

TOWN OF FOUNTAIN HILLS CITIZEN-DRIVEN STRATEGIC PLANNING PROCESS

Our Town. Our Choices. A Road Map to the Future

Strategic Choices Summary Worksheet

Initiative		Start-Up or 1-Time Cost	Recurring Annual Cost	Cost per Household per Year	Notes
2.	Commercial Vitality and Business Development				
2.A.	Attract businesses to meet local residents' needs	873,000	240,000	35	
2.B.	Establish a vacation and downtown shopping destination center (ALTERNATIVE)	5,050,000	553,000	99	
3.	Arts and Culture				
3.A.	Make Fountain Hills a cultural center for the arts	5,313,000	475,000	84	
3.B.	Make Fountain Hills a destination center for arts and cultural activities (ALTERNATIVE)	10,600,000	1,275,000	189	
4.	Small-Town Atmosphere and Town Identity				
4.A.	Strengthen the community's small-town identity	10,000	311,500	32	
4.B.	Develop an inclusive neighborhood and community focus	0	1,500	0	
4.C.	Extend the community's strong volunteer focus	100,000	20,000	12	
5.	Housing: Quality and Cost				
5.A.	Increase enforcement of housing quality codes	0	300,000	30	
5.B.	Support workforce housing alternatives				
	5.B.1. Identify areas appropriate for higher density	50,000		5	
	5.B.2. Negotiate higher densities for workforce housing			0	
	5.B.3. Public information about lower-cost housing help		20,000	2	
5.C.	Take an active role in ensuring workforce housing				
	5.C.1. Financial incentives to Town employees		120,000	12	
	5.C.2. Down payment or interest rate reduction program	4,500,000		26	
	5.C.3. Amend Zoning Ordinance to allow accessory dwellings			0	
	5.C.4. Purchase land for low-cost housing	15,000,000		86	
	5.C.5. Support extending road to east Mesa			0	
6.	Preservation of the Environment				
6.A.	Enhance dedication to stewardship of the natural environment	100,000	580,000	68	
6.B.	Implement new environmental quality initiatives	200,000	20,000	22	
7.	Parks and Recreation				
7.A.	Provide recreational facilities for multi-generational activities				
	7.A.1. Build larger stand-alone senior center	2,900,000	250,000	42	
	7.A.2. Build teen activity center	2,800,000	250,000	41	
	7.A.3. Build multi-generational aquatic center	5,800,000	500,000	84	
7.B.	Expand parks system to meet needs of growing population				
	7.B.1. Acquire, develop, operate & maintain 15 acres of new community park	9,000,000	160,000	228	
	7.B.2. Acquire, develop, operate & maintain 46 acres of new neighborhood parks	27,600,000	510,000	210	
7.C.	Add new amenities to the parks & recreation system	1,045,000	65,000	17	

Initiative		Start-Up or 1-Time Cost	Recurring Annual Cost	Cost per Household per Year	Notes
8. Municipal Government Services					
8.A.	Town provide new household services: Garbage collection, recycling, water and wastewater				
	8.A.1. Collaborate for economies of scale, road connections			0	
	8.A.2. Centralize single garbage collection program	250,000	2,500,000	276	
	8.A.3. Create curbside recycling pickup program	250,000	800,000	105	
	8.A.4. Purchase water system from Chaparral City	50,000,000		288	
8.B.	Change how vital services are currently provided				
	8.B.1. Create new police force under Town	5,600,000	800,000	113	
	8.B.2. Create new fire & emergency dept. under Town	500,000	1,000,000	103	
8.C.	Establish public transportation systems		400,000	40	
8.D.	Improve streets and traffic controls				
	8.D.1. Resurface streets more often		1,200,000	120	
	8.D.2. Widen Fountain Hills Blvd., Shea to El Laqo	4,400,000		442	
	8.D.3. Add traffic signals at key intersections (each)	200,000		20	
	8.D.4. Construct Streets Maintenance Building	900,000		90	
8.E.	Increase pedestrian safety				
	8.E.1. "Striped" crosswalks, with pedestrian controls over traffic lights (ea.)	100,000		10	
	8.E.2. Build more sidewalks throughout Town each year		66,000	7	
8.F.	Improve communications services and amenities		250,000	25	
8.G.	Study how to increase access to quality health care	150,000		15	
9. Education: Higher and Continuing Education and Support of Educational Excellence					
9.A.	Create lifelong learning opportunities for residents of all ages		100,000	10	
9.B.	Integrate the Town and the schools more closely			0	
10. Physical Planning: Zoning and Architecture					
10.A.	Enforce the current General Plan and zoning ordinance	75,000	0	8	
10.B.	Halt creation of new gated communities	0	0	0	
10.C.	Establish controls over commercial architectural compatibility	0	180,000	18	
10.D.	Require use of natural landscaping	100,000	0	10	
10.F.	Annex the State Trust Lands	0	0	0	
GRAND TOTAL, Focus Areas 2 thru 10		153,466,000	12,947,000	2,866	

FOUNTAIN HILLS STRATEGIC PLAN



Our Town. Our Choices. A Road Map to the Future

Strategic Choices

Strategic Framework Report

August 8, 2005

Ver. 4.0. This report was compiled and prepared by:



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A Road Map to the Future

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Background: The Citizen-Driven Strategic Planning Process

The Town of Fountain Hills citizen-driven strategic planning process is a year-long effort to listen to the Town's citizens, and to develop a strategic plan based on a widespread consensus of all the Town's citizens. This effort is led by a Technical Advisory Committee, made up of resident volunteers who have expertise in strategic planning or community affairs.¹ A professional strategic planning consulting team² was hired to manage the process, and a communications company³ was hired to help develop citizen participation.

The Technical Advisory Committee developed the citizen-driven strategic planning process, which the Town Council adopted December 16, 2004. Key elements of the process include:

- A SWOT⁴ analysis started by the Town's citizens in the Fall of 2004.
- 15th Anniversary Celebration and Strategic Plan Kickoff event January 29, 2005.
- A series of Speakers Bureau presentations to clubs and organizations about the citizen-driven strategic planning process.
- A series of approximately 35 key informant interviews with elected officials and other community leaders.
- Youth Visioning Institute (March 16), provided high school students an opportunity to envision the Town they will inherit, express their vision and be a part of the citizen-driven strategic planning process.
- A report, entitled *Where We Are Now; Strategic Position Report*, described the Town and the key issues it faces in factual terms (available at www.fh.az.gov/ourtownourchoices/).
- The first Town Hall meeting (April 15-16) brought together over 270 people to focus on core values and a vision for the Town's future.

After the Town Hall 1 meeting, members of the Technical Advisory Committee went through a structured process to integrate information from several sources, including: the key informant

¹ Janice Abramson, Curt Dunham, Peggy Fiandaca, Jim Hamblin, Henry Leger, and Mike Tyler are principal citizen volunteers; Roger Riggert represents the Civic Association. Town Councilmember Ed Kehe represents the Town Council. Tim Pickering is a member as Town Manager, and Shaunna Williams of the Town staff provides administrative services.

² Blackerby Associates, Inc.: Phillip Blackerby, Project Manager, and Lynne Brown, Facilitator.

³ Image Weavers: Francesca Carozza, Project Manager, and Charlotte McCluskey.

⁴ Strengths, Weaknesses, Opportunities and Threats.

interviews, the Youth Visioning Institute, the core values developed at the Town Hall 1 meeting, and the vision components that also developed at the Town Hall 1 meeting. Altogether, the Committee members considered 75 items. Working in two small groups, they clustered the items in to 10 or 12 groupings, and labeled each grouping. In facilitated discussions they then consolidated their two sets of groupings into one set of 10 strategic focus areas. They are:

Strategic Focus Area	Lead Responsibility
1. Government financial stability	Finance
2. Commercial vitality and business development	Planning & Zoning
3. Arts and culture	Parks & Recreation
4. Small-town atmosphere and Town identity	Community Center
5. Housing: quality and cost	Building Safety
6. Preservation of the environment	Parks & Recreation
7. Parks and recreation	Parks & Recreation
8. Municipal government services	Town Manager
9. Education: higher and continuing education and support of educational excellence	Recreation
10. Physical planning: zoning and architecture	Planning & Zoning

For each of these strategic focus areas, the Technical Advisory Committee has developed a series of alternative scenarios, which are intended to represent the strategic choices facing the Town's citizens. These strategic choices will be the primary subject of the discussions at the Town Hall 2 meeting on Saturday, August 13, 2005, from 8:00 a.m. to 4:00 p.m. The following sections outline those scenarios; they are intended to stimulate discussion among the Town's citizens prior to the Town Hall 2 meeting.

How to Use this *Strategic Choices Report*

A separate document attached to the front of this report contains a companion *Summary Worksheet* showing the costs of each focus area and each scenario. In some cases, the scenarios are further broken down into more discrete decision points. The columns to the right show:

- **Start-up or 1-Time Cost.** These costs are non-recurring. They may be start-up costs, such as for purchasing equipment to begin a new program; or they may be capital costs, such as to build a new Town facility or to buy land for a new park or building; or they may be one-time costs for a consulting study to support a policy action.
- **Recurring Annual Cost.** These costs recur every year. They may include personnel costs, employee benefits, operating expenses and support services for a program that requires Town employees to operate it, or expenditures to maintain streets or equipment, or a long-term construction program where a little is built each year, such as sidewalks.
- **Cost per Household per Year.** The cost per household is the result of a calculation that takes into consideration long-term financing for start-up or one-time costs for new programs, capital projects or land acquisition, plus recurring annual costs for operating programs, maintenance or long-term construction programs. These costs are then divided by the estimated number of households, 9,961 in 2004.
- **Notes.** The last column is for readers to make notes about the scenarios.

The *Summary Worksheet* lists items in the same order as they appear in the main *Strategic Choices* report. The focus areas, in large print, are numbered 1 through 10, which correspond to the numbers in this report. The scenarios under each focus area are labeled 1.A, 1.B, 1.C..., 2.A, 2.B, 2.C..., where the first digit is the number of the focus area, and the second digit identifies the scenario. In some cases, the scenarios are further broken down into more detailed decision points, and they may be labeled 1.A.1, 1.A.2, 1.A.3,...1.B.1, 1.B.2, 1.B.3,..., where the third digit refers to a corresponding row in the table that accompanies each scenario.

Readers attending the August 13, 2004 Town Hall 2 meeting will want to become very familiar with the *Summary Worksheet*, as it will be the basis for most of the work in small groups. Whenever a reader wants to know more about an issue, details are provided in the *Strategic Choices* report that follows. Readers are strongly encouraged to read the entire *Strategic Choices* report as well, to learn details about all the strategic decisions that citizens will address at the Town Hall meeting.

