



**NOTICE OF MEETING
WORK AND EXECUTIVE SESSIONS
TOWN COUNCIL**

Mayor Gerry M. Friedel

Vice Mayor Allen Skillicorn

Councilmember Gayle Earle

Councilmember Brenda J. Kalivianakis

Councilmember Hannah Larrabee

Councilmember Peggy McMahon

Councilmember Rick Watts

**TIME: 1:00 PM - WORK AND EXECUTIVE SESSIONS
DOORS OPEN 15 MINUTES PRIOR TO THE START OF THE MEETING.**

WHEN: TUESDAY, SEPTEMBER 9, 2025

**WHERE: WORK SESSION - FOUNTAIN HILLS COUNCIL CHAMBERS
EXECUTIVE SESSION - FOUNTAIN CONFERENCE ROOM
16705 E. AVENUE OF THE FOUNTAINS, FOUNTAIN HILLS, ARIZONA**

Councilmembers of the Town of Fountain Hills will attend either in person or by telephone conference call; a quorum of the Town's various Commission, Committee or Board members may be in attendance at the Council meeting.

Notice is hereby given that pursuant to A.R.S. §1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the Town Council are audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the Town Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the Town will assume that the rights afforded parents pursuant to A.R.S. §1-602.A.9 have been waived.

REQUEST TO COMMENT

The public is welcome to participate in Council meetings.

TO SPEAK TO A CONSENT OR REGULAR AGENDA ITEM, complete a Request to Comment card and hand it to the Town Clerk prior to discussion of that item. Include the agenda item NUMBER on which you wish to comment. A separate submission is required for each agenda item. Request to Comment cards will not be accepted once the Council deliberations begin. Submit a Request to Comment card prior to a public hearing agenda item.

TO COMMENT ON A CONSENT OR REGULAR AGENDA ITEM IN WRITING ONLY, complete a Request to Comment card, indicating that it is a written comment, check the box on whether you are FOR or AGAINST a consent or regular agenda item, and hand it to the Town Clerk prior to discussion on that item. A separate submission is required for each agenda item.

TO SPEAK TO CALL TO THE PUBLIC, complete a Request to Comment card and hand it to the Town Clerk. Speakers will be allowed three contiguous minutes to address the Council. Verbal comments should be directed through the Presiding Officer and not to individual Councilmembers.

TO COMMENT IN WRITING ONLINE, Visit <https://www.fountainhillsaz.gov/publiccomment> and submit a Request to Comment card no later than 12:00 PM on the day prior to the meeting. These comments are shared with the Town Council.

This Request to Comment card, and any information you write on it, is a public record subject to public disclosure.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the Town Council, and to the general public, that at this meeting, the Town Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the Town's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

1. CALL TO ORDER

2. ROLL CALL

3. WORK SESSION STATEMENT

All Items Listed Are for Discussion Only. No Action Can or Will Be Taken. The primary purpose of work sessions is to provide the Council with the opportunity for in-depth discussion and study of specific subjects. Public comment is not provided for on the agenda and may be made only as approved by consensus of the Council. In appropriate circumstances, a brief presentation may be permitted by a member of the public or another interested party if invited by the Mayor or the Town Manager to do so. The Presiding Officer may limit or end the time for such presentations.

4. WORK SESSION AGENDA

- a. **DISCUSSION:** Relating to Community Center Fees/Waivers for Local Nonprofit Organizations
- b. **DISCUSSION:** Relating to Employee and Council Pay Adjustments

5. ADJOURNMENT

6. CALL TO ORDER

7. ROLL CALL

8. EXECUTIVE SESSION

PURSUANT TO A.R.S. §38-431.03(A)(3) Discussion or consultation for legal advice with the attorney or attorneys of the public body.; and PURSUANT TO A.R.S. §38-431.03(A)(4) Discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (Specifically, related to the N-Shea Group LLC development agreement)

9. ADJOURNMENT

Dated this 5th day of September 2025.



Bevelyn J. Bender, Town Clerk

The Town of Fountain Hills endeavors to make all public meetings accessible to persons with disabilities. Please call (480) 816-5100 (voice) or (800) 367-8939 (TDD) 48-hours prior to the meeting to request reasonable accommodation to participate in the meeting or to obtain agenda information in large print format. Supporting documentation and staff reports furnished to the Council with this agenda are available for review in the Clerk's Office.



TOWN OF FOUNTAIN HILLS

STAFF REPORT

Meeting Date: 9/9/2025
Meeting Type: Town Council Work and Executive Sessions
Submitting Department: Community Services
Prepared by: Kevin Snipes, Community Services Director
Staff Contact Information: Phone: 480-816-5178
Email: ksnipes@fountainhillsaz.gov

Request to Town Council Regular Meeting (Agenda Language)

DISCUSSION: Relating to Community Center Fees/Waivers for Local Nonprofit Organizations
Staff Summary (background)

Several Councilmembers and the Mayor have raised questions regarding local nonprofit fees and waiver practices at the Community Center. While Council previously discussed and took action on this matter, implementation was suspended pending further review and discussion.

This work session will provide an opportunity to examine the importance of applying uniform waivers for all local nonprofits to ensure consistency and transparency in Community Center use. In addition, staff will present multiple options for revising the nonprofit fee/waiver for potential future action, or staff will implement the previously voted-on revised fees if that is the direction of Council.

Related Ordinance, Policy or Guiding Principle

NA

Risk Analysis

NA

Recommendation(s) by Board(s) or Commission(s)

NA

Staff Recommendation(s)

NA

Suggested Motion

No motion is required at this time. This item is presented for discussion to obtain Council direction regarding the fee policy, which will be brought forward at a future Council meeting for consideration and action.

