNCIL HELD ON FEBRUARY 24, 2026, AT 3:04 P.M.

APPROVED:

____

GERRY FRIEDEL, MAYOR

ATTEST:

____

BEVELYN BENDER, TOWN CLERK

CERTIFICATION

I HEREBY CERTIFY THAT THE FOREGOING MINUTES ARE A TRUE AND CORRECT COPY OF THE MINUTES OF THE WORK SESSION COUNCIL MEETING OF THE TOWN COUNCIL, TOWN OF FOUNTAIN HILLS, HELD ON FEBRUARY 24, 2026. I FURTHER CERTIFY THAT THE MEETING WAS DULY CALLED AND HELD AND THAT A QUORUM WAS PRESENT.

____

BEVELYN BENDER, TOWN CLERK