In the main part of this *Strategic Choices* report, the individual activities under each scenario are grouped into three types:

- **Policies** are optional decisions that must typically be made either by the Town Council, or in some cases, by voters. Policy decisions may incur some costs, such as for a consultant study to back up the decision, or the cost of an election.
- **Programs** are governmental activities that would continue every year. Typically, programs incur costs of personnel to operate them, with salary, benefits, equipment, operating expenses and support services. Some programs may involve grants. Programs may also have start-up or one-time expenses in addition to recurring annual costs.
- **Projects** are typically one-time expenses to acquire land or to build something. In some cases, they may also imply recurring annual expenses to operate and maintain the facility once it is built, such as an activity center, theater or pool.

The first focus area, **1. Government Financial Stability**, is different from the other focus areas. In this case, the key strategic question is how to overcome a projected structural deficit, rather than whether to implement a new initiative. Scenario A describes a range of different alternative methods for overcoming the structural revenue deficit using various sales taxes. Scenario B presents a range of alternatives using a property tax and development fees. Town Hall 2 participants will be asked to choose which of these two approaches they prefer to overcome this structural revenue problem. Because this focus area is so different, a different procedure will be used to address it, and it is not included in the *Strategic Choices Summary Worksheet*.

The second and third focus areas, **2. Commercial Vitality and Business Development**, and **3. Arts and Culture**, are also a bit different from the other focus areas. In both of these focus areas, Scenario A and Scenario B are mutually-exclusive alternatives. Town Hall 2 participants will be asked to choose between Scenario A and Scenario B (or none), but not both. Choosing Scenario A means rejecting Scenario B, and *vice-versa*. Participants may also decide to reject both Scenario A and Scenario B, to maintain the current situation.

Cost Assumptions

The cost information on the following pages was developed by Town Staff. The calculations for the annual per household costs were performed by the Project Manager for the Town's strategic planning process. In developing this information, the following assumptions were used:

- All costs are in 2005 dollars; with no allowance for inflation. Projects that citizens may decide to delay for several years will inevitably cost more than the estimate shown for 2005. The more such projects are delayed, the more they will cost.
- Start-up or one-time costs of \$250,000 or less are assumed to be spent from current operating funds; they are not capitalized over multiple years.
- Start-up or one-time costs of more than \$250,000 are assumed to be financed by typical municipal bonds over a 30-year term, at a 4.0% annual tax-exempt interest rate, payable quarterly. These bonds may be paid off by either sales taxes, property taxes or user fees. The mechanism for paying the debt service does not matter at this strategic level of decision-making; the cost per household per year will have to be paid in any case, whether at the grocery checkout counter, through semi-annual property tax payments, or in admission fees.
- Recurring annual costs are taken just as they are shown, without any additional calculation.
- Cost per household per year is calculated by adding the start-up or one-time costs, either capitalized or not, to the recurring annual costs, and then dividing by the estimated number of households in Fountain Hills for 2004, which is 9,961. Under this formula, the cost per household per year is valid for the first year, but may be slightly overstated for the second and subsequent years, because the non-capitalized start-up or one-time costs may be treated as recurring. The amount of overstatement, if any, is relatively minor, never over \$2.50.
- Cost estimates of less than \$500,000 are rounded off to the nearest \$10,000. Cost estimates of \$0.5 million or more are rounded off to the nearest \$0.1 million. All estimates for cost per household per year are rounded off to the nearest whole dollar. Some totals may not add due to rounding.

1. Government Financial Stability

Introduction: Fountain Hills has corrected the financial difficulties it faced in 2001-2002, which required significant expenditure and service cuts. People who remember those difficulties do not want to repeat them, ever; Town services were cut dramatically, and outside interest in moving to Fountain Hills—where future tax rates may be uncertain—fell off dramatically.

The Town is heavily dependent on sales taxes, which comprise 51% of its general fund operating budget. A significant portion (20%) of these sales taxes are associated with construction activity in the Town. The sales tax is subject to general economic volatility. The Town is also heavily dependent on shared revenues from various state taxes, allocated to cities and towns based on their relative population. These state shared revenues comprise 32% of the operating budget.

Current Situation: The current budget, for 2005-2006, is balanced. It increases reserves, and maintains them at policy levels; consequently, Moody's Investment Services recently assigned an excellent rating of Aa3 to the most recent bond issues, which helps reduce the interest rate the Town will have to pay on its bonds. A sales tax abatement, granted to attract a retail development, is projected to be paid off in less than two years, well ahead of schedule.

The current local sales tax rate in Fountain Hills is 2.6%, the second-highest in the State. The accompanying table compares Fountain Hills sales tax rates to some other communities. Some of this sales tax rate (0.4%) is dedicated to open space preservation (0.2%), financing the Community Center (0.1%), and downtown enhancement (0.1%).

The Town of Fountain Hills has no *primary* property tax, which many other communities use to fund day-to-day operating expenses. The Town does levy a *secondary* property tax, which is used to pay off the bonds that financed open space preservation, construction of the public library and street paving projects.

Future Outlook: The future outlook of the Town's major revenue streams is not favorable: As the Town approaches build-out, projected between 2012 and 2015, sales tax and permit fee revenues from new construction will fall off significantly. This revenue currently accounts for about 20% of the Town's General Fund operating budget. While the metropolitan economy is currently robust, the Greater Phoenix area's long record of highly-volatile boom-and-bust cycles adds to the uncertainty of the sales tax, the Town's primary (51%) revenue source.

Jurisdiction	Sales Tax Rate
Chandler	1.5%
Gilbert	1.5%
Mesa	1.5%
Paradise Valley	1.65%
Scottsdale	1.65%
Phoenix	1.8%
Tempe	1.8%
Lake Havasu City	2.0%
Prescott	2.0%
Payson	2.12%
Apache Junction	2.2%
Cave Creek	2.5%
Fountain Hills	2.6%
Carefree	3.0%
El Mirage	3.0%
Sedona	3.0%

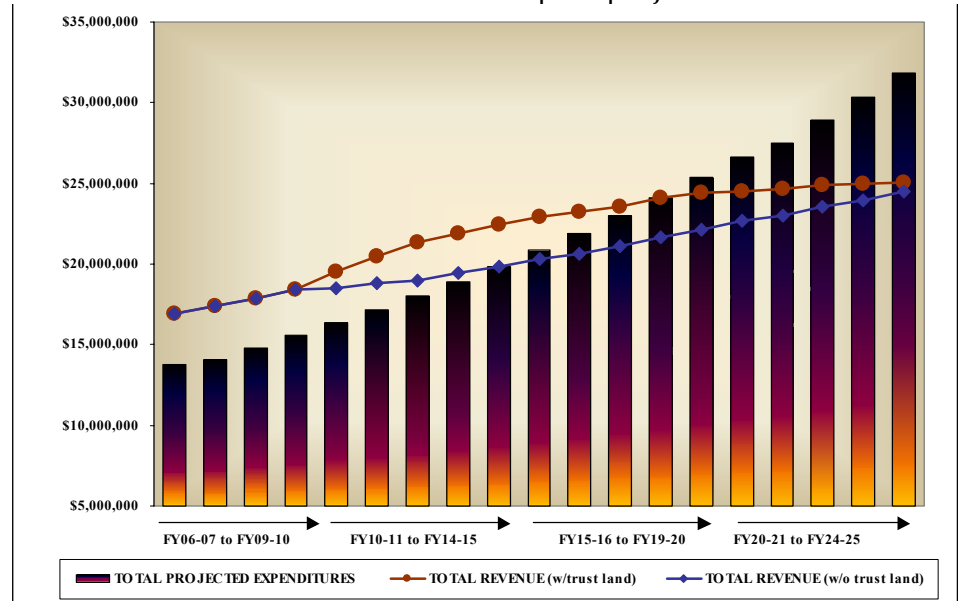
As the Town approaches build-out, its population will stabilize, while other Arizona cities and towns continue to grow. Consequently, Fountain Hills' percentage of the state's population will begin to fall. This percentage of the state's population is how state shared revenues (from state taxes on sales, income, motor vehicles and fire insurance premiums) are allocated, which comprise nearly one-third (32%) of the Town's general fund budget. As the Town's percentage of the

state’s population declines, its share of these revenues will also decline. This loss of income is anticipated to begin in budget year 2006-2007, after the next mid-decade census.

Thus, the key revenue sources that make up 83% of the Town’s general fund budget (51% sales tax and 32% state shared revenues), are expected to decrease as the Town approaches build-out. While these projected events are not a crisis at this time, by planning now the Town may be able to reduce the negative impacts of these long-term trends.

The chart shows the general fund impacts over the next 20 years. The vertical bars show projected expenses given the Town’s *current* obligations for capital improvement projects and operations. The blue lower line with diamond (◆) markers represents projected revenues, not counting revenues that may result from annexing State Trust Lands (see sec. 10.F, below). This line crosses the expenses bars in budget year 2014-2015. After that year, the Town is projected to have a growing budget deficit, *even if no new capital improvements are begun*. Over 20 years, the Town will need about \$19 million, or about \$950,000 per year.

20-Year General Fund Revenue/Expenditure Projection
(Does not include capital projects)



The red upper line with circle (●) markers represents the Town’s projected revenues including revenues that may result from annexing the State Trust Lands. By annexing this two-square-miles parcel, the Town will receive development fees that will finance some new capital projects that will be needed to serve the people who will live there. In addition, the people who will live there will spend some of their income at Fountain Hills stores, and the Town will benefit some from additional sales tax revenues. Even so, this line crosses the expenses bars in budget year 2018-2019, after which the budget deficit grows, *even if no new capital improvements are begun*.

This problem is a revenue problem, not an expenditure problem. The projections include only programs and capital projects that have already been started or approved. The problem results from falling revenues due to fewer construction-related sales tax collections and fees, and from reductions in state shared revenues as the Fountain Hills population stabilizes after build-out.

Thus, one of the first questions in strategic planning is how to deal with this long-term projected budget deficit. The next few pages describe two different sets of approaches to dealing with this revenue problem: Scenario A suggests increasing sales taxes to offset these future shortfalls. Scenario B suggests enacting a new primary property tax and fee increases to solve the problem.

Scenario A: Increase taxes to offset loss of revenues at build-out

As the Town approaches build-out, operating revenues will decrease because: (a) sales tax and permit fee revenues will fall as new construction activity dries up; (b) state shared revenues will fall as the Town's percentage of state population begins to drop. To make up these revenue losses, the Town might consider increasing its general sales tax rate, increasing taxes on selected businesses, increasing development fees and creating new user fees.

Increasing the sales tax rate would be unpopular with local businesses, but the increase would probably not cause people to shop elsewhere. Studies show that few consumers consider local tax rates in making most household purchases—except, notably, cars and major appliances—so long as the combined sales tax rate is below 10%. Increasing the sales tax rate does not require a citizen vote.

Another option is to raise the sales tax rate for selected categories of goods and services. Some communities have higher rates for transportation, communications and utilities, up to 4% or 5%; for example, the City of Phoenix levies a 4.7% tax rate on telecommunications. These businesses are not local businesses; they are primarily located outside Fountain Hills. The tax increase would be passed on to residents and businesses who use these facilities, but it would not be a direct tax on local businesses.