FISCAL IMPACT

Fiscal Impact:

Budget Reference:

Funding Source:

ATTACHMENTS

1. Community Center Fees/Waivers

Community Center Fees/Waivers

Presented by

Kevin Snipes
Community Services Director



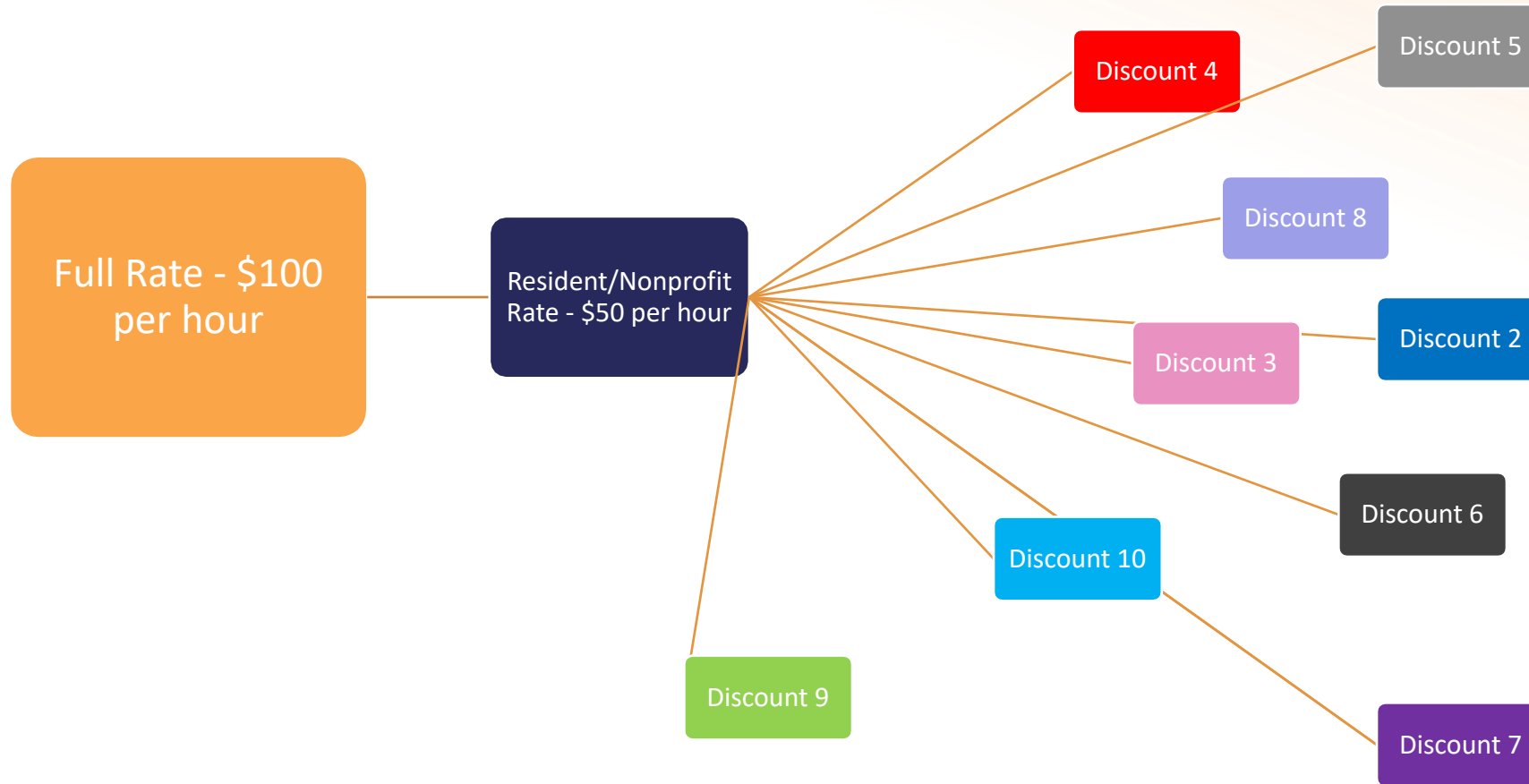
**FOUNTAIN
HILLS**

Why are we here?

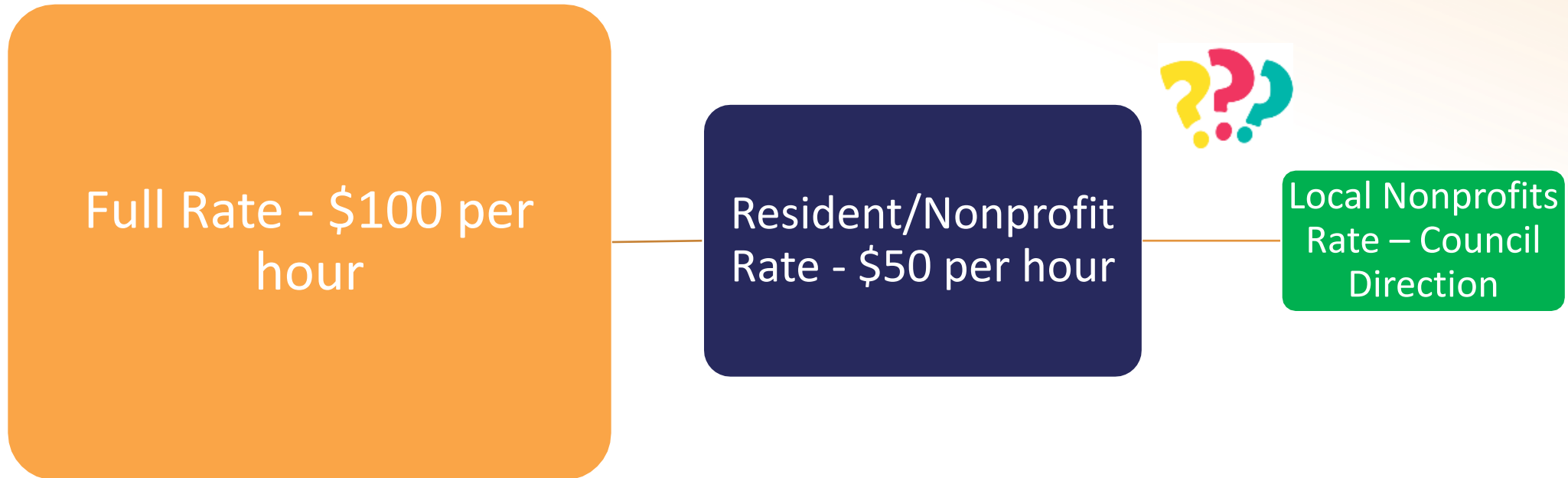
Discussion Topic: Local Nonprofit Fees

- **Fee Structure:** Determine how much local nonprofits should pay to use the Community Center.
- **Consistency:** Apply a uniform fee policy across all nonprofit organizations to ensure fairness.
- **Administrative Efficiency:** Streamline accounting and billing processes for staff by using clear, consistent rates.
- **Resource Management:** Set fees in a way that promotes efficient use of staff time and facility resources.
- **Community Impact:** Fees should reflect the value of facility use while balancing community benefit and operational costs.

