TOWN OF FOUNTAIN HILLS
MINUTES OF THE WORK SESSION
OF THE FOUNTAIN HILLS TOWN COUNCIL
SEPTEMBER 9, 2025

A Work Session of the Fountain Hills Town Council was convened at 16705 E. Avenue of the Fountains in open and public session at 1:00 p.m.

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

Members Attending by Phone: Councilmember Hannah Larrabee

Members Absent: Vice Mayor Allen Skillicorn

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

Post-Production File

Town of Fountain Hills

City Council Work Session

September 9, 2025

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BENDER: Councilmember Larrabee, are you with us?

LARRABEE: Yep. I'm on.

BENDER: Thank you.

LARRABEE: Thank you.

(Pause)

FRIEDEL: I'm going to call this work session to order.

Roll call, please.

Mayor Friedel.

FRIEDEL: Present.

BENDER: Vice Mayor Skillicorn is absent.

Councilmember Earle.

EARLE: Here.

BENDER: Councilmember Kalivianakis.

KALIVIANAKIS: Here.

BENDER: Councilmember Watts.

WATTS: Here.

BENDER: Councilmember Larrabee.

LARRABEE: Here.

BENDER: And councilmember McMahon.

MCMAHON: Here.

BENDER: Mayor, you have the quorum.

FRIEDEL: Thank you, Rachael.

GOODWIN: Mayor and council, thanks for being here this afternoon. We appreciate it. This is a work session, so it's a little different than a regular council meeting, and that staff have presented sort of a deep dive on two different topics to kind of share details. But the main difference is this is designed to be a back and forth to allow for questions, discussion, dialog between staff and the council body to understand the different dynamics of each topic.

The first one is going to be related to the community center fees specific to our local nonprofit organizations. You might recall back in the early spring, probably February timeline, we talked about this. Some direction was given, staff carried the direction out, and then there were some further discussions this summer about the implications of that. So we hit pause and we're here to talk about that and gain further direction today. With that, I know Kevin Snipes, the community services director, has prepared a presentation with the help of Paul Soldinger. They'll both be here to sort of walk us through the concerns, the issues, the challenges, and then some potential options for moving forward.

SNIPES: All right. Mayor, council, we're back again to have another discussion around our community center fees and waivers, and looking to get some guidance on making this easier for staff and to make it so everyone is in a consistent fashion being able to use the community center, so that one group is not paying more and one group is paying less on any given day or time.

Why are we here today. Today, we're solely discussing our nonprofits and our local nonprofits specifically. Right now, everybody just is paying different amounts, and that's not conducive to having our administrative side be easy to teach to each other. So it puts a lot of weight on our community center manager, Jen Lyons, to run everything because there are so many differences that trying to get anybody else to figure out what it is, is nearly impossible.

The other thing is we've set the fees to make it -- so that it's efficient for staff, but also so that the community knows what the value is of them being parts of the community, and we want to take care of our local nonprofits, a little bit more so than what we do to our nonlocal nonprofits. And so this today, we'll go forward with going through different ways that we can do that. But hopefully, at the end, narrow it down, so that we have a limited number of options to make it easier for everybody.

So again, here's kind of an illustration of our Monday through Thursday rentals. Right now, a full rate would be $100 per hour. Our resident nonprofit rate is $50 per hour. And then as you can see, everybody else gets different options for them. That's not a clean way to run anything and very difficult to manage. What we'd like to get to is this three step process: to wear that, it's consistent, it's easy to manage, and we maximize our usage of the community center.

As you can see, our community center programing is far and wide. We have just about anything you can imagine goes on in our community center. It's a very busy, active place and has continued to grow each year with the different types of things that we offer. And so again, here's kind of breaking down who all has rented the ballrooms last year.

As you can see, there's a whole lot of different groups. The parentheses there are showing how many times each one of those groups have used the community center. So some of them have used it 12 times in a year where others have used it once. But the only thing that we're looking at right now is the local nonprofit there in that second to last column where it says there's 106 rentals that were done last year.

So here again, we're kind of looking at the total ballroom reservations were 435. Our local nonprofits are 106. So while they're not half of our rentals, but they are a good number.

KALIVIANAKIS: Excuse me. Thank you. Are the nonprofit rentals down in comparison to last year?

SNIPES: Well, we have that --

KALIVIANAKIS: Okay.

SNIPES: -- information coming up here in a little bit.

KALIVIANAKIS: Thank you.

SNIPES: Uh-huh. That's fine. No problem. So there are 65 total local nonprofits who have used the community center over the last several years. And so those are the ones that we're specifically speaking to today. Our past free fee reductions or no charge examples to give you some ideas, one group has 60 hours' worth of free time, and then it's 50 percent off for the room rentals. One get stage installation, which is a big labor task on the community center staff, you know, getting different types of audiovisual things. There's even a group that's from Scottsdale that was told they were able to be a local nonprofit. And so these are all the types of things that we're trying to get cleaned up.

We've talked a lot over time of our ballroom minimums, a problem as well. The reason that we have our ballroom minimums is anytime one ballroom is rented, it means that we can't do a bigger activity and have all the other ballrooms rented. And so that's why we have very distinct minimum requirements, both weekday and weekend, to make sure that we're maximizing our guest experience and making it cost effective for the town to have our community centers usage of those ballrooms because they are a space that's reserved a lot. And we want to make sure that that we're maximizing the usage of those spaces. And if we shrink down our minimums, then it just takes one to make it so that that whole day is not desirable to a bigger event organizer to run. And that, especially, holds true for the weekends.

When it comes down to our past three fiscal years of revenues and expenditures, as you can see, we've continued to grow the revenue side of the community center over the last few years. And that's a big testament to both what the council's helped us out with by doing our renovations of the community center, the amount of compliments that we get from outside groups.

One of my favorites was when I invited a bunch of directors from across the state to come over and take a look at some of the things we were doing in our parks, and they walked into our community center and their immediate answer was ours, don't look anything like this. This is beautiful. And wanting to know how old it was and asking the questions and then using the space and how great the space is. So it's tough to get a better compliment than from your peers that are doing the same things that you're doing.

But in this analysis, you can see that our numbers continue to increase. Anything that we talk about here today know that all the options that we have on the table will be at least a slight increase in revenue over what we've done in the past. I know this slide has a lot of information in it. If there's any questions on the revenues or expenditures, feel free to jump in.

And then our local nonprofits. So if we were to be using the agreed upon rates that were voted on earlier this year down at the bottom of the page there, you can see what the amount of money that was left on the table, so to speak, if everybody paid the nonprofit rate versus the 50 percent off the nonprofit rate, which is what the locals are right now.

And as you can see there, again, we're seeing increased in revenues in that line as well.

Then this is another slide that we looked at previously showing different examples of seven different groups and what all the differences in rates and how much they're saving -- how much each one saving, as well as how much each one's paying. And as you can see, everything is all over the board as far as that goes.

Then we come down to some options. The currently approved is option one, which is applying our current resident nonprofit rates to everyone, and that would include our local nonprofits. And then we set up three other options to be 10 percent off the above rate, 30 percent or 50 percent off the above. And understand that each one of those still would mean an increase in revenue if everything stayed the same as they were today. We had the same number of rentals and everything, we would still come out ahead even with the 50 percent off the resident nonprofit rate.

Some other things that are always a necessity when you're renting out a ballroom or a classroom or your audio-video type of things, your dance floors, staging, coffee service. And as you can see, there could be a significant charge in just adding in a flat screen, a large screen, microphones, anything like that. Your 25 to several hundred dollars more per meeting.