Actions that the Town might consider include the following. Participants in the Town Hall 2 meeting will be asked to select any number of the following alternatives (or none):

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policy Alternatives:</u>				
1. Increase sales taxes, building up significant reserves ahead of the expected declines in revenues, and then using those reserves to level out the impact of the actual declines in revenues.	Town Council	Finance	Over 20 years, projections show that revenues will fall short by about \$19 million, or \$950,000 per year (before any capital project costs). A 0.2¢ tax rate increase would raise about \$850,000 per year, costing the average household about \$85 per year, a 7.7% increase.	\$85
2. Increase tax rate for specific taxable activities, such as transportation, utilities.	Town Council	Finance	Increase of 1.4¢ for transportation and utilities tax, to 4¢ from 2.6¢, would raise about \$700,000 per year	\$70

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
3. Increase tax rate for specific taxable activities, such as restaurants & bars	Town Council	Finance	Increase of 1.4¢ for restaurants & bars, to 4¢ from 2.6¢, would raise about \$300,000 per year.	\$30

Scenario B: Reduce dependence on the sales tax with a property tax and/or higher fees

The sales tax has several associated issues:

- a. It is subject to the volatility of general economic cycles; in the event of an economic recession, the tax revenue would decline with the level of spending;
- b. It focuses economic development activities on attracting “big box” stores with high sales per square foot, which may be inconsistent with the Town’s small-town atmosphere;
- c. It is not related to the cost of delivering municipal services, such as street maintenance, fire and police services; and
- d. It is generally regressive, having a greater percentage impact on low-income people than on high-income people.

The property tax is much different from the sales tax:

- a. It is a stable revenue sources that typically does not fluctuate with the economy;
- b. As Fountain Hills is primarily a residential community with little retail property, the property tax would be a stable and predictable source of revenue.
- c. As it is based on property values, the revenue stream would more closely match the expenses, such as for police and fire protection, public works, building inspection, street maintenance, etc., which are about 44% of the General Fund budget.
- d. It is equitably distributed among property owners: those who receive the benefit of the services pay for them; and
- e. It grows with expenses: as property values increase, it will typically meet the rising cost of providing services;
- f. It is generally progressive, based on the value of a family’s home, which is closely related to income; it has a lower impact on low-income people than on high-income people.
- g. Property taxes are deductible from state and federal income taxes (sales taxes are not).
- h. Enacting a property tax would require a vote of the people.
- i. Increases in property tax revenues are strictly limited by state “truth in taxation” law.
- j. Enacting a property tax would require communications throughout the community, to understand how Arizona’s property tax system works, and its benefits over the sales tax.

Fountain Hills does not currently have a *primary* property tax, which many communities use for general operating expenses. Fountain Hills does levy a *secondary* property tax, which is dedicated to retiring bonds that financed open space preservation, library and streets. Primary and secondary property taxes are both collected by Maricopa County.

Fountain Hills residents also pay primary or secondary property taxes to Maricopa County, Fountain Hills Unified School District,

Property Tax Rates per \$100 Valuation			
Jurisdiction	Primary	Secondary	Total
El Mirage	\$0.00	\$0.00	\$0.00
Mesa	\$0.00	\$0.00	\$0.00
Fountain Hills	\$0.00	\$0.51	\$0.51
Surprise	\$0.66	\$0.25	\$0.91
Gilbert	\$0.00	\$1.15	\$1.15
Avondale	\$0.54	\$0.73	\$1.27
Chandler	\$0.38	\$0.90	\$1.28
Tempe	\$0.52	\$0.83	\$1.35
Tolleson	\$1.04	\$0.96	\$1.35
Peoria	\$0.29	\$1.30	\$1.59
Buckeye	\$0.98	\$0.69	\$1.67
Glendale	\$0.35	\$1.37	\$1.72
Phoenix	\$0.80	\$1.02	\$1.82
Goodyear	\$1.29	\$0.75	\$2.04

Maricopa Community Colleges, East Valley Institute of Technology, Fountain Hills Sanitary District, flood control district, water control district, and fire district. All of these other taxing units are completely independent of the Town of Fountain Hills.

The 20-year revenue projections show that construction-related revenue will begin to decline in fiscal year 2008-09 (or in FY 2013-14 if the State Trust Lands are annexed). Ultimately, the Town will lose approximately \$3.5 million per year in construction-related revenue at build-out. A property tax, if approved by voters, would replace this revenue loss, rather than offset sales tax reductions. Because of uncertainty about the future of sales tax collections, the Town would not be able to guarantee a long-term reduction in sales taxes.

State shared sales and income taxes are not controlled locally; they are controlled by the Arizona Legislature through its appropriations. In difficult economic times, the State regularly considers reducing or eliminating these shared state revenues. These revenues make up 31% of Fountain Hills' General Fund budget, so any Legislative reduction in state shared revenues would have a great impact on the Fountain Hills budget. A primary property tax would be approved by Fountain Hills voters, be locally controlled, and limited in how much it can increase in any year.

The Town's development fees are low relative to other nearby communities. Fountain Hills fee for residential development is \$3,495 per unit; these fees are used primarily to finance additional infrastructure (streets, parks, open space, etc.) that will be required by the new development. Fees for residential development in surrounding communities average approximately \$8,350 (2003 rates). By raising development fees to offset the infrastructure costs of serving new subdivisions and households, the Town would align its revenue sources more closely with its costs.

The Town may provide some other services to individuals without charging full-cost user fees for the services.

Actions to reduce sales tax dependence might include the following. Participants in the Town Hall 2 meeting will be asked to select any number of the following alternatives (or none):

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
1. Propose a primary property tax for voter approval	Town Council	Voters	Cost of election: \$25,000	\$3
<u>Programs:</u>				
2. Levy a primary property tax to raise general fund operating monies.	Town Council	Voters	A levy of 28.5¢ per \$100 valuation would raise \$950,000 per year. A median \$248,000 residence would pay \$66 /yr.	\$66

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
3. Increase residential development impact fees to build infrastructure that will help deliver services to new residences efficiently and economically	Town Council	Finance Department	Increasing development fees by 10% would provide \$1.0 million over 20 years. Impact would be on builders and buyers of new homes, not on current population.	\$5
4. Examine all Town services to determine if a user fee might be applied to pay for the full cost of the service.	Finance Department		Each revenue source must be carefully considered for its burdens and benefits. Any adjustment to fees and charges should be analyzed by a professional cost accounting firm. Estimated cost: \$150,000.	\$15

2. Commercial Vitality and Business Development

Introduction: Much of the discussion about commercial vitality and business development centered around downtown Fountain Hills. In particular, many residents are eager to see the south side of the Avenue of the Fountains developed with retail businesses. As part of the Town's "small town atmosphere," many residents are pleased that the area is not dominated by "big box" retailers; rather, they prefer local retail to be "mom & pop" establishments, like some that currently exist on the north side of the Avenue of the Fountains, and upscale national chains.

Some would like to see this area developed as a shopping destination, like Kierland Commons in Scottsdale or *el Pedregal* at The Boulders. Others would like to see this area developed with art galleries, jewelry and gift shops, modeled after Sedona or Old Town Scottsdale. Recognizing that Fountain Hills' build-out population is unlikely to support such a level of commercial activity, some people suggested a joint initiative with the Fort McDowell Yavapai Nation to transport tourists between the Fort McDowell casino and resort area and Fountain Hills shopping and golf areas. Others would rather avoid the thousands of tourists that the destination model would bring, in favor of a commercial community that serves Fountain Hills residents.

The Town has no policy guidelines to govern granting of tax abatements in the future; instead, it examines each proposal carefully on its own merits. Tax abatements are a limited tool the Town may choose to use in special circumstances.

Current Situation: The Town's Economic Development Specialist staff position supports commercial vitality in the downtown area. to act as a liaison, resource and point of contact between the Town and the downtown business community.

The Town financially supports joint tourism marketing efforts with the Fort McDowell Yavapai Nation, administered by the Chamber of Commerce. The Town provides public safety and street closure services to support the Chamber of Commerce semi-annual fairs and other events, some of which are paid for through fees. It also sponsors the Friday nocturnal farmer's market in winter.

The Town's sales tax levy is 2.6%, which, when combined with the State (5.6%) and Maricopa County (0.7%) sales taxes, produces a total 8.9% percent tax rate at the cash register. The Fountain Hills sales tax levy is higher than most of its neighbors.⁵ Studies show, however, that consumers do not usually shop elsewhere to gain lower tax rates—so long as the total sales tax is below 10%—except when buying an auto or major appliances. The Town has in the past granted a sales tax abatement to attract a retail development; that abatement agreement is now projected to be paid off in about a year, well ahead of schedule.

Part of the Town's sales tax (0.1¢ per dollar) is dedicated to downtown economic development. It currently pays for the downtown economic development staff, and virtually all of its revenue

⁵ Just three local or comparison communities have higher rates: Carefree, El Mirage and Sedona. See comparison table in section 6. Governmental Financial Stability," page 29.

through 2009 (\$5.0 million) is already committed to fund planned enhancements to the Avenue of the Fountains.

The Town government's powers are limited in how much it can influence the types of businesses that set up shop. It can zone areas for retail, or office or industrial; it can require parking spaces and limit building height. It cannot, however, exclude a national retailer while fostering locally-owned shops; it cannot exclude one type of retailer, such as a bookstore, in favor of another, such as an art gallery.⁶ The selection of businesses is instead left up to the free market and negotiations among business owners, landlords and consumers.

Key Strategic Choice: The following two scenarios ask Town Hall 2 meeting participants whether they prefer the downtown area to be designed to serve primarily local residents (Scenario A), or to be built up as a destination to draw shoppers and tourists from all over the Valley, like Kierland Commons or *El Pedregal* (Scenario B). These two alternatives are mutually-exclusive: to choose Scenario A is to reject Scenario B, and *vice-versa*. Participants may also choose to reject both scenarios, which would mean continuing the current situation (see above).

In addition to the cost impacts noted under each scenario, they would also have different revenue impacts, as the Town would collect sales taxes from sales by the stores in the downtown area. The Town is unable at this time to estimate the amount of the revenues that would derive from these two alternatives. Clearly, sales tax revenues from the "local" alternative (Scenario A) would be much lower than the sales tax revenues from "destination" alternative (Scenario B), but the amounts are unknown for either scenario.

⁶ The Town may, however, regulate the location of alcohol sales and other adult-oriented activities in some areas.

Scenario A: Attract businesses to meet local residents' needs

Fountain Hills is not yet a fully stand-alone commercial community: residents must travel to Scottsdale or further for some needs, such as movie theaters, name-brand clothing stores, or four-star dining. As the Town's population grows toward build-out, Fountain Hills' demographics may be able to support some of these amenities, without necessarily attracting "big box" stores.

By developing the downtown to serve primarily local residents needs, additional sales tax revenues would also be generated, but the Town is unable to estimate the amount of potential sales tax that would come from this alternative.