Current Situation Illustrated



Desired Situation Illustrated



Community Center Programing

- Weddings
- Quinceañeras
- Friends in the Hills
- Bridge Tournaments
- Gun Shows
- Bar and Bat Mitzvahs
- Friends in the Hills
- Blood Drives
- Volunteer Programs
- Band and Choir Concerts
- Income Tax Preparation
- Memory Café
- Pinochle
- Cribbage
- Trade Shows
- HOA Meetings
- Political Parties
- FH Women's Club
- Realtor Meetings
- Four Peaks Rotary
- Community Groups
- Breakfast with Santa
- Sensitive Santa
- Munch and Music
- Table Tennis
- Dominoes
- Wood Carvers
- Grief Support
- Spanish Classes
- Line Dancing
- Bridge
- Mah Jongg
- Bunko
- Exercise & Yoga
- Poker
- Free Tech Guidance
- Open Jam
- Alzheimer's Support
- Caregivers Support
- Band and Choir Concerts
- Conferences/Conventions
- Medicare Consultations
- Open Paint Studio
- Quilts and More
- Golden Age of Radio
- Swing Time
- Bingo
- Veterans to Veterans Discussion Group



**FOUNTAIN
HILLS**

2025 Total Ballroom Reservations

Town Programs/Events

Total 178

Breakfast w/Santa
 Bridge Duplicate (52)
 Bridge Social (26)
 Country Dance
 Crisis Response (2)
 DVW concert
 Expo
 Family Fun Night
 FH Cares
 Hooks& Needles (52)
 Hot Shots (8)
 Ice Cream Social
 Indoor Summer Picnic
 Mah Jongg (6)
 MYC Grad
 Parks Staff Meeting
 Pizza Party
 Quilts & More (2)
 SSOP Presentions (8)
 Seasons Celebration
 SPAC
 Summer Games (3)
 Teen Take Over
 Turkey Trot (3)
 Video Game Tournament
 Volunteer Rec

Partnered Event

Total 93

Bingo (47)
 Cowboy Trio
 Dementia Summit
 ECDEM/FD-AQS (12)
 Elections (10)
 Encore Presentations (3)
 EVMM
 FD Pinning
 FD Training
 FireWising Presentation
 Masters of Coin (10)
 Munch and Music (3)
 Parks Maint Lunch
 VDT Experience

Town Mtgs

Total 11

AZ MT Mtg
 Employee Rec
 Retirement(3)
 Open Enroll
 Staff Breakfast
 Staff Head Shots
 Staff Holiday Party
 State of the Town
 Town Halloween

FHHS

Total 4

Football
 Senior Rec
 Soccer
 Track

Local Non profit

Total 106

ACBL (2)
 Band Concert (3)
 Blood Drive
 Chamber Breakfast
 Chorus Concert (2)
 Dark Sky
 Democrats (8)
 FH Art League (8)
 FH Artist Gallery (2)
 FH Ministerial BGEA (3)
 FH Women (9)
 FITH (9)
 Flutter (2)
 FOL (2)
 Food For Kids
 Health Fair/Rotary
 Independent expo
 Leadership Academy
 Realtors (12)
 Republican (11)
 Rotary (24)
 Tea Party (2)

Rentals

Total 43

AFIB Seminar
 AZ Assoc of Conservation
 AZ Trails Travel
 AZ League of Towns
 Wedding(3)
 Individual (4)
 Cards & More/Pokemon (2)
 Craft Fair
 Birthday(2)
 HOA(5)
 Grand Canyon Title
 Womens Health
 Liberal Ladies (10)
 MDFA (4)
 Celebration of Life(2)
 Phx Bible
 SCA (2)
 Watch and Clock



Ballroom Reservations FY25

Total Ballroom Reservations FY25 = 435

Total Local Nonprofit Reservations FY25 = 106

*There are 65 total Local Nonprofits who have used the Community Center in the past few years

**Tonight's discussion only effects the Local Nonprofit Rates



Past Fee Reduction or No Charge Examples

- First 60hrs free then 50% off room rentals
- Free stage installation (Note: labor intensive)
- Previous direction allowed local non-profit pricing for a Scottsdale non-profit
- Items provided with reduced or no cost recovery:
 - Display Board
 - Microphones
 - Screens
 - Projectors
 - Coffee
 - Reservations outside of standard hours of operation
 - 50% reduction in direct staffing cost recovery



**FOUNTAIN
HILLS**

Ballroom Minimum Requirements

Reasons for Minimum Hourly Requirements

- **Limited Availability of Ballrooms** – Booking for very short timeframes reduces availability for other renters who may need the space for longer events.
- **Operational Efficiency** – Preparing and turning over the ballroom for each rental (setup, cleaning, breakdown) requires staff time and resources regardless of the rental length.
- **Maximizing Earning Potential** – Shorter rentals can block off prime time slots, which limits opportunities to secure longer, higher-value bookings.
- **Event Flow & Guest Experience** – A minimum booking ensures adequate time for setup, event execution, and cleanup, resulting in a smoother experience for both hosts and guests.
- **Cost Effectiveness** – Staffing, utilities, and facility upkeep costs are incurred for every event; minimum hours help cover these baseline expenses. Opening the building for one ballroom is not cost effective.