What staff is recommending is that to make that easier as well, is moving to a $25 flat fee for all audiovisual. And understand that currently several of the groups aren't paying anything for audiovisual, and so this would be an increase. But it would make it to where that it makes it simple. Whatever you need, we'll provide it $25, and staff can bring in whatever you need to run your meeting. If you want coffee service, that's $25 as well. Just to make it again, simple and easy. Where some aren't paying for coffee right now, some are paying for coffee, some are paying half for coffee.

FRIEDEL: Quick question. How much demand is there for dance floor?

SNIPES: Very low for this type of groups. It's just something that we wanted to have on there, just in case it were to come up, we wanted to cover all of our bases, and it was the one thing that's not audiovisual or coffee or stage related.

FRIEDEL: Can you go back one slide, please? Just looking at this, the cost of all of these different things, $25 doesn't seem to even begin to cover if 50 percent of the people utilized a majority of those issues. So where did you come up with the $25?

SNIPES: A lot of it was based on the fact that they're not paying at all now for it. And so coming up with a flat rate fee, when we start bringing stuff in and out on our repeat users, we end up bringing -- getting back a decent amount of money off of the rentals, even if we're bringing them in at $25 each versus $0 that we're doing right now. That's a number that we could absolutely look at changing, if that's something you would like to do. We were, again, you know -- knowing that this was a hot ticket item of increasing fees for our local nonprofits, getting a little bit back towards those uses, we felt like was better than getting nothing or putting these numbers into it. And if we put these numbers into someone that's running it 12 times a year, then it's it turns into a much larger number for some of our local nonprofits.

FRIEDEL: Do you know what the average is between people that utilize some of these items versus people that do not utilize any of them?

SNIPES: It's pretty standard to use something. Some use several things and some, you know, and each meeting is different. It depends on who's coming in, how big the group is. Some like to have a microphone to talk. Some think they don't need a microphone and realize they do. So it just kind of depends on each group is totally different, and each meeting is totally different for those groups. And so it's constantly a changing thing. And that's another reason why we thought if we can get a flat fee in here, it makes it so we're not -- well, they didn't want a mic, but then they wanted it last minute. Now, we got to add another $25 for the mic. They said they had a computer, but they didn't, so we had to bring something in. It just makes it cleaner and easier for staff to --

FRIEDEL: It streamlines the process for you.

SNIPES: Absolutely.

FRIEDEL: Some of the some of the conventions that I've put booths up in and so on, it's not unusual to have a resident, nonresident, and a nonprofit once we establish what a nonprofit really is. But then the menu component is you check the box; you give that back to services. And that's not unusual either. I understand, and I agree with -- let's -- even though we're talking about nonprofits, let's talk about resident nonresident and nonprofits. But in here, I don't think you're going to recover. I don't see any math that works out where $25, even if it was across the board, would work out to cover the cost where we're at today. So I guess maybe the math behind it is what I'm looking for.

SNIPES: For how we would recover these numbers, you're saying?

FRIEDEL: Yeah. If you said 50 percent of the people use 50 percent of the things that are on the menu, the $25 won't cover it.

SNIPES: Not through the -- just the local nonprofits.

FRIEDEL: Right.

SNIPES: I agree. That's the give-and-take with working with our nonprofits. No different than we're willing to rent the building out for cheaper with the nonprofit -- local nonprofit than we are with profit (indiscernible).

MCMAHON: Excuse me. But isn't that what has always been what is expected in the sense that the community center isn't for profit. We don't seek to recover all the fees, et cetera. But what we're looking at here is to have continuity with numbers, because for me, as having rented the community center for a group, et cetera, it's like, okay, what is it? What is the charge? What does it apply? I mean, the whole nine yards. And if we can do something like this and I do think the audiovisual should be charged for and I think $25 is really reasonable. I think it would be a lot more consistent and helpful to staff and the people that rent the place as well.

FRIEDEL: I quote --

KALIVIANAKIS: Can I have a turn?

FRIEDEL: Go ahead.

KALIVIANAKIS: I just want to clarify. It's $25 flat rate even if they chose checked every box.

SNIPES: Yeah. And it's --

KALIVIANAKIS: That's kind of --

SNIPES: That's not normal.

KALIVIANAKIS: No, it's not.

SNIPES: I mean, you know, it's --

KALIVIANAKIS: But that's what you're saying?

SNIPES: Yes.

KALIVIANAKIS: Okay. And then it's --

SNIPES: It's typically one or two or three things, you know --

KALIVIANAKIS: Oh, it's not normal that they would do a whole bunch.

SNIPES: -- that they are picking -- yeah.

KALIVIANAKIS: Okay.

SNIPES: It's not a typical, we need a flat screen, a small screen, a large screen --

KALIVIANAKIS: Okay.

SNIPES: That wouldn't make any sense, right?

KALIVIANAKIS: And then also on the coffee before it was per certain amount of coffee. Now, it would be no matter how much coffee?

SNIPES: Or most -- a lot of them are getting it for free.

KALIVIANAKIS: Right. Yeah.

SNIPES: And/or there was a percentage of cost. And so this --

KALIVIANAKIS: But that coffee is cup, stirs -- what is it? What do you -- coffee mate, sugar. You get a lot of stuff.

SNIPES: Service. Uh-huh.

KALIVIANAKIS: So we could be -- that could be still expense out of our pocket with the coffee stuff.

MCMAHON: That's a bargain. I mean, if you go to --

KALIVIANAKIS: That's a big bargain.

MCMAHON: -- Starbucks and have it brought in, you're looking at $200.

EARLE: Would this be even if you have a group of, say, 200, compared to 550, you'd still be paying the $25?

SNIPES: Yep. And if we want to make it -- so that there's a head count on it, we could certainly do that. Again, we're trying to -- we're --

EARLE: Just make it --

SNIPES: -- trying to go from zero to get --

EARLE: Right.

SNIPES: -- to making it so that there is some payback so that we can cover the equipment that's being used. And again, this is only for our local nonprofits.

EARLE: Right.

SNIPES: Understand that we have three times this amount that are coming in and using it, that aren't part of our local nonprofits.

FRIEDEL: I think that's the -- for me, that's the linchpin, the order of magnitude, trying to understand how you could -- you have the ability to ask for multiple components on the list and still only pay $25. And I also think that in the grand scheme of things, where even if we doubled all of the fees, we're not going to come close to covering our expenses. And I'm not looking to make money. So this is not a for profit entity --

SNIPES: Uh-huh.

FRIEDEL: -- but it's how much are we willing to absorb. How much can we absorb? And I think I asked earlier, Paul, what's our budget for the community center as far as what anticipation expenses do we have exclusive of capital improvements. But what's the budget say we can spend, how are we going to manage the difference between what we can spend, what we want to give away, and then how are we going to apply it to the various entities. So I think $25 is a little light unless we have some threshold and we're going to break it at 50, 100. Something like that.

SOLDINGER: I think we could always look at going up a little bit on that, but I think we want to try and take care of our local nonprofits that are here in the town. The other ones, maybe it is going to be higher.

SNIPES: It is higher.

WATTS: Yeah. Yeah. I don't disagree with taking care of the nonprofits. I just want a definition as to what the nonprofits are. There are multiple definitions of 501(c) entities. Some, you're able to have compensation for the directors and the others you are not. When you have something that is purely a public nonprofit for the good of the public, it's all volunteers, then absolutely. I want to do everything we can do for it. But when somebody is getting compensation and some nonprofits get some significant compensation at the board level, I don't think they deserve anything, is what it amounts to.

SOLDINGER: And we have a list of our local nonprofits who have been using it, and we could absolutely look at that and see if that's an issue. What we've done in the past is had them bring in their 501 --

KALIVIANAKIS: Right.

FRIEDEL: Right.

SNIPES: -- criteria just to show us that they are. And that's the level that we've gone to so far.