Scenario A and Scenario B are mutually exclusive alternatives. By choosing Scenario A, Town Hall 2 participants are rejecting Scenario B, and *vice-versa*. Town Hall 2 participants may, of course, choose neither Scenario A nor Scenario B, which would be a vote to maintain the current situation, described earlier.

Town support for businesses with a local community focus might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Amend the Town Center Commercial Zoning District to preserve the unique small-town character of Fountain Hills downtown, while promoting businesses that focus on needs of local residents.	Town Council	Planning & Zoning Downtown Economic Development		\$0
<u>Projects:</u>				
Conduct marketing study of Town residents, to identify spending patterns, shopping preferences & lifestyle active-ties, to help businesses identify service gaps and increase likelihood of success.	Downtown Economic Development		\$63,000 for professional study.	\$6

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
Accommodations—such as priority permit processing, favorable planning and zoning regulation or temporary tax abatements—to attract businesses that target Fountain Hills residents with shopping opportunities and services that are currently not available.	Town Council	Planning & Zoning Downtown Economic Development Finance	\$200,000 /yr. for 5 years. Rebates of 50% of sales tax collections over 5 years are typical.	\$20
Create marketing information, such as a map of restaurants, retail stores and services available to residents.	Downtown Economic Development		\$20,000	\$2
Increase communications to businesses, such as a periodic newsletter, web site geared to downtown merchants, informal meetings with business owners, etc.	Downtown Economic Development		\$20,000	\$2
Establish a comprehensive, linked system of wide pedestrian-ways throughout the downtown.	Public Works	Downtown Economic Development Planning & Zoning	\$310,000	\$2
Implement the planned roundabout at Avenue of the Fountains and La Montaña.		Public Works	\$500,000	\$3

Scenario B Establish a vacation & downtown shopping destination center

Under Scenario B the Town would actively work with landowners and developers to attract retail and hospitality establishments, to establish Fountain Hills as a destination shopping and vacationing venue, similar to Kierland Commons in Scottsdale or *el Pedrigal* at The Boulders. Under this scenario, businesses would accommodate large waves of daytime shoppers and tourists, and nighttime diners and entertainment-seekers.

As the downtown area continues to be developed, parking will become increasingly important to a vital downtown. The fragmentation of downtown block ownerships makes building a large parking garage difficult for the private sector. The Town, however, has both the resources and regulatory ability to get a parking garage built, to serve downtown merchants, and to serve crowds at the Fairs and other events.

By developing the downtown to serve as a “destination” for shoppers and tourists from throughout the Valley, additional sales tax revenues would also be generated, but the Town is unable to estimate the amount of potential sales tax that would come from this alternative. The “destination” alternative would clearly generate more revenue than the “local” alternative (Scenario A), but the amount is unknown.

Scenario A and Scenario B are mutually exclusive alternatives. By choosing Scenario B, Town Hall 2 participants are rejecting Scenario A, and *vice-versa*. Town Hall 2 participants may, of course, choose neither Scenario A nor Scenario B, which would be a vote to maintain the current situation, described earlier.

Actions the Town could take under Scenario B could go far beyond the actions proposed under Scenario A, to include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Amend the Town Center Commercial Zoning District to include more uses, to favor retail development in the core Avenue of the Fountains and Parkview Ave. areas, with zoning requirements for ground level retail, restaurants and bars only, with upper level retail, residential, office or studio uses, within current height restrictions.	Town Council	Planning & Zoning Downtown Economic Development	For study to support amendments: \$75,000.	\$8

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Amend the Town Zoning Ordinance to favor hospitality facilities in key areas likely to support hotels, resorts, bed & breakfasts, restaurants and bars.	Town Council	Planning & Zoning Downtown Economic Development	For study to support - amendments: \$75,000.	\$8
<u>Programs:</u>				
Focus recruitment on up-scale national chain retailers (not “big box” stores) and local businesses, emphasizing galleries, jewelry, gifts, clothing, home furnishings and mid-price restaurants.	Downtown Economic Development	Planning & Zoning	\$63,000 for retail matching study	\$6
Rebate sales taxes to recruit retail businesses, restaurants and bars locating in the downtown area.	Downtown Economic Development	Finance Planning & Zoning	\$300,000 /yr. over 5 years. Rebates of 50% of sales tax collections over 5 years are typical.	\$30
Sponsor special events to draw shoppers and tourists to Fountain Hills, focused on Avenue of the Fountains and Fountain Park music and events.	Downtown Economic Development	Parks & Recreation	\$50,000 /yr.	\$5
Expand marketing activities, both individually, and jointly with neighboring communities, including a map of local stores and attractions.	Downtown Economic Development	Planning & Zoning	\$20,000 /yr.	\$2
Double current public transportation between Fountain Hills and other nearby tourist attractions.	Public Works	Downtown Economic Development Planning & Zoning	\$70,000 /yr.	\$7
Operate the Fountain at full height.	Parks & Recreation	Public Works	\$50,000 /yr. for electricity	\$5

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Projects:				
Connect the downtown shopping area to Fountain Park. Options include a traffic-calming textured and striped crosswalk with pedestrian push-button traffic signal controls, a tunnel under Saguaro Blvd., or a pedestrian bridge over Saguaro Blvd.	Public Works, Streets Department	Downtown Economic Development	Pedestrian crosswalk option: \$100,000; Tunnel option: \$3.1 million (bridge option is not feasible due to space limitations)	\$18
Develop shared resources, including a Town-owned downtown parking garage.	Public Works	Finance Downtown Economic Development	\$1.8 million for 250-space garage (\$7,000 per space)	\$10

3. Arts and Culture

Introduction: The Town has an active arts and culture-focused community. Citizens have raised significant funds to acquire art in the civic center area; galleries and jewelry stores serve the downtown area; two theater groups produce stage plays; the Fairs and other private events display and sell arts and crafts; the public library attracts 500-600 visitors per day in season; the River of Time museum is a point of pride in the Town.

Current Situation: The Town supports arts and culture directly by financing and building the public library and the museum, and by providing public safety and logistical support to the Fairs (including some services for a fee) and other arts-oriented events.

Around the civic center area, The Town hosts sculptures provided by the Arts Council, Sunridge Foundation and private donors. A Public Arts Master Plan calls for 40 pieces to be acquired and placed over ten years.

The Community Center hosts art shows by local artists and organizations, which are rotated bimonthly. Organizations that show art include the Arizona Watercolor Association, Sonoran Art Group, FHUSD, the Arts League, Coyote Quilters, and various photographic exhibits.

The Town and other organizations sponsor music events at the Fountain Park performance pad and other venues. Several groups perform, including Fountain Hills Community Chorus, Chamber Players, Community Concerts and the Presbyterian Church. The Town also hosts the Fountain Hills Arts Commission, but it is not an official agency of the Town.

The Civic Association also sponsors various activities, including concerts and choruses.

Key Strategic Choice: The following two scenarios ask Town Hall 2 meeting participants whether they prefer Fountain Hills to become a cultural center for the arts, primarily for the enjoyment and education of local residents (Scenario A), or to have Fountain Hills be built up as a destination to draw arts lovers and tourists from all over the region, like Old Town Scottsdale or Sedona (Scenario B). These two alternatives are mutually-exclusive: to choose Scenario A is to reject Scenario B, and *vice-versa*. Participants may also choose to reject both scenarios, which would mean continuing the current situation (see above).

In addition to the cost impacts noted under each scenario, they would also have different revenue impacts, as the Town would collect sales taxes from sales by the stores and galleries. The Town is unable at this time to estimate the amount of the revenues that would derive from these two alternatives. Clearly, sales tax revenues from the “local” alternative (Scenario A) would be much lower than the sales tax revenues from “destination” alternative (Scenario B), but the amounts are unknown for either scenario.

Scenario A: Make Fountain Hills a cultural center for the arts

Some citizens would like to create a cultural center for the arts in Fountain Hills, as a theme for the town's development. Under this alternative scenario, the Town would adopt an "Arts & Culture" theme targeted primarily to the enjoyment and education of local residents.

By making Fountain Hills a cultural center for the arts focused primarily on the enjoyment and education of local artists, art-lovers and residents, additional sales tax revenues would also be generated, but the Town is unable to estimate the amount of potential sales tax that would come from this alternative.

Scenario A and Scenario B are mutually exclusive alternatives. By choosing Scenario A, Town Hall 2 participants are rejecting Scenario B, and *vice-versa*. Town Hall 2 participants may, of course, choose neither Scenario A nor Scenario B, which would be a vote to maintain the current situation, described earlier.

Actions the Town might take to create a cultural center for the arts may include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
Focus downtown economic development activities on recruiting arts-oriented businesses, such as galleries, jewelry and gift shops, artist studios and arts supplies stores.	Downtown Economic Development	Chamber of Commerce Visitors Bureau	\$63,000 for retail matching study (see also Commercial Vitality focus area)	\$6
Establish a marketing theme and campaign around the arts at Fountain Hills.	Chamber of Commerce Visitor Bureau	Downtown Economic Development Cultural Council	For marketing: \$150,000 /yr., including personnel costs, operating expenses and support services, plus \$150,000 /yr for advertising	\$30
Create a Fountain Hills annual arts awards program to recognize successful local artists.	Cultural Council	Chamber of Commerce Visitor Bureau	Not a Town program	\$0
Project:				
Build a moderately-sized theater to house	Town Council		\$5.25 million for 35,000 sq.ft.	\$48

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
local theatrical productions, potentially tied to a multigenerational Senior & activity center.			building, plus \$1.2 million for land, plus \$175,000 per year for operations & maintenance.	

Scenario B: Make Fountain Hills a destination center for arts and cultural activities

A more aggressive approach would focus on making Fountain Hills a place where people—Greater Phoenix residents and tourists—go to see and find arts and experience cultural activities. As a destination center, Fountain Hills would become a place where people set out to go to, in order to experience arts and culture.

By making Fountain Hills into a “destination” center for artists, arts-lovers and tourists from throughout the region, additional sales tax revenues would also be generated, but the Town is unable to estimate the amount of potential sales tax that would come from this alternative. The “destination” alternative would clearly generate more revenue than the “local” alternative (Scenario A), but the amount is unknown.

Scenario A and Scenario B are mutually exclusive alternatives. By choosing Scenario B, Town Hall 2 participants are rejecting Scenario A, and *vice-versa*. Town Hall 2 participants may, of course, choose neither Scenario A nor Scenario B, which would be a vote to maintain the current situation, described earlier.

Actions under Scenario B would go far beyond those listed under Scenario A, above:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Create a citizens arts and culture commission to advise the Town Council on ways to make Fountain Hills an arts and culture destination center.	Town Council	Parks & Recreation	\$125,000 for Commission staff, including personnel costs (1 FTE), operating expenses and support services.	\$13
Dedicate a modest percentage (typically 1% or 2%) of public construction outlays to public art, and encourage commercial developers to enhance their properties with public art.	Town Council	Finance Planning & Zoning	1% or 2% additional cost for each construction project. Amount is unknown	\$?