**FOUNTAIN
HILLS**

Community Center Revenues and Expenditures

Community Center Revenues Analysis - Past 3 Years				
Revenues	FY2023	FY2024	FY2025	Averages
Total Reservation Hrs.	23,599	25,586	28,161	25,782
Rental Fees	73,622	92,215	98,467	88,102
Other	55,075	78,210	93,863	75,716
Total Revenues:	128,697	170,425	192,330	163,817
Expenditures				
Payroll	482,429	508,489	547,904	512,941
Other Operating	224,655	170,304	166,341	187,100
Total Expenditures:	707,084	678,793	714,245	700,041
Revenues as % of Expenditures:	18.2%	25.1%	26.9%	23.4%

**This analysis captures most Community Center operating revenues/expenditures other than the Volunteer and Home Delivered Deals programs, or capital improvement costs.*

***Includes estimated utility costs, which are shared among other facilities on the Town Campus.*

Local Non-Profit Rental Revenues and Discounts

Community Center Revenues Analysis - Past 3 Years

	FY2023	FY2024	FY2025	Averages
Rental Fee Revenues				
Local Non-Profits	33,388	32,154	40,713	35,418
All Other	40,234	60,062	57,755	52,684
Total Revenues:	73,622	92,215	98,467	88,102

** Town staff manually compiled this data using reports from a recreation reservation system but did not independently verify the data in the system*

Local Non-Profits as % of Total Revenues:	45.4%	34.9%	41.3%	40.2%
--	-------	-------	-------	-------

Total Calculated Rental Fee Discounts for Local Nonprofits:

- FY2023 Discounts: Data unavailable
- FY2024 Discounts: **\$58,456**
- FY2025 Discounts: **\$57,475**



Example Fees and Discounts

Average charges Per Meeting	Full Price Per Meeting	Yearly charge With discount	Yearly without Discount	Difference
1) \$77.65	\$155.10	\$271.43	\$2,791.80	\$2,520.37
2) \$206.80	\$561.02	\$1,861.20	\$5,049.18	\$3,187.98
3) \$103.40	\$354.22	\$930.60	\$3,187.98	\$2,257.38
4) \$206.80	\$561.02	\$2,068.00	\$5,179.88	\$3,111.88
5) \$147.08	\$397.90	\$1,764.96	\$4,774.80	\$3,009.84
6) \$155.10	1BR \$561.36/2BR \$871.36	\$1,706.10	\$6,174.96 - \$9,587.16	\$4,468.86 - \$7,881.06
7) \$150.38	2hrs \$404.50 4hrs \$507.90	\$3,238.55	10,517.00 - \$13,205.40	\$7,278.45 - \$9,966.85

**Seven example local Non-profit groups highlight the inconsistent discount procedure and the variable cost recovery models*



Options

Give all groups the same discounted rate which would include the following options:

Option 1) **(Currently Approved)** Apply Current Resident/Nonprofit rates
(no Sunday rentals)

Mon-Thur: \$25 classroom 2hr min, \$50 per ballroom **4hr min**

Fri-Sat: \$75 per ballroom **4hr min**

Option 2) Create a separate local nonprofit Discounted rate option

10% off above rates

Mon-Thur: \$22.5 classroom 2hr min, \$45 per ballroom **4hr min**

Fri-Sat: \$67.5 per ballroom **4hr min**

30% off above rates

Mon-Thur: \$17.5 classroom 2hr min, \$35 per ballroom **4hr min**

Fri-Sat: \$52.5 per ballroom **4hr min**

50% off above rates

Mon-Thur: \$12.5 classroom 2hr min, \$25 per ballroom **4hr min**

Fri-Sat: \$37.5 per ballroom **4hr min**



**FOUNTAIN
HILLS**

Meeting Extras, Current Itemized costs

Video Projector - Note Vision 3,000 Lumens	\$55.00
Flat Screen TV	\$55.00
Small Screen	\$55.00
Large Screen (8' x 10')	\$55.00
Microphones – Wireless	\$25.00
Portable White Board	\$5.00
Walker Display Board	\$5.00
Portable Sound System	\$85.00
Dance Floor - per 4' x 4' parquet square (16'x16")	\$225.00
Dance Floor - per 4' x 4' parquet square (20'x20')	\$280.00
Dance Floor - per 4' x 4' parquet square (24'x24')	\$325.00
Staging 6' x 8" section (1 piece)	\$25.00 per piece
Coffee Service	\$25.00 per request
Portable Bar	\$50.00
Labor Charges (min of 2 staff per hour)	\$55.00 per hour per staff



**FOUNTAIN
HILLS**

Meeting Optional Extras

Staff Recommendation:

\$25.00 Flat fee for each of the following, per meeting:

- All Audio Video options, including:
Video projector and screen, flat screen TV, microphones, speakers, walker display board, etc.
- Coffee service

Exceptions:

- Stage: \$25.00 per section, per meeting
- Dance Floor at standard rate

What Happens Next?

- Choose fee range that you would like staff to implement
 - If no change to policy, no additional action needed
 - Policy suspension ends per previous council action, rental rates resumed as directed for FY26
- Vote, if needed on new changes, during the Oct 7 Council Meeting
 - Public Comment to be heard
 - Minimum 30 days to go into effect
 - Recommend Jan 1 implementation, to allow for notice to all local non-profits



**FOUNTAIN
HILLS**

Review of Options

Give all groups the same discounted rate which would include the following options:

Option 1) **(Currently Approved)** Apply Current Resident/Nonprofit rates
(no Sunday rentals)

Mon-Thur: \$25 classroom 2hr min, \$50 per ballroom **4hr min**

Fri-Sat: \$75 per ballroom **4hr min**

Option 2) Create separate local nonprofit Discounted rate options

10% off above rates

Mon-Thur: \$22.5 classroom 2hr min, \$45 per ballroom **4hr min**

Fri-Sat: \$67.5 per ballroom **4hr min**

30% off above rates

Mon-Thur: \$17.5 classroom 2hr min, \$35 per ballroom **4hr min**

Fri-Sat: \$52.5 per ballroom **4hr min**

50% off above rates

Mon-Thur: \$12.5 classroom 2hr min, \$25 per ballroom **4hr min**

Fri-Sat: \$37.5 per ballroom **4hr min**



Questions/Comments





TOWN OF FOUNTAIN HILLS

STAFF REPORT

Meeting Date: 9/9/2025
Meeting Type: Town Council Work and Executive Sessions
Submitting Department: Administration / Finance
Prepared by: Paul Soldinger, Chief Financial Officer
Staff Contact Information: Phone: 480-816-5160
Email: psoldinger@fountainhillsaz.gov

Request to Town Council Regular Meeting (Agenda Language)

DISCUSSION: Relating to Employee and Council Pay Adjustments

Staff Summary (background)

At the June 17, 2025 Town Council meeting, Council discussed both annual employee pay increase concepts and Council pay adjustments. The consensus from that discussion was to direct staff to develop a systematic, blended approach to annual employee salary adjustments. Accordingly, this report focuses narrowly on that directive. It is not intended to revisit the Town's overall compensation strategy or broader pay policies.