WATTS: But again, when you look at the 501(c) and you say, oh, that's a 501(c), but what is it? Is it really a foundation? Is it an operating foundation? Is it nonoperating? What is it? Because some of them can actually make money.

KALIVIANAKIS: Well, personally, I think that's getting in the weeds a little bit beyond the staff. I think it's always been as long as I've known that their guidance is whether or not it's a 501(c)(3) or whatever, as recognized by the IRS. And that's what they produce to be a nonprofit whether that nonprofit -- I mean, yeah, some make money, some don't. But I would think the majority, if not all the ones, that we're looking at in town don't make money. I hope you know but -- and if they do, then they'll donate it or utilize it according to what they have to as a nonprofit. So I think what you guys are looking at is a guide. And just give us one thing to look at and we'll keep an eye on what the nonprofits are, and if there's a question then go from there.

SNIPES: Yeah. You know if we start judging who gets and who doesn't, that changes the staff load for sure to look at that. And then what criteria are we using for our lines to say this nonprofit gets it, this one doesn't. All of that would have to be figured out. And then, again, we're adding staff time into searching into that when it happens to figure out where we want to go.

WATTS: I don't want to debate the topic of nonprofits, but the reality is that a public charity that is 501(c)(3), nobody gets paid. Foundations have operating -- they operate as a nonprofit because they spend or allocate all of their money to board of directors and to expenses and so on. So somebody get -- when somebody gets compensation, to me, they're benefiting at our expense, and I'm concerned about that. You guys aren't going to have anything to do if we give you all of this. And so and if we do that, then getting into the weeds about each 501(c)(3) says what it is. And knowing that a public charity is in the category that we want to support, but some of the foundations may not necessarily be. So that's my only concern, is we don't have a clear definition.

SNIPES: Did you want -- question about the expenditures for the community center as well?

FRIEDEL: I think we're close. Paul and I talked a little bit before the meeting. And when I look at it, we've got a couple different buckets. Some is the Meals on Wheels thing that we're fundamentally supporting, and all of those are volunteers, although that is not included. The expense side of that isn't included. So that's one. And I think there was one -- other one that we don't, maybe senior services that we don't include the expense component. So we're already taking care of a large portion of the expenses that we incur by fundamentally supporting them and the volunteers. I don't want to minimize volunteers. They do a heck of a good job for us, and I think that's great. I just want those that should be charged get charged.

SOLDINGER: Yeah. So just to touch on your question, mayor, council member, let me think through your question. So basically, we had a thorough process to prepare this. We realized that council wanted to have further discussion. We met; we discussed with staff what is the most appropriate information to present to mayor and council in this conversation. So we really focused on the two major components, which is the community center main operations and the senior program, which is a revenue generator for the community center. With the membership, people coming in to play Bingo, spend time in the community center.

The other programs could be -- we could do it from town hall. We could do it from any -- it doesn't require the community center, the volunteer program. I mean, home delivered meals, that's a little bit subjective. We need a little bit of space to do that, make that happen. But really, we focus on the things that are directly related to the community center operations. And we need the community center to do those types of things. So that's why we stipulated in our analysis below, we didn't include some of these expenditures. Those aren't revenue generating as far as I'm aware. So it's not really applicable to the conversation, we're focusing on rental revenues and renting out the space at the community center.

So we took the most objective approach that we could. We didn't include capital costs, as you noted. That fluctuates year to year. Right now, we're paying a significant amount of money into the community center with -- was it like six, $700,000 over the last three years to improve it? I did provide some of that information to mayor and council, if you'd like to discuss. But this is the best information we felt like could support the conversation. And so to your last question about the budget -- so trying to keep it apples to apples, considering the senior services and the community center, as well as estimated utility costs, it's somewhere around $770,000 of budget for fiscal year '26. As you can see, in fiscal year '25, we spent about 714,000. And again, just like we talked about throughout each budget process, we don't spend the maximum amount of our budget. That's just the maximum amount that we can spend if absolutely necessary, to achieve our objectives. So yes, it's a higher budget amount, but we're not going to come close. So it's probably somewhere around this average that you're seeing on your screen.

FRIEDEL: Thanks, Paul.

SNIPES: All right. So now we're at the time when things get fun. So now, we're at the what happens next. So we can choose a free range. And within that, if we determine that we're going to make no change to the policy that was voted on earlier, then no additional action will be needed. We won't have to bring it back to a council meeting. The policy suspension ends, and the previous council action will kick in with the rates, and they will be resumed as directed for the FY '26. Any changes that we make? Will then have to go back to a council meeting to get voted on.

There's a minimum of 30 days for it to go into effect, but staff would recommend that we wait until January 1st so that we can send out updated information to each one of our groups that are looking to use the community center. Let them know what the numbers are going to be and give them time to prepare as well.

Another thing that is a possibility is we take a stair step approach to this. And so say we come up with a number that we're going to go to, and we could use a three-year platform of, we increase it 10 percent a year to get to whatever that final number is. So that again our nonprofits can plan accordingly and know that, you know, this year you're going to be at 10 or 15 percent more. In the following year, you're going to be at a certain percent more. And then the third year, you'll be at where we're going to stay at. And we can do that based off of any number that you guys come up with for the options that we have.

MCMAHON: Can I ask you, did we just -- we only suspend the nonprofit local. The rest of them, their increase went up July 1st. So we're just talking about local nonprofit.

KALIVIANAKIS: There was no other.

SNIPES: Yeah. That was the only increase that we had.

KALIVIANAKIS: That was the only increase. So there's not any --

MCMAHON: We didn't increase across the board. Oh, in July 1st, it was just nonprofit.

EARLE: Yep. So the only thing we did -- so to be fair, there was no change to residents and nonresidents. Those rates have been the same and have remained the same. Those were never really in conversation about changing. It's really only ever been about the nonprofits and the inconsistent policy that we have for all 60 some groups. So everything else has remained the same. We just moved in July 1; we implemented a flat rate for all local nonprofits.

FRIEDEL: We did change a couple of things --

EARLE: Okay.

FRIEDEL: -- if I remember right. We did our --

EARLE: Same membership fee.

FRIEDEL: -- membership and our Ramada rentals went up.

EARLE: But no other things at the community center in terms of rental rates?

FRIEDEL: Right.

EARLE: Okay.

FRIEDEL: As far as the community center itself is concerned.

KALIVIANAKIS: Yeah. But the new --

FRIEDEL: Some other fees did kick in.

KALIVIANAKIS: Okay.

FRIEDEL: Yes.

KALIVIANAKIS: It was a new requirement that minimal of two ballrooms that's new to -- but just a nonprofit then.

FRIEDEL: No, that's been --

KALIVIANAKIS: That's been in effect.

FRIEDEL: That's always been in effect.

KALIVIANAKIS: But you didn't enforce it, correct, with the nonprofit?

FRIEDEL: Correct.

EARLE: A lot of this is about that the policy's been in effect --

FRIEDEL: There were some that did, and some that didn't. That's always been our -- that's where I say. That's why it's a problem.

KALIVIANAKIS: Okay.

WATTS: So is it reasonable to say if we're $800,000, what percentage of that do we want to recover? And if we said, we want to recover 30 percent, which right now, we're at 23.8. So if we wanted to run that up to 30 percent total, we'd have 10 percent for the next three years to get the 30 percent of the $800,000 as a recoverable amount of the expenditures we've got. I'm trying to go to the goal, what do we want to recover. What do we want to support the community within the nonprofits? What do we want to recover? And if it's 30 percent of the overall expenses that we incur for the nonprofits, and it's not 800,000 because 800,000 is inclusive of nonresidents, residents and nonprofits. So break out the nonprofits and say, here's what we've got, here's what we want to recover, and we want to increase that up to 30 percent from wherever it is today. Is that what you're suggesting kind of what I hear, I think.