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
Create an arts overlay district, with sales tax abatements and other incentives for arts-related businesses that set up shop in that district.	Town Council	Planning & Zoning Chamber	\$200,000 /yr. over 5 years. Rebates of 50% of sales tax collections over 5 years are typical.	\$20
Establish a marketing theme and fund a marketing campaign to spread the word about the arts and culture available in Fountain Hills.	Chamber of Commerce Visitors Bureau	Downtown Economic Development	For marketing: \$150,000 /yr., including personnel costs, operating expenses and support services, plus \$300,000 /yr for advertising	\$45
Actively pursue foundation and federal grants to promote arts and culture, and to foster the work of individual Fountain Hills artists.	Admin. and Cultural Council		\$100,000 in personnel costs, including benefits and operating expenses, for one new staff member.	\$10
Expand the number of arts-related events, so that some major arts or cultural activity occurs virtually every week-end from early November through late March; would require change in Town Code to schedule events that frequently.	Chamber of Commerce Visitor Bureau	Cultural Council	Not a Town program	\$0
Create a Fountain Hills annual arts awards program to recognize successful artists who choose to show their works in Fountain Hills, regardless of their home base.	Cultural Council		Not a Town program	\$0

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Invest in arts to enhance the Town's position as an upscale community, by creating an arts-walk along the Avenue of the Fountains, and by adding public art to Fountain Park.	Public Works	Parks & Recreation Cultural Council	\$100,000 /yr. to acquire additional public art.	\$10
<u>Projects:</u>				
Build a performing arts center with facilities for stage plays, dance, concerts and recitals.	Parks & Recreation	Public Works community theater organizations FHUSD	\$9.0 million for 60,000 sq.ft. building, plus \$1.6 million for land, \$10.6 million total, plus \$300,000 per year for operations & maintenance.	\$91

4. Small-Town Atmosphere and Town Identity

Introduction: Many residents addressed the value of Fountain Hills' small-town atmosphere as a key to the Town's identity. They characterized this atmosphere by citing the small population size (22,900 today; 30,700 projected at build-out in 2012-15, not including State Trust Lands), low crime and traffic congestion, few stoplights, locally-owned and chain retail establishments (without "big box" stores), good neighborhood schools, and activities and traditions—the fairs, holiday snow, the iconographic Fountain (green on St. Patrick's Day), spirit of volunteerism, *etc.*—that bond residents in an immeasurable "sense of community."

Current Situation: The Town and many service organizations actively preserve the small-town atmosphere and identity. The Town develops the General Plan and enforces planning and zoning regulations that effectively regulate growth. The Town operates and maintains the Fountain. The Chamber of Commerce sponsors the fairs and the holiday Stroll in the Glow. The Civic Association sponsors the Town Hall events. The Golden Eagle Foundation manages, through a mentoring council, the volunteer mentoring program at the local schools, and coordinates and supports scholarships for high school graduates, along with several other service clubs. Many other organizations mobilize thousands of volunteers to improve the community, with informal assistance from Town staff to coordinate volunteer opportunities. As a result, much of the citizenry shares a sense of personal identity with the Town, forming a sense of community.

To some, gated communities focus residents' sense of identity on their local neighborhood, and add to their sense of security. To others, they may serve to isolate residents and reduce their identification with the larger Town. Counter-intuitively, they also make public safety more difficult, as police and fire officials must pause to navigate security procedures, delaying their response time. They may also potentially saddle the Town with substandard streets that their HOA no longer wants to maintain.

One important element in the Town's small-town identity is its citizen participation on the strategic planning process. The Mayor has remarked that it is his intention to establish a Strategic Planning Advisory Commission (SPAC), whose purposes would include: (a) monitor Strategic Plan implementation; (b) educate new Town Councilmembers about the strategic plan; (c) advise the Town Council on strategic plan policy issues; and (d) periodically update the Strategic Plan with citizen involvement processes. SPAC would include at least one youth member. Staggered terms would ensure a long-term perspective. SPAC would meet with the Town Council semi-annually. Town staff would support the SPAC. This effort to institutionalize strategic planning in the Town would cost an estimated \$100,000 for staff support, including personnel costs, operating expenses and support services. The costs would be somewhat higher in years requiring a Strategic Plan review and update.

Scenario A: Strengthen the community's small-town identity

Town residents like the small-town atmosphere that pervades Fountain Hills, and repeatedly cite this characteristic as a key reason why they live here. Under Scenario A, the Town would work to strengthen this small-town atmosphere, to ensure it is shared by new residents as the Town grows toward build-out.

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
Expand opportunities for citizens to get together, both in celebration and to engage in dialog about the community. New activities might include White Castle Day (resurrected), Soap Box Derby, Founders Day, Independence Day fireworks, Pony Express Days, <i>etc.</i> , as well as more concerts in the Park.	Civic Association, Parks & Recreation	Local clubs and organizations	Additional events and concerts: \$110,000 /yr.	\$11
Partner with Ft. McDowell on local events; cross-promote recreational programs.	Parks & Recreation	Economic Development Specialist; Tourism Council	To coordinate programs listed: \$200,000, including personnel costs, operating expenses and support services.	\$20
Create mentor programs for new residents: work with Home Greetings to promote the program, welcome new residents in the <i>Compass</i> each quarter. Host workshops on Town history and operations for new residents; Recruit Civic Association to coordinate the program, as in past years.	Civic Association	Parks & Recreation River of Time Museum		
Establish the Community Center as a "one stop shop" for information about working with the Town government; calen-	Parks & Recreation			

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<p>dar of events; volunteer opportunities; local businesses; <i>etc.</i> Distribute literature through Town Hall, Chamber of Commerce, library and other public facilities.</p>				
<p><u>Project:</u></p>				
<p>Emphasize the Fountain as an icon of the Town’s identity; create additional fountain features at key focal points (such as intersections and parks), to strengthen citizens’ association with fountains and the Town. Coordinate new fountains through Fountain Hills Cultural Council’s Public Arts Committee and other local groups.</p>	<p>Parks& Recreation</p>	<p>Public Works Department Public Arts Committee of Cultural Council</p>	<p>Additional fountain features, approximately \$10,000 each, plus \$1,500 each annual operating and maintenance expenses.</p>	<p>\$1</p>

Scenario B: Develop an inclusive neighborhood and community focus

The community of Fountain Hills is made up of many neighborhoods and these neighborhoods can provide a primary focal point for community-wide organization. The Town could encourage neighborhood-based organization through the neighborhood watch program. To develop a neighborhood focus, the Town might:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
Organize Neighborhood Watch programs that encourage neighbor interaction and watching out for each other.	Volunteers	MCSO	To organize and coordinate Neighborhood Watch and block parties programs,	\$0
Encourage residents to host themed block parties. Invite new residents to introduce them to public safety programs. Incorporate block parties with the neighborhood watch program. Town would provide information and materials.	Volunteers	Parks & Recreation MCSO FHFD	\$1,500, including personnel costs, operating expenses and support services.	

Scenario C: Extend the community's strong volunteer focus

Volunteerism is an important element of the Town's sense of community. The Town's strong volunteer base could be better utilized with improved awareness of volunteer opportunities, better organization and improved coordination. Under Scenario C the Town would support and enhance Fountain Hills' strong community volunteer focus:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Project:				
Create a volunteer database, to help match volunteers with volunteer opportunities.	Volunteer coordinator	Parks & Recreation Information Services	\$100,000 for volunteer coordinator to develop match-up databases	\$10
Programs:				
Establish a Fountain Hills Leadership program, to train community leaders, encourage citizen involvement in civic affairs and develop leadership for the future.	Civic Association	Parks & Recreation	\$20,000 support costs, including personnel, operating expenses and support services.	\$2

5. Housing: Quality and Cost

Introduction: Housing quality in Fountain Hills is generally excellent, due in large measure to the fact that nearly half (46%) of the housing stock is less than 10 years old. A large portion (29%) of the housing stock, however, was built in the 1980's and 12% was built in the 1970's or earlier. These older homes would ordinarily approach full depreciation, due to normal wear-and-tear and to functional obsolescence compared newer homes, which typically have larger rooms, stone countertops, full-featured appliances, efficient heating and cooling, advanced technologies, and other features. To offset this depreciation, many Fountain Hills homeowners are remodeling, updating and adding-on to their homes. When a building permit is not required, or not obtained, the quality of these changes is unknown, as the Town's code enforcement team inspects only in cases where a building permit was issued.

The Town's population is highly homogeneous: 95% are White; 95% have high school diplomas; 75% of families make \$50,000 or more per year; 74% of those who are employed are in white-collar jobs; 71% of workers commute to jobs out of the Town. The Town's homogeneous culture lacks ethnic, racial and cultural diversity.

The median owner-occupied house value is \$248,000 (2004 estimate), which under normal financing practices⁷ would require a gross income of over \$64,000 per year. A more recent housing boom has likely increased the median value significantly.

Many people who work in the Town cannot afford to live in Fountain Hills, particularly in the service, retail and construction sectors that make up 69% of jobs in the Town. Recruiting workers for jobs in restaurants and retail shops is difficult. Even many professionals—such as police officers, fire fighters, Town staff and teachers—may not be able to afford Fountain Hills living. For those who live in other Valley cities, long commutes make Fountain Hills less desirable as a workplace, making recruitment and retention of employees more difficult.

A policy to allow developers to secure higher densities in order to provide workforce housing could have an unintended consequence of generating higher profits for developers, or for first owners, while generating little true workforce housing over the longer term. The primary reason is that the price of housing is set by the relationship between supply and demand, and not by the cost to build a housing unit. Demand for Fountain Hills housing is high and growing, and the available supply is small and shrinking as the Town moves toward build-out. Unless the Town could provide incentives (and land) for a significant increase in housing supply, housing prices will likely continue to trend upward. If the Town could provide incentives and land for a significant increase in housing supply, it would to reduce housing values in comparable sectors throughout the Town, and not just for the new units.

One way to increase the supply of housing might be to allow auxiliary dwellings (casitas, guest houses mother-in-law suites, or rentable garage apartments) on existing properties. Such a policy

⁷ Financing 90% of value at 6% interest for 30 years; principal and interest payments to be no more than 25% of gross family income.

would increase the supply of small housing units, and associated rental income would reduce the cost of the primary residence. Regulations could ensure that the quality of housing is maintained.

Alternatively, the Town could provide financial incentives to Town employees with family incomes under \$60,000 who choose to live in the Town. While Fountain Hills Unified School District policies are outside the influence of Town government, the District could also offer incentives for teachers to live in Fountain Hills; however, such a policy might cause offsetting reductions in other education spending, unless the Town voted to increase its commitment to education with higher taxes.

Other approaches might be to offer financial assistance to middle income families who work in Fountain Hills, either in the form of down payment assistance or interest rate subsidy. If the home is later sold, any appreciation can be used to pay the Town back, and recycle the funds to help other families.