This proposal establishes a transparent, repeatable mechanism for annual salary adjustments that reflects both national labor cost trends and the competitive local labor market. The goal is to ensure our compensation remains market-relevant while avoiding ad-hoc or subjective changes that can create inconsistency and unpredictability in our budgeting process. Therefore, staff will discuss a proposed approach to use a peer market index (PMI), based on the annual League of Arizona Cities & Towns Salary & Benefit Survey and the Employment Cost Index (ECI) published by the U.S. Bureau of Labor Statistics (BLS) every year.

The formula-based pay adjustment would be calculated by March of each year to be included in the proposed budget presented to Council every April, based on budgetary availability. Regarding past discussion about using the Consumer Price Index (CPI) as a data point for this calculation, staff had found that CPI is more volatile and may not accurately reflect actual wage trends in the labor market. Focusing staff pay adjustments on PMI and ECI provides a more comprehensive and stable approach to salary adjustments, which also provides stability in each year's budget.

Regarding Council stipends, the Town Council retains full authority over its own compensation; staff recommends a consistent process to ensure transparency and budget clarity. For example, Council could consider adjustments every two years, aligned with election cycles, which would be effective the following January past the election cycle and Council approval. The changes made to Council stipends is at the Council discretion.

Related Ordinance, Policy or Guiding Principle

N/A

Risk Analysis

N/A

Recommendation(s) by Board(s) or Commission(s)

N/A

Staff Recommendation(s)

N/A - For Discussion

Suggested Motion

No motion required. This item is for discussion on employee and council pay adjustments that may be brought back to a future Council meeting for possible action.

FISCAL IMPACT

Fiscal Impact:

Budget Reference:

Funding Source:

ATTACHMENTS

- | | |
|----|--|
| 1. | Staff Pay and Council Stipend Adjustments Presentation |
| 2. | Proposed Annual Salary Adjustment Rule |

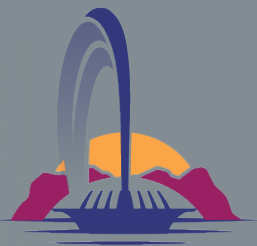
September 9, 2025

Annual Salary Adjustments

A transparent framework for consistent
compensation management using market data



**FOUNTAIN
HILLS**



FOUNTAIN
HILLS

Contents

01

Problem & Solution Overview

Current ad-hoc approach vs systematic formula

02

Key Components

ECI, PMI, and formula methodology

03

Historical Performance

Backtesting results and analysis

04

Council Pay & Implementation Plan

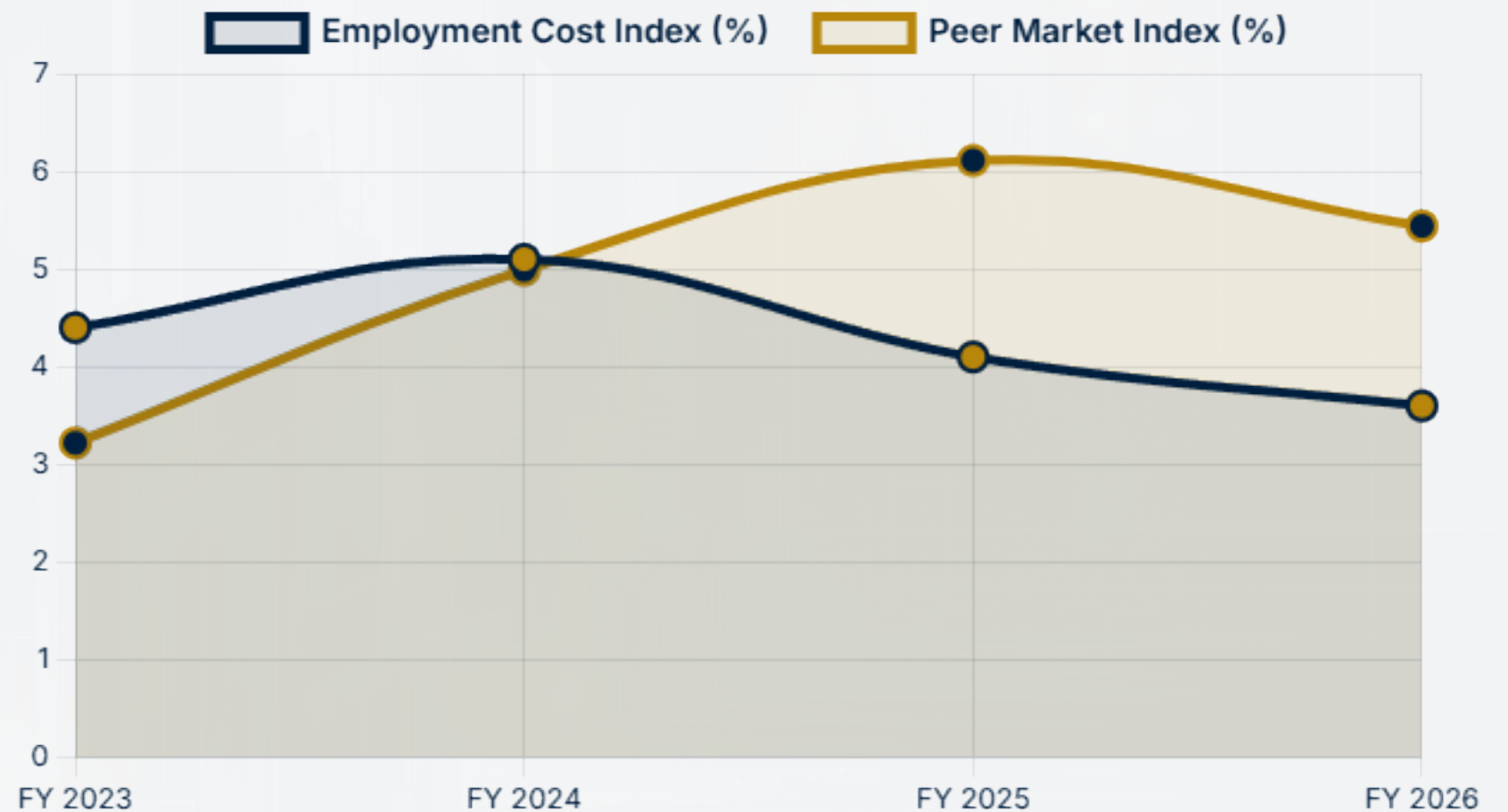
Next steps and timeline



Market Data Sources

Balanced National & Local Approach

Combining Employment Cost Index (ECI) from Bureau of Labor Statistics with Peer Market Index (PMI) from 28 Phoenix-metro municipalities creates comprehensive market responsiveness



Proposed Formula

Year	ECI Rate	PMI Rate	Proposed AGA	Actual Increase	Variance
FY 2023	4.4%	3.22%	3.81%	4.0%	+0.19%
FY 2024	5.1%	4.99%	5.05%	7.0%	+1.95%
FY 2025	4.1%	6.11%	5.11%	4.5%	-0.61%
FY 2026	3.6%	5.44%	4.52%	2.5%	-2.02%

Simple & Transparent Calculation

Annual General Adjustment (AGA) = (50% × ECI) + (50% × PMI). This formula directly responds to market conditions without subjective interpretation.