SOLDINGER: What we're suggesting is just making things consistent. Honestly, staff doesn't have a dog in the fight as far as how much we charge to the local nonprofits. That's something that is up to this body to make that decision of how much do you want to subsidize your local nonprofits. Staff is willing to do whatever. We were set up in place to do the FY '26 changes. We have been telling people that's what's going to happen. And then we -- they got frozen. And so staff stepped back and said, okay, we'll freeze it. What we'd like to do is have something that we stick with going forward so that when staff is telling people this is what's going to be, they know that this is what it's going to be. So we don't have a goal to hit 30 percent. If you want us to have a goal to hit 30 percent, then we can base those numbers off of that. That's fine.

FRIEDEL: That was hypothetical. I'm just saying because I ran the numbers from 100 percent down to 10 percent to see what the impact was on the expense side and how we -- what we would do approaching that all the expenses that we incur. So hypothetical, I'm not a fan of the $25. I think that's a little too low, particularly when we know some clubs, clubs that I participate, they have a hundred plus people show up and they all drink coffee. You're not buying coffee for $25, and you won't be able to recover that. So I think that's a little thin. But I do think that thinking about what we do want to recover, what we do want to subsidize basically, is what we're doing, right. And if we do that, if we want to subsidize the whole thing, then so be it. I'm in the same camp you are. I just want to get to a number that we can say, here's what it's going to be. Here's what your ancillary costs are going to be. Simplify it so we can go home early.

SOLDINGER: Yeah. And that's where we're at, and that's where these options come into play is if everything that's on here is going to increase that 26 percent up. And so anything that we choose on here, if everything -- if the rentals stay the same, we'll bring in more revenue. If whether that's 50 percent off the local nonprofit rate or 10 percent or the current nonprofit rate, all of those are going to increase revenue if our rentals stay the same. So we'll be moving off of that 26 and up. It just depends on where it's at and how that affects the local nonprofits. And if they choose to continue to go to the community center or not. If we go too high, they'll go away. And then doesn't mean that we won't find something else to fit in. We might and we know that things that aren't local bring in a lot more money. They just do. But that doesn't mean that we should also be pushing our nonprofits out. I don't think anybody here is trying to do that. It's finding that middle ground that makes it so, it's not 100 percent subsidy like you're saying. And but yet, there's some skin in the game for both sides.

FRIEDEL: I think what people need to realize in a nonprofit category is that even a 10 percent increase to the fees on top of what they're paying already only equates to about a 2 or 3 percent overall increase in their cost, particularly with the reduction, whatever we come up with on all the ancillary items. So it's fairly marginal. It isn't 10 percent in your face, 20 percent, 30 percent seems huge, but it's incremental to what is already being paid. It's not incremental to what's already being paid. It's 2 or 3 percent on top of what you're already doing to achieve that ultimate 20, 30 percent, whatever we come up with.

SNIPES: Right. Well, and the growing pain is going to be all of them have different numbers that they're that they're coming in at. And so for some of them it's a big jump. For some of them, it's a little bit lesser jump no matter what we choose.

FRIEDEL: Yeah. (Indiscernible) .

SNIPES: And that's where the heartburn comes in from the ones that have been --

FRIEDEL: Explaining is going to take more time than actually executing it, because people are going to hear that 10, 20, 30 percent and have a fit. But in reality, that is marginal on top of what they're already being charged for things. I think that's going to be important. The message is going to be real important here.

SNIPES: Absolutely.

FRIEDEL: Brenda.

KALIVIANAKIS: Thank you, Mr. Mayor. Thanks, Kevin, for your insightful presentation. Yeah. Just listening to the conversation and your presentation and having numerous talks with the town manager, it does seem the reason that we're here in this room today is to ensure uniformity and fairness. That's what has been the constant refrain. And so I'm not sure if today is about making money. It's about fairness. It's about taking all the old deals and all the old, we'll give you this, we'll discount that, you're free on Sunday. You know, we're just trying to make it easy on the staff.

And so I appreciate that. You know, canceling all the old special deals is good public policy and it's driving the staff crazy, and so that's what we're here for today.

As far we talked about that was the goal, the goal of today -- again, I don't think it should be about penny pinching. I think the goal of today is to put the rates for our local nonprofits at a very reasonable rate, keeping the fees down as much as we can. And my goal is the active use of that community center. So it's filled -- people are using it. People are actively knowing that they can go there for their events without having to pay a lot of money. These people -- they're not out doing fundraisers and collecting playbills and getting sponsors, assist our community residents who want to use the community center. And I look at that as why do we pay taxes? It's got to be for more than good roads. There's got to be services.

And so I would really recommend that we -- if we do want to charge for the ancillaries, I think $25 is more than we're getting. And we can look at it next year and see if that adjustment has to be made. I think that's fair. And I would like to discuss the options of the 10, 30 or 50 percent to reduce those fees further because I've heard from a number of people that they still think the fees are excessively high and they're being discouraged from using the community center. And that's the worst thing that when I hear that, you know, we're going to look for other venues or churches. It's like, no, it's your community center. You should be able to use it for a reasonable fee. So during this conversation, I would like to discuss the three options that you presented for us as well. Thanks, Kevin.

MCMAHON: I'm also wondering if we cannot require the four-hour minimum, could we do a three-hour minimum? And how would that affect the staff?

SNIPES: That's one of the things that I think is very important in this and that we discussed earlier, is when you start shrinking down that time window, then that effectively makes it so that there's a bigger time window that it can't be used. Because if you have a group in there and they're using a ballroom, now, we have to also do tear down time, set up time for the next group to come in.

And so if they're able to reserve a small window of time, then that makes it very difficult to get a different group or a larger group to use the rest of the day. It's very common for ballrooms to have four-hour minimum is not an odd number to use; half day rental, full day rental, a lot of places do. And those are your only two options. So that's something that I would recommend we stick with is the four-hour minimum. Because if people are in there, as soon as somebody rents one of the ballrooms, it effectively means that we can't go with a big group coming in around them. And so there's a -- that's the give-and-take to move up to that size from a classroom size. You know, if you're a little bit smaller group, then you can fit into a classroom and you can get different rates for that as well.

MCMAHON: Was that a current requirement four-hour minimum?

WATTS: I believe so. Yeah.

MCMAHON: Is that new?

KALIVIANAKIS: But it provides consistency.

SNIPES: Yeah. That's all, consistency.

MCMAHON: And with all the other reasons you stated and it's across the board, and no entity or renter is treated any differently as far as --

SNIPES: That's all --

MCMAHON: -- the minimum room usage.

SNIPES: Whether it's a resident, nonprofit --

MCMAHON: Right.

SNIPES: -- or whatever those minimums hour usage has been a best practice across the state. It's very common. When we did our research and looking into it several years ago, that was the most common way to do it.

SOLDINGER: I want to make two points. One, we don't have a tax in our town, so people don't pay a tax other than when they shop. But secondly, I think it's important that we consider, as a council, that the not local folks support the local, with their fees being higher than our local, our nonprofit and our local residents. So I'm all for that. And I'd also like to see us discuss the option two, with 50 percent off for our local nonprofits and the $25 flat fee. I kind of agree with Rick that it's pretty low. And you get a whole smorgasbord for that $25. So maybe we make it $30, Rick, and see if that -- how that sets with people. But I'd be all for getting our local nonprofits a 50 percent discount and then make it uniform, so everybody knows what they're paying. And we're giving back then and again, I want the weight of this to be on the people that are from out of our town, so I think that's fair, in my mind, anyway.