Another approach might address the difficulty of commuting to Fountain Hills from east Valley suburbs where housing is less costly. Constructing a road from Mesa across the Salt River Pima-Maricopa Indian Reservation to the Beeline Highway (U.S. 87) would reduce the cost—both mileage and time—for east Valley residents who work in Fountain Hills. Such a project would be funded primarily by the Arizona Department of Transportation (ADOT), and would require approval and cooperation of the Native American community, Fountain Hills, east Valley cities, ADOT and other entities.

Current Situation: Through building codes, Fountain Hills ensures that all new housing and permitted remodeling projects meet quality standards.

The Town currently takes no actions to influence the price of housing.

The Maricopa County Housing Authority makes available rental or home-ownership vouchers to qualified low-income families (low \$20,000's or less). Vouchers are paid by federal appropriations to the U.S. Department of Housing and Urban Development (HUD). Under this program, families choose housing that meets HUD's quality standards, and use the vouchers to pay part of the rent or mortgage payment. The amount of the voucher is set by HUD under a formula based on family income and other factors. In most cases, qualified voucher recipients must choose housing units that are built to be low-cost, in order to make the subsidized rent or mortgage payments within their family budgets. HUD vouchers are targeted to low-income families (annual gross income in the low \$20,000's or less). Vouchers would *not* apply to working families in middle-income levels (\$25-60,000 annual income) who are still not able to afford Fountain Hills home prices and need workforce housing.

Scenario A: Increase enforcement of housing quality codes

New homes must meet strict state and local code standards, enforced by Town inspection. As homes in Fountain Hills' older neighborhoods continue to age, their quality may deteriorate below code standards. If a remodeling project requires a building permit, inspections will enforce building codes, but not all projects require—and not all owners obtain—a building permit. Absent obvious exterior evidence, housing quality may deteriorate significantly without any inspections or enforcement. Under Scenario A, the Town would:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Programs:</u>				
Enforce housing quality codes by inspecting apartments and houses whenever occupancy changes, to identify structures where aging and deterioration may have led to substandard housing quality.	Building Division	Planning Div.	\$300,000 /year, including personnel costs, operating expenses and support services.	\$30

Scenario B: Support workforce housing alternatives

Under Scenario B, the Town would encourage developers of multifamily residences (apartments, condominiums or townhouses), to build workforce housing that would be within the budget of middle-income families in the \$25-60,000 income range. These activities might result in some lower-cost housing, but could also resulting in windfall benefits to developers or to first owners, without creating a long-term supply of workforce housing. Actions the Town might take include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
1. Identify target areas where higher-density and workforce housing would be most appropriate, considering impacts on local traffic, public safety, Town services, environment, views and other factors.	Planning & Zoning		\$50,000 for study of appropriate areas	\$5
2. Negotiate with developers to allow higher densities in selected targeted areas if the developer constructs workforce housing units for middle-income families.	Planning & Zoning		Negligible	\$0
3. Distribute public information regarding the availability of lower-cost housing and application procedures for low-income HUD vouchers through Maricopa County.	Public information	Planning & Zoning	\$20,000 for publication and distribution of informational materials	\$2

Scenario C: Take an active role in ensuring workforce housing

The Town might take a more activist role to ensure that workforce housing alternatives are available for people who work in the Town but could not otherwise afford to live in Fountain Hills. The following list of options are alternative actions that the Town might consider taking to ensure workforce housing:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Program Alternatives:</u>				
1. Offer financial incentive payments to qualified (estimated 50) Town employees who live in Fountain Hills. Approximately same financial impact as \$30,000 down payment or interest rate subsidy.	Town Council	Town Manager Finance	\$2,167 /yr. per qualified employee, or \$120,000 /yr. total for estimated 50 employees, including tax burden	\$12
2. Seek funding sources to develop down payment assistance or interest rate reduction programs for middle-income first-time homebuyers; funds to be repaid from appreciation on later sale of housing. A \$30,000 subsidy reduces annual income requirement for median home from over \$64,000 to about \$55,600.	Administration	Finance Town Attorney	\$4.5 million for 150 homes at \$30,000 down payment or interest rate reduction, each	\$26
<u>Policy Alternative:</u>				
3. Amend zoning ordinance to allow accessory dwellings in single-family residential zones, such as casitas, guest houses, mother-in-law suites and rentable garage apartments, to increase workforce housing options.	Town Council	Town Manager Planning & Zoning Code Division		\$0

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Project Alternative:</u>				
4. Use grant and bond funds to purchase developable land, and engage in public-private partnerships to develop workshop housing in selected targeted areas.	Administration	Finance	\$15 million for 150 homesites (¼-acre) at \$400,000 per acre, land only	\$86
5. Support intergovernmental effort to extend a road across the Salt River Pima-Maricopa Indian Reservation, to reduce commuting costs between Fountain Hills and Mesa, where housing has lower cost. Requires support from Native American community, ADOT, Mesa and others.	Town Council	Town Manager	No direct cost to Fountain Hills; \$50 million cost to State.	\$0

6. Preservation of the Environment

Introduction: The natural environment is a key feature of Fountain Hills, including the abundant natural desert vegetation and wildlife, the open spaces in canyons and washes that are preserved, the majestic views of the McDowell and Superstition mountains, and the dark skies that show off the moon, planets and stars of the Milky Way.

Current Situation: The Town actively protects the natural environment, by:

- Prohibiting development in washes (Wash Ordinance, Art. 9-3);
- Prohibiting development in steep canyons (Hillside Protection Ordinance);
- Preventing disturbances of natural areas during nearby construction (Subdivision Ordinance, Sec. 15-504, Land Disturbance/Hillside Protection);
- Preserving dark skies by regulating commercial lighting (Art. 7-7);
- Preserving mountain views by limiting building heights;
- Regulating the preservation of open spaces;
- Regulating development and use of the McDowell Mountain Preserve;
- Purchasing open space.

As a result, Fountain Hills residents share the ecosystem with rabbits, coyotes, javelina, diverse varieties of reptiles, birds, wildflowers, cacti and other desert fauna and flora. The McDowell Mountains are majestic from nearly any hilltop, and the absence of street lights makes the Milky Way visible from horizon to horizon on clear nights.

Some citizens have criticized Town environmental regulations as being too stringent:

- Prohibitions against development in washes prevents creation of eco-friendly hiking trails.
- Preserving non-disturbance areas means that accumulated brush may fuel wildfires.
- Hillside protection forces developers to build on ridge-tops, rather than to tuck buildings less-obtrusively into the hillsides.

The Town is not directly involved in water quality issues, as the water system is privately-owned, and the wastewater system is owned by an independent Sanitation District. The Town does work with the Sanitation District to use effluent to water landscaping in parks.

Scenario A: Enhance dedication to stewardship of the natural environment

While the Town actively supports environmental preservation, Scenario A would have the Town take a more active role to protect the natural environment, open spaces, view corridors and dark skies. Key additional actions that the Town might take include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Establish view corridors with development restrictions to protect mountain views from key public observation points.	Town Council	Planning & Zoning	For study to support ordinance change: \$100,000.	\$10
<u>Project</u>				
Educate the public on ways to meet security and decorative goals without causing light pollution.	Code Division	MCSO	\$20,000 for printed material on residential dark skies compliance	\$2
<u>Programs:</u>				
Increase frequency of wash maintenance to remove trash and debris, preserve their natural state and ensure proper drainage.	Public Works	Streets Dept.	Additional \$160,000 /yr. to double wash clean-up frequency:	\$16
Improve street sweeping program to pick up smaller particulates and reduce dust.	Streets Dept.		Purchase replacement sweepers: \$50,000 /yr.	\$5
Begin pro-active monitoring and maintenance of McDowell Mountain Preserve trails, rather than reacting to problems with volunteers.	Parks & Recreation	Public Works MCSO	A Ranger and increased maintenance: \$150,000 /yr., including personnel costs, operating expenses and support services.	\$15
Start pro-active code enforcement so that Fountain Hills is as environmentally attractive and well maintained in 2025 as it is in 2005	Code Division	Planning & Zoning	\$200,000 /yr., including personnel costs, operating expenses and support services.	\$20

Scenario B: Implement new environmental quality initiatives

While the Town actively supports environmental preservation, it does not take action in some areas, notably air quality or water quality. If the Town were to take a more pro-active role in these areas, actions might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Develop energy and water policies, such as: (a) require hot water circulation pumps to save water, (b) require rock and natural plants landscaping instead of grass.	Town Council	Planning & Zoning Code Division	\$100,000 to study effectiveness of strategies	\$10
<u>Programs:</u>				
Participate with other metropolitan area governments in initiatives to reduce air pollution, particularly on ozone alert days, such as reduce mowing in parks, public education to reduce barbecue smoke, encourage and facilitate carpooling, and other related activities.	Public works	Code Enforcement	\$20,000 to print & distribute public information	\$2
Examine storm water runoff patterns, and create sedimentation ponds where advisable, to improve the quality of water that washes off the streets into arroyos.	PW Director	Code Enforcement	\$100,000 for engineering study	\$10

7. Parks and Recreation

Introduction: Recreation options are important to many Town citizens, whether they have children, or their children are grown, or they are retirees. Town-sponsored recreation programs center around the Community Center or the various parks. Privately-sponsored recreation programs include events such as the semi-annual Fairs, other art shows, club activities, and nearby casinos.

Current Situation: The Town Parks & Recreation Department sponsors a wide variety of recreational opportunities, including various sports leagues (providing appropriate field and court facilities), classes in various crafts and self-improvement topics, and social activities such as St. Patrick's Day and Easter celebrations, balloon ascension and other family-oriented activities.

Guidelines for parkland are based on 2.5 acres per 1,000 population for large community parks, plus 2.5 acres per 1,000 population for smaller neighborhood parks.

As the Town's population has grown, its current 58 acres of community parks (Fountain Park and Golden Eagle Park) barely meet guidelines for community parks; as the Town's population grows by a projected 28-34% toward build-out (*not* counting State Trust Lands), its community parkland will fall about 15 acres short of the guidelines. Similarly the Town's 27 acres of neighborhood parks (Desert Vista and Four Peaks Parks) already fall below the guidelines; as the Town grows toward build-out, it will need about 46 additional acres of neighborhood parks. After acquisition, the raw land will need to be developed—landscaping, ramadas, barbeques, restrooms, playgrounds, tennis courts, etc—to be useful. After development, the new parks will require expenses for operations and maintenance.

Potential funding sources for new parks include Heritage Grants and development fees for parks and open space, or bonds supported by sales tax or secondary property tax levies.

The additional parkland described above does *not* include needs to support new populations resulting from development of the State Trust Lands. When this area is developed, some land should be set aside for parks in that area; the amount needed will depend on the projected ultimate population of that nearly two square miles. Additional funds will also be needed to develop that parkland and to meet annual operations and maintenance costs.

The Town supports the Boys and Girls Club financially, serving primarily the middle school and early high school population. Older teens have few recreational opportunities in Fountain Hills outside of sports or other activities organized through the schools, though a Town skate park is currently in development. Due to long commuting patterns by most working-age residents, many older teens are unsupervised after school and during summers.