Understanding Our Data Sources

Consumer Price Index (CPI)

Measures household price changes for goods/services

Includes volatile categories like energy and food

May not reflect actual labor market conditions

VS

Employment Cost Index (ECI)

Measures employer labor costs specifically

Focuses on wages and salaries for same jobs

Used by Federal Reserve for wage policy decisions

28

Peer Cities

50/50

ECI/PMI Split

Q4-Q4

ECI Measure

Jan

PMI Release



Predictability

Formula-based adjustments eliminate annual deliberation

- Consistent calculation method
- Transparent data sources
- Budget planning certainty

Market Balance

Combines national stability with local competitiveness

- National wage trend benchmark
- Local market responsiveness
- Reduced year-to-year volatility

Implementation

Integrates seamlessly into annual budget process with Council override capability

- January PMI data availability
- May-June budget adoption
- Council retains flexibility to override for extraordinary circumstances

Town Council Pay Adjustments

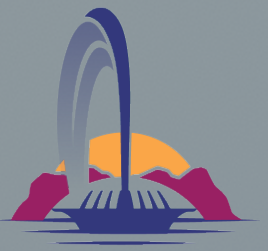


Council Authority

Council retains full authority over its own compensation; staff recommends a consistent process to ensure transparency and budgeting clarity.

Process Framework

- Consider adjustments every two years, aligned with Council/Mayoral election cycles (August)
- Effective January following election cycle and Council approval
- Budget integration: Changes could be incorporated into the budget process the spring prior to elections
- Council discretion: For example the increase could be a percentage or flat amount



FOUNTAIN
HILLS

Thank You

Questions & Discussion

Ready to implement systematic salary adjustments that balance fiscal responsibility with competitive compensation

Proposed Annual Salary Adjustment Rule

Town of Fountain Hills

Purpose

At the June 17, 2025 Town Council meeting, Council discussed both annual employee pay increase concepts and Council pay adjustments. The consensus from that discussion was to direct staff to develop a systematic, blended approach to annual employee salary adjustments. Accordingly, this report focuses narrowly on that directive. It is not intended to revisit the Town's overall compensation strategy or broader pay policies.

This proposal establishes a transparent, repeatable mechanism for annual salary adjustments that reflects both national labor cost trends and the competitive local labor market. The goal is to ensure our compensation remains market-relevant while avoiding ad-hoc or subjective changes that can create inconsistency and unpredictability in our budgeting process.

Key Term Definitions

Annual General Adjustment (AGA): A formula-based pay adjustment figure we have defined for internal use. It blends national wage growth data with local competitive pay trends to produce the annual adjustment percentage to be applied to employee compensation.

Peer Market Index (PMI): Newly defined for our purposes, this represents the average pay range increase reported by a broad group of peer municipalities in the Phoenix metropolitan area, as reflected in the League of Arizona Cities & Towns Salary & Benefit Survey. The PMI captures compensation trends among comparable cities and towns in our region.

Employment Cost Index (ECI): Unlike AGA and PMI, the ECI is a long-standing federal statistic produced by the U.S. Bureau of Labor Statistics (BLS). It measures the percentage change in employer labor costs (wages and salaries) from one quarter to the same quarter the previous year, holding job types constant to remove distortions from workforce composition changes. The ECI has been published quarterly since the late 1970s and is widely used by the Federal Reserve, government agencies, and private sector organizations to guide wage policy decisions. While the methodology has evolved over time (such as the adoption of NAICS/SOC classification systems in 2006), it remains historically comparable and provides a reliable national benchmark for wage trends.

CPI in Context: Understanding Its Role in Salary Adjustments

The Consumer Price Index measures household price inflation rather than the cost of labor. CPI can be significantly influenced by volatile categories such as energy prices or housing costs and may not accurately reflect actual wage trends in the labor market. Relying solely on CPI for salary adjustments creates several risks. First, it can lead to overpayment during temporary inflation spikes when consumer prices rise faster than wages. Second, it may result in underpayment in strong labor markets where wage competition drives compensation increases that exceed general inflation, potentially compromising our ability to retain and recruit quality employees.

Why ECI Plus PMI Creates an Effective Framework

The combination of ECI and PMI provides a more comprehensive and balanced approach to salary adjustments. The ECI provides a stable, national benchmark of wage trends that reflects actual labor market conditions rather than consumer price fluctuations.

Meanwhile, the PMI captures the realities of the Phoenix-metro labor market in which we directly compete for talent. Combining both indices balances local competitiveness with national trends and reduces year-to-year volatility that might result from relying on either data set alone. This approach ensures our compensation strategy remains both fiscally responsible and competitive.

Proposed Formula

The Annual General Adjustment (AGA) would be calculated using the following formula:

$$\text{Annual General Adjustment (AGA)} = (50\% \times \text{ECI}) + (50\% \times \text{PMI})$$

The ECI component uses the year-over-year percentage change in private industry wages and salaries, measured from Q4 to Q4 as reported by the Bureau of Labor Statistics. The PMI component represents the average percentage change in pay ranges among reporting peer municipalities in the League survey.

This formula is designed to respond directly to market conditions, allowing the calculation to stand on its own merits.

For example, if the ECI shows a 4.0% increase and the PMI shows a 5.0% increase, the calculation would be: $\text{AGA} = (0.5 \times 4.0) + (0.5 \times 5.0) = 4.5\%$

Historical Analysis

To evaluate the effectiveness of this proposed approach, we conducted a backtest analysis comparing what the AGA formula would have produced against the actual salary increases implemented by the Town over recent fiscal years.