WATTS: What would you think about option two, the 30 percent staged over three years. Now, 10 percent each year, instead of just doing the 50 percent right off the bat? The three percent -- the 10 percent over three years is going to be closer to a 40 some percent when you annualize it. And that kind of temper, the pain of having to move forward. I mean, I'd go along with the $30. I think that's -- I'd prefer $50, but I think that some of the smaller organizations, it wouldn't work. They'd be harmed by it as opposed to supported by it. So starting at 30, analyzing the cost next year, saying, what do we do? But starting to implement the increase in rates by 10 percent a year for three years to achieve the 30 percent is kind of a middle ground for option two.

FRIEDEL: Kevin, what's the percentage of nonresident users for groups versus our local nonprofits? Do you have any -- I know, I thought I saw that somewhere. I thought I saw that somewhere. I just don't remember what that number was.

SNIPES: Where is that? There it is. For our ballroom reservations, it was 435. Where total reservations and our local nonprofits were only 106.

FRIEDEL: So Rick, I still think that that 50 percent for our local people is going to be more than made up by the other 330 groups that are not local. So I think we'll still close that gap that we're looking to get up to that 30 percent, I think. We can always take another look at it, but.

KALIVIANAKIS: Mayor, may I ask Rick to explain?

FRIEDEL: Sure.

KALIVIANAKIS: You're saying you're only going to discount it 10 percent per year for three years, and then what happens after three years? Did I understand you right?

WATTS: I'm going to take the original base rates --

KALIVIANAKIS: At 75?

WATTS: -- add 10 percent to it for the first year, and another 10 percent the second year, add another 10 percent for the third year to get an aggregate of 30 percent that is talked about in option three. Now, option three, I think really says it's a reduction on the base rate, isn't it?

KALIVIANAKIS: That was reduction.

SNIPES: Yeah. It's dropping.

WATTS: Yeah. It says off the base rate, but I'm taking the inverse of that.

SNIPES: The other way around. Yep.

FRIEDEL: Right. So take the original rates that people were okay with and take each one of them up 10 percent a year for three years to get to effectively a 30 percent bump.

KALIVIANAKIS: Well, they didn't have original rates. They were all different, right?

EARLE: There were so many different base rates.

WATTS: Well, what -- the way that I would do this is -- so it's 30 percent off the above rates, so we would drop that down to 10 percent the first year, 20 percent, 30 percent to the other way around.

MCMAHON: Would you give me a number, so I understand what he is saying.

FRIEDEL: Bad part is I think I understand what he's saying.

EARLE: Well, I do too, but I think what it's going to end up being to the point -- I think I understand. I'm not going to pretend -- I'm going to let you continue to explain it to everybody else. But if I'm understanding you right, we're going to say this is what you should have been paying. We're going to increase it by 10 percent each year to get a 30 percent. But if they weren't paying anything, it's still going to come back as to --

SNIPES: Because we don't have a base rate.

EARLE: -- because we don't have them at a base rate.

FRIEDEL: Well, that makes sense because I thought we were going to -- I thought we had -- we could establish a base rate. We took 30 percent off of it and then add 10 percent back on to it every year to come up with --

WATTS: Basically, it would mean that we would do 60 percent off the current resident, nonresident this year.

FRIEDEL: Okay.

WATTS: And then next year, it would be 50 and then the following year would be 40, and then we would get to the 30.

FRIEDEL: Now, you've thrown in the resident, nonresident, and I thought --

WATTS: That would be our base rate. And so that would that would make --

FRIEDEL: Okay. I see what -- okay. Now, I see what you're saying there.

SNIPES: Yeah. Absolutely.

SOLDINGER: Not I mean to muddy the waters at all, which I tend to do. I do want to make it -- make something kind of clear about the discounts. It's challenging from a finance perspective, right? We think black and white a lot. When we worked on this data, it comes from a different system and it's a little bit hard to accumulate. So I would say those numbers on your screen, the 58- and $57,000 of discounts the past two years, those are very likely understated because what we found is there are some times where local nonprofits, they don't show up in the data because they've received a full discount like Kevin has talked about. All these different nonprofits are getting different discounts, so we could probably calculate a more accurate discount rate, but it would take lots of time and effort to go through that process. There's a lot of data to look at. So this was the best number we could come up for this discussion, but it's very likely understated and it's hard to predict even really what the full discount is and what the impact could be. Just going back to our conversation, councilmember. This is the most conservative number of discounts that were given out to these local nonprofits.

WATTS: So let me ask a little bit different. Let me say if we're collecting X amount of dollars, we've got a revenue stream. And we had so many activities for last year, wouldn't that tell you what the base rate should be across the board? It would discount the people that had zero, and it would discount the people that had an excessively high rate, take that as a starting point and then add your 10 percent to it for three years.

SOLDINGER: Councilmember, we could try to take that approach as far as looking at reservations, but again, it's because of the inconsistency with the application. I don't think it's anyone's fault. I will definitely say that. It's not a staff issue. It's just because all these different discounts have been provided. It's really even hard to tell you exactly what the data is. It would take a lot of time and effort.

WATTS: I understand, but that's why you would do an average or a mean that you would come up with and say, here's what it was, the mean that would be effectively the rate.

SOLDINGER: Sure.

WATTS: Some people would be unhappy because they got zero. And now, the rate is $25 as opposed to zero.

SOLDINGER: Well, what I'm trying to say is the data is not even capturing all that activity because the way it shows up in the system and because it's in separate system outside of our financial system, it's just hard to say. I can't definitively tell you. Yes, that approach would work in this respect. We'd have to think about it and look at the data.

FRIEDEL: Perfect example of why I'm going to ask for APIs on all of the outside systems.

SOLDINGER: Okay. I'll look forward to it.

SNIPES: And maybe to make this simpler, we do -- we take the options -- let me try that again.

KALIVIANAKIS: Can Peggy and I ask some questions, maybe?

SNIPES: Certainly.

KALIVIANAKIS: Well, Peggy's been waiting, and I've been waiting.
So Peggy, do you want to go first?

WATTS: One of the things I was just going to -- let me just throw this in. So if we did this 50 percent off rate this year, and then we did 40 percent off and then did 30 percent off to get to your number, that would get us there. And the numbers are there in front of you, except for the one in between, if that helps with that.

MCMAHON: Thank you very much. Boy, oh, boy. I think I'm even more confused. Sorry. But the current rates are 25 classrooms, $50 per ballroom, right?

SNIPES: That is our --

MCMAHON: And I --

SNIPES: -- resident nonprofit rate.

MCMAHON: Okay. And I believe what started this or it was sister cities because I remember seeing an email saying they can't afford now to use the ballroom because of the rates.

WATTS: But I don't know what --

MCMAHON: Okay.

WATTS: There was different people had different complaints.

MCMAHON: Well, it looked to me like they had the biggest number that they couldn't afford. So the current rates are that and we want to give them a deal basically because they're local nonprofits to have 10 percent or 30 percent of above rates. I think, personally, that this is a hard call because you want to start out with -- have them have these rates and then say, okay, in the next year, you'll get this discount and this discount, but I think it's going to be really hard to keep track of that. And I don't know if it's going to achieve the objective we want that will enable our local nonprofits to use and have access to our community center. And I think consistency and looking as if we're -- and treating everybody across the board the same and fairly and easier for the staff, I think that we either go with option one or we lower the rate for local nonprofits.

SNIPES: Yeah. I think that's where kind of where we're at with the --

MCMAHON: Right.

SNIPES: -- option two option is in the numbers that I'm hearing are between 30 and 50 percent. And even if we're going to go with the 50 percent, we could still stair step to get to that. If we wanted to, we could start at 70 and then go to 60 and then go to 50, or if we're trying to get to 30, we could go with 50, 40, 30.

MCMAHON: And I'm not -- I think 50 percent is a lot. I really, really do. And to me, it almost why do it then. I mean, it's just --

SOLDINGER: Because it's for our local community.

MCMAHON: I understand that.