A growing Senior Center is currently housed in the Community Center, providing activities and social interaction to seniors. Space limitations will soon limit Senior Center capacity. The Town recently took over responsibility for the Senior Center program from the not-for-profit organization that had operated it previously. The Town currently spends \$70,000 per year for Senior Center operations; another \$105,000 is generated by Senior Center user fees.

Some communities have successfully combined a Senior Center and a youth recreation center under one roof, sometimes with separate entrances (Mesa, Tempe and Phoenix). This arrangement enables some facility sharing, as most (but not all) Senior Center activities occur during weekdays, while most youth activities occur in the late afternoons, evenings and weekends.

The Town does not have a public swimming pool, and a local private club, to which inexpensive day passes to the pool had been available, was recently demolished. A community aquatic center could support multigenerational uses, such as a youth splash pool, regulation-size competition and lap pool, with roped-off areas for lap-swimmers, waist-deep areas for water aerobics and a diving pool or well. The Fountain Hills Unified School District might want to participate in an aquatic center, to support development of a competitive swim team.

The nearest movie theater is approximately 12 miles away, in Scottsdale, though a downtown multiplex has been proposed.

The Town currently offers a wide variety of recreational opportunities for residents. The new performance pad at Fountain Park hosted four concerts in the spring of 2005, and additional four-concert series are planned for each fall and spring.

Scenario A: Provide recreational facilities for multi-generational activities

To meet the needs of a growing population, the Town might invest in additional recreational facilities. These new facilities might address the needs of every generations. Facilities that might be developed under Scenario A include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Projects:				
1. Larger Senior Center facilities to support a growing population of senior participants.	Parks & Recreation	Finance	For a stand-alone Senior Center, \$1.3 million, plus \$1.6 million for land (\$2.9 million total), plus \$250,000 /yr. operating & maintenance expenses.	\$42
2. An activity center for older teens, with indoor activities, arcade games and movies.	Parks & Recreation	Finance	For a teen activity center: \$1.2 million, plus \$1.6 million for land (\$2.8 million total), plus \$250,000 /yr. operating & maintenance expenses.	\$41
3. An aquatic center to support multigenerational activities.	Parks & Recreation	Finance	\$5.0 million for outdoor competitive facility, plus \$800,000 for land (\$5.8 million total); plus \$500,000 /yr. operating expenses, including 6 FTE employees (lifeguards and maintenance)	\$84

Scenario B: Expand parks system to meet growing population needs

To expand the parks system to meet the needs of the growing population, additional community parkland and neighborhood parkland would have to be acquired, and funds allocated for park facilities development, operations and maintenance. This need does *not* include parkland to meet the needs of people who may live in the current State Trust Lands. Actions to meet growing population needs include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Projects:				
1. Acquire 15 acres of additional community parkland as the Town grows toward build-out, (estimated between 2012 and 2015). Develop new parkland with landscaping, water features, playgrounds, courts, etc., to serve local community. Operate and maintain new parks.	Parks & Recreation	Finance	15 acres of community parkland: \$6.0 million for acquisition, plus \$3.0 million for development (\$9.0 million total), and \$160,000 /yr. for operations & maintenance.	\$68
2. Acquire 46 acres of additional neighborhood parkland as the Town grows toward build-out. Develop new parks with landscaping, water features, playgrounds, courts, etc. to serve local neighborhoods. Operate and maintain new parks.	Parks & Recreation	Finance	46 acres of neighborhood parkland: \$18.4 million for acquisition, plus \$9.2 million for development (\$27.6 million total), and \$510,000 /yr. for operations & maintenance.	\$210

Scenario C: Add new amenities to the parks and recreation system

As the Town's population grows toward build-out in the 2012-2015 time frame, additional recreational programs and amenities will be needed to support the larger population, as well as the additional parkland. Actions to expand parks and recreation programs and amenities might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Amend the Wash Ordinance to permit development of environmentally-sensitive hiking trails (requires public vote).	Town Council	Town Attorney, Town Clerk,	\$25,000 for election	\$3
<u>Projects:</u>				
Develop (soft) hiking trails in major washes, while preserving their natural condition and wildlife (after voter approval of Wash Ordinance amendment).	Public Works	Parks & Recreation MCSO FHFD	\$20,000 per wash to build trails, plus \$20,000 per wash /yr. for maintenance	\$4
Develop pedestrian-friendly pathways and trails connecting greenbelts, parks and public facilities.	Public Works	Parks & Recreation	\$1 million, funded from open space development fees.	\$6
Expand bike lanes on streets, where suitable, and connect them to appropriate hiking and biking trails.	Public Works	Streets Department Parks & Recreation	Negligible cost for striping	\$0
<u>Programs:</u>				
Expand the frequency of concerts & movies in the Fountain Park performance pad.	Parks & Recreation		\$15,000 /yr.; some expenses may be paid by sponsors.	\$2
Increase programs that are designed to integrate people of different ages, incomes and cultural backgrounds.	Parks & Recreation	Senior Services Ft. McDowell FHUSD	\$30,000, including personnel costs and operating expenses.	\$3

8. Municipal Government Services

Introduction: Town services include: development review and permitting; developing and maintaining the Town's General Plan; public works, including maintenance and repair of streets and maintenance of flood control dams; building safety and code enforcement; public safety, including police, fire protection, emergency medical transportation and municipal courts; parks acquisition, development, operation and maintenance; recreation and entertainment programs; Senior Center-based educational and recreation programs; Community Center management; Town Council, and administrative and information systems to support these key functions.

In addition, the Town participates in Valley Metro to provide commuter bus service to downtown Phoenix, funds joint tourism marketing projects with the Fort McDowell Yavapai Nation, and supports the Boys and Girls Club.

The most frequently-cited social services need in Fountain Hills is for emergency health care. Traditionally, health care needs are met either by the private sector, or by county medical services. Beyond emergency medical transportation, cities and towns typically have little influence over the provision of medical services.

Current Situation: The Town is successful in providing basic municipal services: development reviews are generally timely; streets are in good condition; buildings are safe and meet code requirements; fire and crime rates are low, parks are continually improving, Senior Center participation is growing and the Community Center is thriving. The Town maintains a backlog of public works projects, primarily streets maintenance projects, that will require significant funds over the next five years.

Some of the services the Town provides are outsourced to other entities: Maricopa County Sheriff's Office is contracted to provide police protection. Rural/Metro Corp., a for-profit company, is contracted to provide fire protection services and, through a subsidiary, emergency medical transportation services.

Some townspeople expressed an opinion that these vital services should be provided directly by the Town government, rather than outsourced to these outside organizations. To convert to a Town government service, the Town would incur significant start-up costs, primarily to purchase communications and other equipment that MCSO and Rural/Metro currently own and use in providing services to the Town. In addition, the Town would face higher operating expenses, because it would not benefit from the economies of scale that these larger organizations enjoy and pass along to Fountain Hills. Understanding these issues (outsourcing *vs.* in-house services), and developing contingency plans in case future circumstances force the Town to take over these services, is a useful exercise. Actually implementing such contingency plans, however, is a costly venture.

In a larger sense, *how* these vital services are provided is not a *strategic* question; it is at best a tactical, or operational question. The strategic question is *whether* to provide these services, and at what *level of service*. Nevertheless, information about this question is presented in this *Strategic Choices* report to inform citizens of the costs of these alternatives.

The Town does *not* provide several other services that municipalities commonly provide, such as water, wastewater treatment and garbage and recycling pickup. Instead, these services are provided by other independent entities: water is provided by the private, for-profit Chaparral City Water Company; wastewater treatment is provided by the Fountain Hills Sanitary District, an independent governmental agency; garbage collection is provided by several independent subscription companies; one such company provides curbside recycling services for a fee; voluntary newspaper recycling bins are provided around the Town by various organizations.

Comparisons to neighboring cities indicate that Fountain Hills residents enjoy somewhat lower garbage collection costs, which may be attributed to competition among the several independent providers, while other jurisdictions have one exclusive provider. Some cities find that as garbage collection costs increase over time, raising garbage collection fees is politically difficult, and the general fund must subsidize part of the garbage collection costs.

Most cities report that many recyclable materials are very difficult to sell, as supply vastly outstrips demand; some “recycling” programs store recyclable materials in warehouses, waiting for markets to develop; others may send recyclable materials to landfills.

Public transportation is limited. The Town has two commuter busses departing each morning for downtown Phoenix, and returning each evening. An infrequent shuttle bus carries few riders around town, and between downtown and Fort McDowell. Commuters make up at least 71% of all residents who work. Non-driving seniors cannot get to grocery stores and many students cannot get to after school activities at the Boys and Girls Club.

Development of pedestrian-friendly sidewalks and safe crossings is a concern of many residents. A scenario addressing a pedestrian-friendly crossing of Saguaro Blvd. between Fountain Park and the Avenue of the Fountains is listed earlier under “Commercial Vitality and Business Development.”

Development of the State Trust Lands will affect the Town’s services. In general, new residential development does not pay for itself, particularly under the Town’s current sales-tax-dominant revenue structure. If the Town annexes this land, the additional services required—street maintenance, parks, recreation programs, *etc.*—will add more costs to the Town’s budget than the new residents will add to revenues through sales taxes, fees and state shared tax revenues.

If the Town is *not* able to annex these lands, it will find that the residents there will use Fountain Hills streets, Community Center, parks and other facilities, but will not support the secondary property taxes that are dedicated to pay off the bonds that built them.

Health care is a particular concern. While many health care practitioners serve Fountain Hills, urgent care services are available only on weekdays. The Mayo Clinic is close, but it does not provide emergency services. Quick-response emergency medical technicians and transport are available locally, and will transport emergency patients to any hospital. The nearest emergency room is at Scottsdale Healthcare, Shea Boulevard at 90th St., 11 miles from downtown Fountain Hills. Some people’s insurance may require they be treated at a different hospital, which may require a much further, and longer, transport.