For FY 2023, the PMI from the League survey averaged 3.22%, while the ECI showed a 4.4% increase. The proposed AGA would have been 3.81%, compared to the actual Town increase of 4.0%. This shows close alignment between the formula and actual practice.

In FY 2024, the PMI was 4.99% and the ECI was 5.1%, producing a proposed AGA of 5.05%. The actual Town increase was 7.0%, suggesting the Town exceeded what market conditions would have supported under this formula.

For FY 2025, the PMI reached 6.11% while the ECI was 4.1%, creating a proposed AGA of 5.11%. The actual Town increase was 4.5%, indicating the Town's adjustment fell slightly below what the formula would have recommended.

Looking at FY 2026, the PMI was 5.44% and the ECI was 3.6%, yielding a proposed AGA of 4.52%. The actual Town increase was 2.5%, representing a gap below the formula recommendation.

This historical analysis demonstrates that the proposed formula would have provided more consistent and market-responsive adjustments than the ad-hoc approach used in recent years.

Benefits of Adopting the Rule

Implementing this salary adjustment rule offers several significant advantages for the Town's compensation management and budgeting processes.

Predictability: Once the Council approves the rule, annual salary adjustment numbers flow directly from the formula without requiring extensive deliberation each year. This creates certainty for both employees and budget planning purposes.

Transparency: The data sources and calculations are clear and accessible to staff, Council members, and the public. Anyone can verify the inputs and understand how the adjustment percentage was determined.

Balance: The formula combines stable national wage data with local market conditions, ensuring our adjustments reflect both broader economic trends and the specific competitive environment in which we operate.

Consistency: The rule eliminates ad-hoc year-to-year changes that can create confusion in compensation management, enabling employees and managers to better anticipate and plan for adjustments.

Market Responsiveness: By incorporating both national and local data, the formula helps our compensation remain competitive without overreacting to temporary market fluctuations.

Implementation and Next Steps

To successfully integrate this formula into our budget process, we recommend the following approach.

The League PMI results typically become available in late January each year. During the annual proposed budget presentation, staff will present the updated ECI data, PMI results, and the resulting AGA calculation. This timing allows staff to incorporate the calculation into early-year budget meetings, with the process culminating in budget adoption during May and June.

As part of our commitment to transparency, each year's budget presentation materials will include the calculation, showing the ECI and PMI inputs and the resulting AGA percentage. This documentation will be available to Council members and the public as part of the budget review process.

The formula should be implemented in alignment with the guidance provided during the work study session, with the understanding that extraordinary circumstances may warrant Council consideration of deviations. Any such deviations should be justified and documented to preserve the integrity of the systematic approach.

Data Sources and Methodology

The PMI data comes from the League of Arizona Cities & Towns Salary & Benefit Survey, representing the average percentage increase reported by peer municipalities. Our peer group includes 28 municipalities in and around the Valley, and in most years, a substantial majority (20+) provide usable data, ensuring a reliable basis for the PMI calculation.

The ECI data is sourced from the U.S. Bureau of Labor Statistics Employment Cost Index for Private Industry, Wages & Salaries, using the Q4-to-Q4 percentage change. This provides a consistent national benchmark that removes seasonal variations and focuses on the annual trend.