SOLDINGER: And we're being -- they'll be subsidized by the nonresident rates that are also going up.

MCMAHON: I think that's a lot.

SNIPES: And again, even that 50 percent off rate is more than what we're doing now.

KALIVIANAKIS: What I can say, there's one organization that I'm aware of that if we do the 50 percent off, it would be doubling their rate right now. So we would be increasing it, Peggy. I'm comfortable with this first year doing the 50 percent off. And if you want to do a flat rate of $30 for amenities, that's how --

MCMAHON: I think it would be $30 for a coffee, $30 for -- it's two things --

KALIVIANAKIS: Right.

MCMAHON: -- not just one.

KALIVIANAKIS: Just getting coffees, $30. And then if you get everything else --

MCMAHON: It would be --

KALIVIANAKIS: -- gets -- so the most would be $60 extra.

SNIPES: Yeah. Unless you got a stage or a dance floor for --

KALIVIANAKIS: Right. Stage or dance floor. Okay.

FRIEDEL: How would we treat a -- there is a nonprofit, but they're based out of Scottsdale, but they have a big presence in Fountain Hills like probably --

SNIPES: Be it the nonprofit rate that is at the top, they're at option one.

FRIEDEL: Okay.

KALIVIANAKIS: If we're consistent, I think it's only fair that we really do just local, because if we make an exception for Scottsdale, then someone else is going to come in, why you made an exception for them. That just might hurt the first time, but it just all around is probably more fair.

FRIEDEL: Yeah. I'm in agreement with you.

WATTS: Yep. I agree too.

FRIEDEL: I think that the 50 percent off then plus 10 plus 10 gets us to where we want to be. $30 works. I think we're going to be clear that the subsequent years after '26, going to have another 10 percent. Then '27, '28 are going to have 10 percent as well. So somebody can plan accordingly. And I think the $30 will just wait and see what the outcome is, what the revenue is. But you got to start somewhere.

WATTS: Right.

FRIEDEL: If we could get to an effective rate for nonprofit -- resident nonprofits, that we could add from, say, $25 plus 10 plus 10 plus 10, I'd prefer to go from a low number to begin with, add the number as opposed to this is a little bit -- I'll call it backwards, it seems like.

SNIPES: Well, it's because it's based all of the resident nonprofit rate, and so --

FRIEDEL: Right.

SNIPES: -- that's our base, which is the highest. And so then we're discounting down from that.

FRIEDEL: Yeah.

SNIPES: But I get it. We talked about it both ways and it's like it can be confusing either way you look at it, but.

WATTS: I think you got to start somewhere no matter where you start.

SNIPES: Yep.

FRIEDEL: And what way is easier for you guys to manage doing it this way, right?

SNIPES: Yes. Absolutely. I think doing 50 percent if we're going to start this year with the 50 percent off, which is what I'm hearing be the general consensus. And then next year, doing 40 and the following year, doing 30 percent off, we can do that really simple with our yearly contracts that we write up with our groups, and then do $30 for the coffee, $30 for audiovisual. That would make things night and day different for our community center staff, and I'm hoping Jen is smiling. Yes.

EARLE: So with that in mind, is that something you think we are going to implement as of January 1 as it was mentioned?

SNIPES: That's what I would recommend because then we'll have to bring this back to council, October 7th meeting, I believe, is the next time that we could get it back and then get it voted on. And then once that's voted on, we could start letting our groups know that that will take will kick in January 1st to give them time to prepare as well.

EARLE: Can I ask what is the flat hourly rate for resident? Well, residents is $75. Same as -- right?

SNIPES: Yes, for --

EARLE: And then nonresident is -- I think it's 150, is it? Okay. Okay. What I'm just saying -- so --

UNIDENTIFIED SPEAKER: For the weekend, 150?

EARLE: Per hour?

SNIPES: Yep.

EARLE: Okay. So is that something everybody wants to do, an increase or do we -- are we agreeing to do that every year or are we just agreeing to the 50 percent off for the nonprofit?

UNIDENTIFIED SPEAKER: I thought we were prohibited from speaking about resident, nonresident other than nonprofit.

EARLE: Well, I was just trying to get the base of what extra discount it is right now. I'm not speaking about them, just trying to get the numbers here, but do we have to commit to saying that we're going to increase it each year now, or are you thinking that's best practice, or can we just do the fifty percent and then discuss it?

SNIPES: It's entirely up to you how you want to do it. But being able to get that information out, if that's the plan, then I would like to give them as much notice as possible.

EARLE: Because if I -- okay.

SNIPES: We could bring it back in six months and have another discussion and go for a year from now we're going to do --

EARLE: So I'm thinking because annually. If I was to annually -- I have a pool service company in my service customers and I'm telling them, I'm going to raise your rates 10 percent every year. That's a big percentage every year. So that's what I'm wondering, thinking. If we're saying 50 percent off, we want to do that and committing to 10 percent next year increase and next year, that's kind of a big jump if this we're kind of balancing it out now. That's what I --

UNIDENTIFIED SPEAKER: I think most organizations that have long term planning are doing three-to-five-year planning, need to know what to anticipate so they can affect their membership as well.

EARLE: So then I'm thinking raising it 10 percent every year is -- or going back to reduce reducing the discount by 10 percent each year is a lot then. Sorry.

SNIPES: Do you want to leave the discount at 50 percent for the next three years?

EARLE: I'm okay with that.

FRIEDEL: I would be too. I want to be sure though, that I understand this. So this goes into effect in January between now and January. Rates are going to stay the same.

SOLDINGER: We'll keep doing the chaos that we're doing.

FRIEDEL: Okay. Okay. And I'd be okay leaving it at 50 percent the next three years. I think we owe that to our local nonprofits. I just think it'll be subsidized by the other people that really should be paying for it, because they're out of the area.

EARLE: Yeah. Just to go on the record, I concur with the mayor. That's Gayle. I just keep it at 50 percent.

UNIDENTIFIED SPEAKER: I can support 50 percent for the next three years based upon -- making sure that the next time we look at this, we can see what the numbers are, the baseline numbers to be able to make incremental increases and sticking with the $30 on the ancillary items as well.

SNIPES: Okay.

UNIDENTIFIED SPEAKER: But that way, it gives us -- right now, you're right.

SNIPES: I figured it out.

UNIDENTIFIED SPEAKER: It's very convoluted right now.

SNIPES: Absolutely.

UNIDENTIFIED SPEAKER: So it makes it really challenging. But yeah, we can move forward somewhere.

SNIPES: That would be great for staff.

UNIDENTIFIED SPEAKER: They're just still going to make some people mad because they got zero.

SNIPES: Still more. Yeah.

UNIDENTIFIED SPEAKER: And other people are going to be somewhat, oh, okay. Well good.

SNIPES: Right.

UNIDENTIFIED SPEAKER: So we'll see.

SNIPES: Okay. So we'll bring it back then with 50 percent off for three years and $30 for the extras added to not including the stage and the dance floor. And we'll vote on that in October, if that sounds good to everybody.

KALIVIANAKIS: What was the fee on the stage?

SNIPES: It's per piece.

KALIVIANAKIS: What page is that?

SNIPES: So the staging is $25 per piece.

KALIVIANAKIS: Oh, that's reasonable. Okay. Yeah.

SNIPES: We still try and be reasonable.

GOODWIN: Mayor, we do have one councilmember on the line. I don't know if you want to check in.

FRIEDEL: Councilwoman Larrabee. Do you have any questions?

LARRABEE: Hi. Yeah. I didn't want to interrupt the conversation, but I am good with option two. I'm good with what the council majority has settled on. I do want to add that obviously, the reason that we're having this work session and having this conversation is from feedback from our nonprofits. So I would like to encourage both the council and the staff to -- once we've come to this conclusion and we're deciding to set the price at a certain point, that we're all consistent in our messaging to the community, because it is going to be an adjustment to them. And to be entirely fair, if you're not used to paying for something and now you have to, it can be a difficult time.

So I just want to make sure that all of us are very consistent in our messaging when we talk about this as well.

FRIEDEL: As long as Kevin writes the script.

LARRABEE: Right. Sorry to give you more work, Kevin, but we'd appreciate it.

FRIEDEL: No problem. We can do that.

SNIPES: Thank you.

FRIEDEL: Thank you.

GOODWIN: All right. You guys are right on time. It is 2 o'clock on the nose. Our second agenda item today is in regard to our annual salary adjustment policy. We're kind of taking this in two parts. One is the discussion of the cost-of-living policy for the staff budget process. I know every year; we sort of talk about what that's going to be. I think we'd like to talk about standardizing that and using a standard metric to apply so that it can -- is less of a conversation and it's just part of an ongoing budget policy. And then the second portion is to talk about the elected stipend and any changes in increase we may want to make with that, and then how to move forward with that process.

With that, I'll turn it over to Paul.

SOLDINGER: Thanks, Rachael.

All right. Mayor and council, at the June 17th meeting, we had a conversation about this. And you asked staff to come back with a systematic proposed approach. So that's what we're here today with. We looked at the data and we're proposing a blended approach for annual salary adjustments. So the goal here for us is simple; create a more transparent, objective approach based on widely used metrics that considers local market realities, the Fountain Hills and the local surrounding area, as well as national realities.

So what we are proposing is a little bit different than what we previously discussed. We want to focus more on the employee retention aspect and focusing on widely used metrics used nationwide. So what's our problem? We kind of know what the problem is. We've talked about it. Currently, our salary adjustments have been determined year to year. It's more of an ad hoc process. We put together data. We say, hey mayor and council, here's the data. What would you like to do? So there have been some challenges with that as we all know. So here, we'd like to focus on proposing a formula driven annual general adjustment or what we like to call AGA. It uses two reliable data points, which we'll get into. One's national and one's local. To arrive at an annual adjustment percentage, that would be included in the budget process for further discussion. And of course, council retains the ultimate decision making on that. So it's on your screen. The two factors that we're focused on is the employment cost index. That's a BLS matrix. It's a nationwide employment and wage metric used nationally. And the other one is a pure market index, which is basically -- we've kind of talked about this a little bit, where we use the local League of Arizona Cities and Towns annual survey to consider that as one of the nine data points that we discussed in the past. Well, we'd like to focus on that as our second metric. That focuses on the local area. And so it's not all municipalities in the State of Arizona. It's only -- basically, any municipality within the valley area or close by. So about 65 mile radius from us including places like City of Maricopa, Wickenburg, as well as some of the other municipalities nearby.

And just a point on that. The local market that I'm talking about with the pure market index is just the 28 closest comprehensive markets that we're focused on. So we wanted to test this proposed approach and kind of look at it. And we looked at the last four years. So as you can see in fiscal year '23 and '24, the formula would have proposed an amount lower than staff actually got. We got 3.8 and 5 percent. Well, the proposed approach would have given staff 3.8 and 5 percent. But what we actually got was 4 percent and 7 percent. So above what the proposal would have provided staff. And the last two years, the proposed AGA would have provided a slightly higher amount than what was actually approved.

So this is a good illustration. Really what we're trying to do is standardize it and have it not fluctuate so much and not make it so subjective. It's just based on data that we can have as a starting point and make it an easier process. And the formula is very simple as you see at the bottom. It's a simple and transparent calculation. It's just 50 percent of each of the metrics added together to create that AGA.

So we wanted to show this slide just because a lot of the conversations surrounding CPI and with good intention and understanding of the data, CPI has been a big measure recently, especially after the pandemic. Coming out of that, we saw a lot of inflation. And so, of course, you had high inflation rates at the time. Now, inflation has really leveled out at a lower level. So that's kind of the evidence of the ups and downs of that type of measure when including it in this type of factor. Whereas the ECI, on the right, it measures employer labor costs specifically, and it focuses on wages and salaries for the same jobs.

It's also used by the Federal Reserve for wage policy decisions by the federal government. So again, the key point here is we believe CPI is volatile and fluctuates. It makes it hard even from a staff standpoint, from a budgetary perspective. And so what we're proposing is more stabilized and standard and objective. This is just touching on some of the key points. Twenty-eight peer cities that we include in our peer market index. It's a 50-50 split between the two measures of what we're proposing. It's a year-to-year evaluation and just some basic facts. We usually get this information by around January of each year for the previous year. And that's good timing for us in our budget process, because we begin that -- we begin the process in early November, but starting to talk about supplements and salary adjustments and things like that. That conversation starts in January or February, going into our discussions with council starting in March through June to adopt the budget.

So really, that's what we've prepared for staff pay, and I'd be happy to answer any questions. But real quick, just getting into town counsel pay adjustments. Really council retains the full authority over that decision making for council pay. What we are recommending is a process framework where council considers adjustments every two years, aligned with council mayoral election cycles, and it would be effective January following the election cycle. It would be easier for us to integrate into the budget at that time. And again, council has the discretion to make those decisions.

So with that, I'd be happy to discuss.

KALIVIANAKIS: Mayor, may I? Yeah. So on the -- bringing it back a couple pages where you were showing the percentage of what we actually -- well, the council gave the staff and not -- it works out that you all say you were shorted about a half percent. So it kind of worked out that way. So I think consistency of following the way you present to us would be good. Then you can also know more what to expect, plan ahead, and it wouldn't be this up and down so much so.

SOLDINGER: Exactly.

KALIVIANAKIS: It kind of came out. The one year they got a lot and then they didn't, but it would be nice to be more consistent. So I appreciate that part.

UNIDENTIFIED SPEAKER: Thank you, Mr. Mayor. Yeah. Thanks for your presentation. It was excellent, as always. When I saw this on the -- when I read the staff report and saw this was on our work session today, one word came to mind. Hallelujah. So I'm -- rigorously for this to give us that kind of guidance basing our decision on what you call it ad hoc. Yeah. I would say that ad hoc wasn't working very good. I think this is a perfect formula. It gives us good guidance. It's going to be well thought out. And again, we're not going to be bound to it, but it's going to give us some guidance on where the rest of the country and the rest of the local governments are in line with this type of proposed increases, and so, I'm all for it. It's a great idea. Thank you.

FRIEDEL: Councilman Watts.

WATTS: I think establishing a consistent format is a good thing. But I think much like the consumer price index or the producer price index, there's a hundred different qualifiers when people look at the inflationary effects and what things have to go up. So PPI versus CPI, PMI and ECI, I assume are kind of the industry standards from your perspective anyway, so I'm fine with that. The component that bothers me a little bit is this suggests that it is somewhat automatic. You're going to make a recommendation, but there's no factor in here for merit. And the merit component says --

FRIEDEL: We don't have a merit.

WATTS: I know we don't have a merit. We don't have a merit component. But how do we adjust for overperformers and underperformers? How do we -- do we just --

KALIVIANAKIS: That's a separate conversation. Yeah. I say, arguably, this is about standardizing the cost-of-living adjustment. The idea of the merit conversation is much, much deeper than this. And because we don't have those mechanisms built in, would take a monumental effort at a probably 18 months to 2 years to implement. We've talked about some ideas and ways to do that. If that's something we want to talk about at the budget retreat and introducing that, we can do that. The budget implications are far greater than this, that I think we have to have some serious conversation about. But for today's conversation, we haven't built any of that into this.

UNIDENTIFIED SPEAKER: It seems easy to me to put a factor on the end that's a multiplier of whatever, like a 0.9 or 1.1.