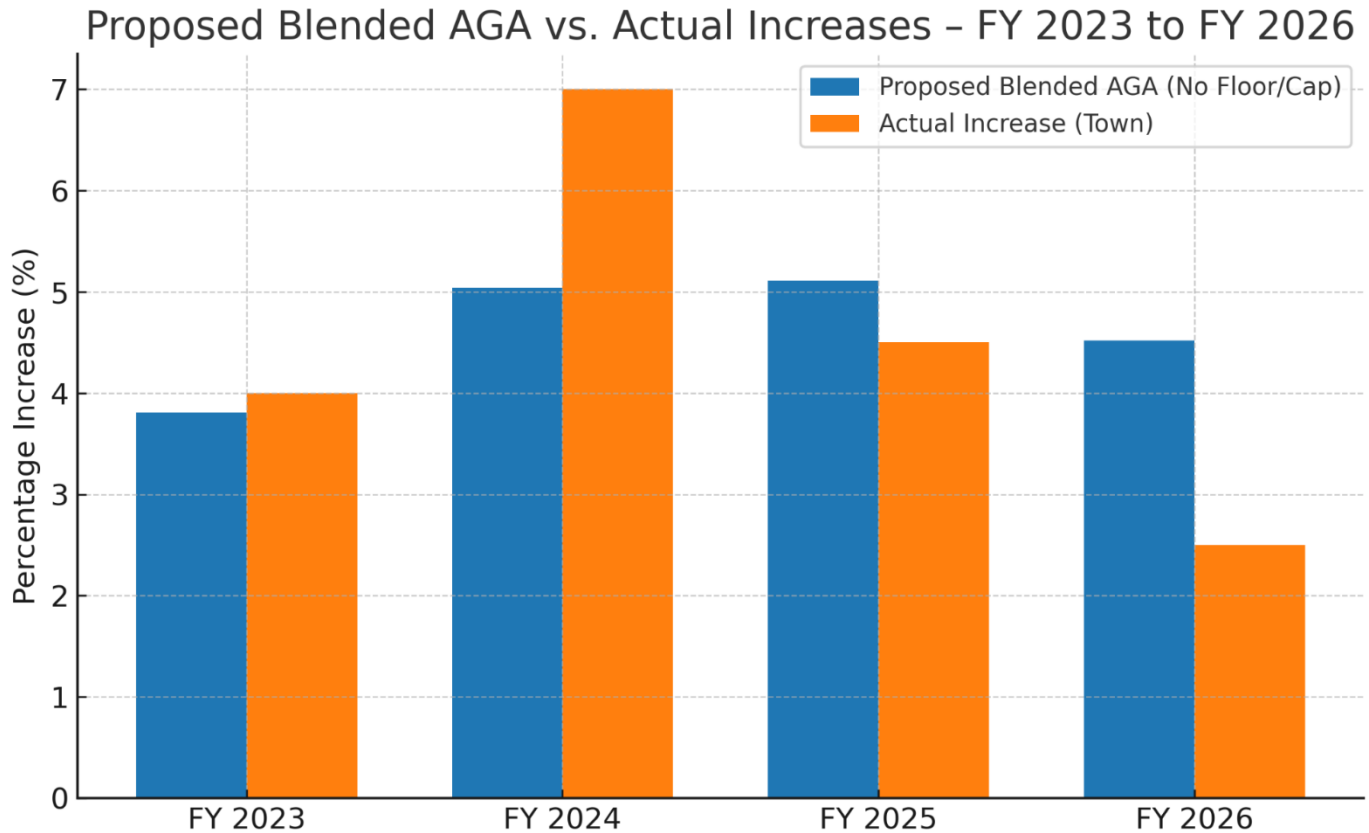
Peer Municipality Reference

The peer municipalities included in the League survey analysis represent a comprehensive group of cities and towns in the Phoenix metropolitan area and broader Arizona region. These include Apache Junction, Avondale, Buckeye, Carefree, Casa Grande, Cave Creek, Chandler, Coolidge, El Mirage, Eloy, Florence, Gilbert, Glendale, Goodyear, Guadalupe, Litchfield Park, Maricopa, Mesa, Paradise Valley, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown.

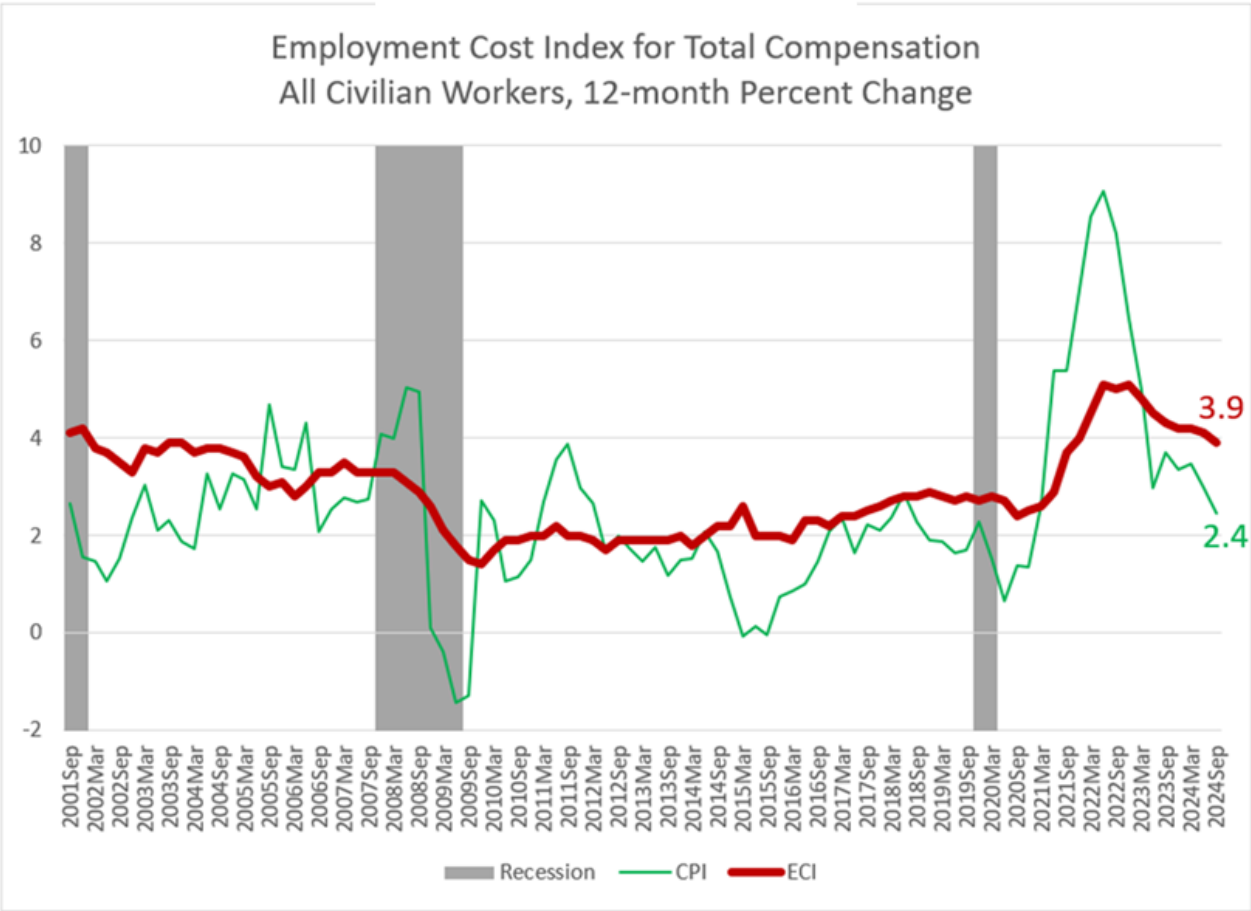
This peer group represents municipalities of varying sizes and characteristics, providing a broad perspective on compensation trends in the regional labor market where Fountain Hills competes for talent.

Supporting Analysis

The accompanying charts illustrate key aspects of this proposal. The comparison of the proposed blended AGA against actual Town increases from FY 2023 to FY 2026 highlights where actual increases exceeded or fell short of the proposed AGA, underscoring the importance of systematic adjustment for market conditions.



Additionally, the historical trends comparison between the Employment Cost Index and Consumer Price Index for all civilian workers demonstrates the relative stability of the ECI compared to the volatility of CPI. This visualization reinforces why the ECI serves as a more reliable benchmark for annual salary adjustments than consumer price indices, as it directly measures labor costs rather than consumer prices.



Institute for Compensation Studies
Data Source: U.S. Bureau of Labor Statistics, Employment Cost Index, September 2024, released October 31, 2024.

Conclusion

The proposed Annual Salary Adjustment Rule offers a clear, balanced, and market-responsive framework for determining annual salary adjustments. By incorporating national wage trends through the Employment Cost Index and local market conditions reflected in the Peer Market Index, this approach supports competitive compensation while maintaining fiscal responsibility.

Historical analysis indicates that applying this formula would have resulted in consistent, well-reasoned adjustments, providing predictability for budget planning and transparency in decision-making. It offers a structured process that keeps salary adjustments aligned with both national economic conditions and local market realities.

With its straightforward calculation and built-in transparency, this approach can be readily integrated into the annual budget process. Its adoption will help maintain competitive compensation while ensuring a clear, consistent, and accountable framework that benefits employees, Council, and the community.