KALIVIANAKIS: If that's what you guys would like to do --

WATTS: The simplicity of it.

KALIVIANAKIS: Right.

WATTS: But then there is a degree of subjectivity because you don't have that objectivity that a manager needs to rate people. That's just my comment, and I think it's one of the things that in the future we should look at doing, how do we manage the over and under performers.

MCMAHON: We're not talking about that today.

WATTS: I understand that we're not talking about it. I just got admonished once. I don't need it twice.

KALIVIANAKIS: I did want to add two things. And Rick, you brought it up and I wanted to kind of comment because you mentioned that it was -- this felt like this was sort of automatic. And I think what I wanted to caveat some of this with is that while we do have this formula proposed, and this is -- it helps make this easier and predictable and less of a chaotic conversation year to year. It is predicated on the fact on us having the right balance in our budget to make sure that this fits, that if for some reason we are in dire straits or we are having budgetary concerns, we would come back to discuss alternatives to this. So while this is a guideline, it is certainly not an automatic year over year. It's certainly still open to some discussion if necessary.

WATTS: That was my assumption. I didn't --

KALIVIANAKIS: Okay. I (indiscernible).

WATTS: I'd like you to phrased it better to say that I didn't want it to be automatic.

KALIVIANAKIS: Right.

WATTS: The council still has the ability to adjust up or down.

KALIVIANAKIS: Absolutely.

WATTS: But just becoming an automatic process, this gives us a budgetary perspective as to how to put a number in based upon previously known foundations, really.

KALIVIANAKIS: Absolutely.

FRIEDEL: So I will say that it does add an air of consistency, and I like that. Also, maybe there's wordage -- verbiage in there already about if the town is in a deficit, that this is like off the books type of a thing. And that would be for the council increase too. Are we looking at doing this for the council as well, the same format?

WRIGHT: So moving on to the council side of this. There was a discussion, at one point, about making I'm going to call it a bulk adjustment, because there hasn't been an adjustment to the council stipends in 26 years. So there, the discussion had been make a big adjustment, make that bulk adjustment applicable after the next election and then standardize that with either the same formula or with a similar type formula, so that it becomes a consistent measure to keep pace.

FRIEDEL: Yeah. So it's kind of like on semi autopilot. It's not necessarily autopilot, but.

SOLDINGER: Yeah. Mayor, to your point, I think Rachael, David Trimble, our Deputy Town Manager and myself, we wouldn't be doing our job if we just relied on the measure and brought it to you. If we were approaching a deficit or an unstable financial situation, that's really our job to manage that process and bring forth what we believe what we can do and fit. So we held a lot of conversations at the mayor, council, don't see and it's also part of our policies, our financial policies, our budget policy requires us to take extraordinary measures when we start facing deficits. So we have a good framework in place. I just want to make that clear. We have a good framework in place. And as you know, our revenues are choppy right now. So it is something I look at almost every day. So I just want to make that clear to your point. This isn't something we're just going to put in the budget and say, hey, we don't have any room for anything else this year. The staff pay has taken up the whole entire budget increase for the year. So we'll be mindful of that and conservative in that approach.

FRIEDEL: I never questioned that. I trust your ability.

WRIGHT: Mayor, so regarding the council stipend conversation, I'd like to get a sense of what -- how much we'd like to make that adjustment for, for the next body, for the next elected body. If it's a $200, $300, are we going to -- a percentage. What adjustment would you like to see and then what formula would you like to use moving forward? I say that because this formula is based on league data. And again, where this -- your stipend is not necessarily based on the salary and on those types of things. So if you want to just build in a flat 5 percent or if there's a number or -- what way would you like to approach that?

FRIEDEL: For me, I think we follow whatever is done for the town employees. I think that's reasonable. As far as the amount, I'm open for suggestions for any of the council members.

MCMAHON: I can just say it was what we talked about before, but if you go and look at what $400 was in 2000 and what it's projected to be in 2026, it is, they say, it will be like 2.4 percent projected inflation. That would be 7.69, $600 in 2000, would be 11.53 in 2026.

KALIVIANAKIS: I think that we need to probably ask the town attorney a question here, because I know -- she's saying it. Anyway, we may or may not be able to do this, and I don't know that it can happen every year because of the legal requirement of it being attached to election terms. So I think that that's something we may have to wait and talk about this in each session.

UNIDENTIFIED SPEAKER: So I think I agree we ought to normalize it. We ought to normalize it to -- and I think, originally, we said 750 and 1100. And I think it ought to go into effect the January after the next election, which would be January of '27, so that we don't have that problem. And then going forward, if we have to do it every two years, I'm still fine with that. Following the guidelines that we're going to establish for staff as well. So now you've standardized everything, you've got a basis for it, and everything is effectively caught brought current.

MCMAHON: I agree.

KALIVIANAKIS: I would like to get that clarified by Jen. So we can do that a little bit today. Okay.

MCMAHON: But I would also I mean, I don't mind that, but I want some clear legal input on it and how that can be applied. So we don't violate any of the, the statutes. Okay. Thank you.

WRIGHT: Regarding next steps for this, once we get that legal guidance, we'll bring forward an item at a future council to sort of adopt this and make this resolution so that it's ahead of the election season. It's adopted and ratified before the next council is seated. So we'll make sure that that happens before that time.

UNIDENTIFIED SPEAKER: And I believe she's already given direction. She sent an email out that said we can't do it.

GOODWIN: She did give some direction. You're right. And I think that there -- it sounds like there may be some questions or some follow up that you'd like to have.

UNIDENTIFIED SPEAKER: Now, there is.

FRIEDEL: Any other questions?

Thank you, Paul. Oh, Hannah. I'm sorry, Councilwoman Larrabee, do you have any questions or comments?

LARRABEE: I've got nothing. Mayor, you pretty much echoed what I thought as well. We want to reward the staff. We want to make it as standard. And I agree with tying it to counsel if we can, but I presume that would need to be January 2027. So that's all I got.

FRIEDEL: Thank you.

GOODWIN: Just for some housekeeping as we come to a close here, I believe the way we have everything agendized. Bev, let me know if I'm wrong is that we will move to adjourn this meeting, and we will relocate and call back to order in our e-session in the next couple of minutes.

UNIDENTIFIED SPEAKER: Am I invited after opening my mouth?

GOODWIN: Of course.

UNIDENTIFIED SPEAKER: Just checking.

FRIEDEL: I would concur with that. Do we have a motion to adjourn this meeting?

UNIDENTIFIED SPEAKER: Motion to adjourn.

KALIVIANAKIS: I'll second that.

FRIEDEL: Second.

All in favor? Aye.

ALL: Aye.

FRIEDEL: Thank you.

Thank you, Paul.

SOLDINGER: Thank you.

HAVING NO FURTHER BUSINESS, MAYOR GERRY M. FRIEDEL ADJOURNED THE WORK SESSION OF THE FOUNTAIN HILLS TOWN COUNCIL HELD ON SEPTEMBER 9, 2025, AT 2:18 P.M

APPROVED:

Gerry Friedel

GERRY FRIEDEL, MAYOR

ATTEST:

Bevelyn J. Bender

BEVELYN BENDER, ~~CITY~~ Town CLERK

CERTIFICATION

I HEREBY CERTIFY THAT THE FOREGOING MINUTES ARE A TRUE AND CORRECT COPY OF THE MINUTES OF THE WORK SESSION OF THE COUNCIL OF THE TOWN OF FOUNTAIN HILLS, ARIZONA HELD ON SEPTEMBER 9, 2025. I FURTHER CERTIFY THAT THE MEETING WAS DULY CALLED AND HELD AND THAT A QUORUM WAS PRESENT.

Bevelyn J. Bender

BEVELYN BENDER, ~~CITY~~ Town CLERK