Scenario A: Town provide new household services:

Garbage collection, recycling, water and wastewater

Under Scenario A, the Town would expand its role in providing household-based services. In some cases, centralizing responsibility in the Town government would increase efficiency, such as in garbage collection, but lack of competition may lead to inefficiencies and increased costs. In other cases, related new services would be implemented, such as recycling pickup. Efficiencies may result from improved coordination between Town planning and service providers, as in the case of water, wastewater and effluent water sprinkling systems. Actions to increase Town services might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
1. Collaborate with neighboring communities, esp. the Fort McDowell Yavapai Nation, to increase participation in municipal services and gain economies of scale and better road connections.	Public Works		Negligible cost	\$0
<u>Programs:</u>				
2. Centralize garbage collection and mandate participation, with one set of trucks collecting garbage. The Town may provide garbage pick-up services itself, or outsource to a private vendor.	Public Works		\$2.5 million, paid by user fees, approx. \$14.50 per household /month, plus \$25 per container start-up cost. Inflation will drive up costs and fees over time	\$276
3. Create new curbside recycling pickup program, with mandated participation, to collect and sell recyclable materials, and reduce landfill impacts. May be outsourced.	Public Works		\$800,000, paid by user fees, approx. \$5.00 per household per month, plus \$25 per container start-up cost, and material sales.	\$105
<u>Projects:</u>				
4. Purchase the water system from Chaparral City Water Company.	Public Works		\$30-50 million, paid by revenue bonds; no operational change	\$288
5. Purchase the wastewater system from the Fountain Hills Sanitation District.			Not feasible, as the Sanitation District is a public agency.	N/A

Scenario B: Change how vital services are currently provided

Police, fire and emergency medical transportation services are currently outsourced to other organizations. Under Scenario B, all of these services would be taken over directly by the Town Government, and provided in-house. The Town would incur significant start-up costs, and long-term operations costs that are higher than incurred today, but would also gain more direct control over these vital services. Actions the Town might want to take include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
1. Create a new police force under the direction of the Town, and end the contract with the Maricopa County Sheriff's Office. This action would require development of administrative support and communications infrastructure that MCSO maintains County-wide.	Town Council	MCSO Town Manager	\$5.6 million start-up costs; plus increased operating cost of \$800,000 /yr.	\$113
2. Create a Fountain Hills Fire and Emergency Medical Transportation Department under the direction of the Town Manager and Town Council, ending the contracts with Rural/Metro and its subsidiary, Southwest Ambulance. This action might require a referendum to create a Fountain Hills Fire District with authority to levy a property tax to support the Town's fire protection services. It would require development of administrative support and communications infrastructure that the current contractor maintains throughout its system.	Town Council	Rural/Metro Town Manager	\$500,000 start-up costs; plus increased operating cost of \$1.0 million /yr.	\$103

Scenario C: Expand public transportation systems

The Town's residents expressed needs for three distinct types of public transportation services, which, under Scenario C, the Town could provide:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
1. Improved transportation services in and out of Fountain Hills, including more frequent service, and more diverse destinations, such as to Frank Lloyd Wright shopping centers, Mesa, or Sky Harbor airport.			\$200,000 /yr. support for Valley Metro	\$20
2. Transportation in and around Fountain Hills, to help people in Fire Rock get to downtown Fountain Hills, for students to get to after school activities, and for seniors to get to grocery stores and the senior center.			\$200,000 /yr. for additional local bus service	\$20

Scenario D: Improve streets and traffic controls

While the Town has invested significantly in paving and maintaining all of its streets, some residents have suggested additional improvements:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Projects</u>				
1. Maintain streets better.	Public Works		\$1.2 million /yr. to increase frequency of slurry and overlay resurfacing; \$19 million over 20 years	\$120
2. Widen Fountain Hills Blvd. from Shea to El Lago	Public Works		\$4.4 million to widen the street.	\$
3. Add new traffic signals at key intersections, such as La Montaña and Palisades	Public Works		\$200,000 per intersection	\$
4. Construct a new building to house the Streets maintenance department and its equipment	Public Works		\$900,000 for streets maintenance building	\$

Scenario E: Increase pedestrian safety

As the Town's population and traffic increase toward build-out, pedestrians will be in increasing danger. Actions the Town might take to mitigate these dangers include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Projects:				
1. Increase use of "striped" crosswalks, pedestrian signals and other traffic controls at key intersections.			\$30,000 per intersection for crosswalk; \$100,000 per intersection for pedestrian-controlled traffic signals.	\$10
2. Build more sidewalks throughout Town each year.			\$66,000 /yr. for 20 years	\$7

Scenario F: Improve communications services and amenities

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Programs:</u>				
1. Upgrade Channel 11 for responsive and responsible Town government.			\$250,000 for live programming, including studio, cameras, personnel costs, operating expenses, and support services.	\$25
<u>Projects:</u>				
2. Negotiate with cell phone providers to improve cell phone coverage and service;	Private sector providers	Town Manager	Negligible cost.	\$0

Scenario G: Increase access to quality health care

The community's primary social service need appears to be access to quality emergency health care. While a local medical clinic operates during normal working hours, and Mayo Clinic is just a mile down Shea Boulevard, neither of these facilities has emergency medical services. Quick-response emergency medical transportation service is available in Fountain Hills, but the nearest emergency room hospital is 11 miles away. Some people's insurance policies may require use of a different hospital, which may be much further away.

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Projects:				
1. Develop policies and programs to ensure 24- hour access to quality health care: study economics of a 24-hour urgent care facility; work to improve emergency medical response times; recruit medical providers willing to extend hours, or operate a 24-hour clinic.	FHFD / MCSO		\$150,000 for study of caseload needed to support a 24-hour facility.	

9. Education: Higher and Continuing Education and Support of Educational Excellence

Introduction: Education is primarily the job of the Fountain Hills Unified School District, which is wholly separate from the Town of Fountain Hills government. FHUSD operates two elementary schools, one middle school and a high school. Also separate is the Fountain Hills Charter School, which provides K through 8th grade educational services.

Current Situation: The Town supports the educational system through the Mayor's Youth Council, and by sharing facilities with schools—primarily at Town parks—to eliminate duplicate facilities. The Town and FHUSD have a blanket agreement that allows facilities to be shared without detailed negotiations over every use. For example, the high school team use ball fields at Golden Eagle Park; the Boys and Girls Club is located on an elementary school campus, and it shares gym facilities with the school. Town youth and adult volleyball and basketball leagues use the schools' gyms. Further development of shared facilities may require clarification of responsibilities when the Town may build facilities on school lands, or vice-versa.

FHUSD has a mentoring program to involve community volunteers with students. The Town does not formally participate in this program, but it may be able to use its other volunteer coordination activities to support the District's student mentoring program.

The FHHS baseball and basketball teams have both won State Championships in recent years, but the Town and townspeople have taken relatively little notice; instead, Fountain Hills and its schools are somewhat isolated from each other. Participation in school activities—athletic events, plays, concerts, etc.—by townspeople who are not parents of students is very limited, in spite of the very high quality of these student efforts.

The Town also supports classes in language, hobbies and other activities through its recreational programs, primarily at the Community Center.

Senior Center offers a variety of classes and programs for seniors, including financial advising, hobbies, and more. With the Town recently taking over the Senior Center, expanding these offerings in the long-term is a possibility.

Computer labs in Fountain Hills are located on school campuses, in the Town library (operated by the Maricopa County Library District) and the Senior Center (through Senior Net, available only to Seniors who are members, housed at the Community Center). These organizations offer basic computer application courses. A number of colleges and universities around the country and the Valley have on-line courses available to Internet users.

In the past, Scottsdale Community College has offered courses in Fountain Hills, however interest declined and the college virtually eliminated courses offered in town several years ago. Recently, SCC has offered a limited number of art and digital photography classes at the Community Center. With this start, reviving a relationship with SCC may be possible, to increase the number of courses offered in Fountain Hills.

Scenario A: Create lifelong learning opportunities for residents of all ages

A lifelong learning center would provide a wide range of educational opportunities that would appeal to all types of residents. It might be located in a separate facility, or it might share facilities with the schools or the Community Center, or it might be more virtual, with a mix of on-line programs and site-specific courses. Key characteristics of the lifelong learning center might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Programs:				
1. Increase availability of on-line classes, and supplement computer facilities to access them as needed.	Parks & Recreation	Maricopa County Library District FHUSD Senior Center Information Services Many high schools and colleges.	\$100,000 /yr. for 20 workstations at \$5,000 per workstation /yr., including equipment, software, Internet access maintenance and technical support	\$10
2. Increase courses of interest to seniors, related to history, travel, hobbies, arts, culture and other topics; the lifelong learning center might be co-located in the senior center, among other places.	Senior Services	Recreation	Cost paid by user fees.	\$0
3. Provide access to courses with college accreditation, for adults who may want to finish their college degree, youth who want to begin college in their home town, or residents who can advance professionally with key credits. A satellite campus of Scottsdale Community College or an association with ASU or NAU might achieve this activity.	Parks & Recreation	FHUSD Community Center Recreation	Costs paid by user fees and SCC revenues.	\$0

Scenario B: Integrate the Town and the schools more closely

Relatively few Town residents participate in school activities, unless they are parents of school children. Few non-parent townspeople attend football games, or basketball games. The FHHS basketball team won the State Championship in 2004-2005, but few people in the Town celebrated, or even recognized, this success. Arts and cultural events—drama club productions, band concerts, choir shows—are largely unsupported by townspeople who are not parents. Actions the Town might take to increase integration between the Town and the schools include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
1. Increase sharing of facilities, that both the townspeople and the schools can use, such as: a community theater; a community pool.	Parks & Recreation	FHUSD	Covered under existing inter-governmental agreement	\$0
2. Increased facilities sharing, by opening school resources to Town activities, such as classrooms for life-long learning, or ability to book school meeting facilities through the Community Center.	FHUSD	Parks & Recreation	Covered under existing inter-governmental agreement	\$0
3. Review the Town's sign ordinance for appropriate temporary celebrations of school achievements.	Town Council	Code Division Town Attorney	Negligible cost	\$0
<u>Programs:</u>				
4. Encourage townspeople to wear blue & silver, attend school events, paint slogans on store windows, hang street banners, and develop Falcon Pride, sponsored by the Mayor and Council.	Parks & Recreation	Downtown Economic Development Chamber of Commerce FHUSD	Negligible cost	\$0
5. Connect Town volunteers with students who may need mentoring outside normal school counseling services.	Parks & Recreation	FHUSD	Negligible cost	\$0
6. Connect businesses with students needing part-time school year jobs or full-time summer jobs, with job fairs.	Chamber of Commerce	Human Resources	Not a Town program	\$0

10. Physical Planning: Zoning and Architecture

Introduction: Much of the physical layout of the town was created in the late 1960's by the Town's developers at MCO. They laid out the streets, subdivided lots and zoned properties by use. Some of their work was basic urban planning; some was influenced by then-current market conditions, which may have favored some types of uses over others. The MCO Master Plan became the template for the later Town of Fountain Hills General Plan.

Several gated communities have been created in Fountain Hills. Residents in these communities maintain their own streets through contributions to their Home Owners Association (HOA). The Town provides all other normal services—police, fire, emergency, parks, recreation, etc.—to residents in these areas. At any time, these residents may decide to open their gates permanently, turn over responsibility for street maintenance to the Town. If the community's streets have not been properly maintained, or if they were not designed to meet Town standards in the first place, the Town may be suddenly burdened with a significant repair bill.

Moreover, these gated communities may fragment the larger Fountain Hills community, and isolate their residents from the Town, both physically and emotionally. This isolation tends to dilute the small-town atmosphere and sense of identification with the Town that is one of its most-cherished characteristics.

Regulation of commercial architecture is important to many residents. Architectural compatibility can be successfully regulated, but it can create significant difficulties for developers, particularly when economics change; for example: Scottsdale regulated downtown architectural compatibility under its "The West's Most Western Town" theme. Ultimately, the administrative hurdles—particularly for multi-story projects on very valuable land—drove many developers to the northern part of the City; consequently, south Scottsdale neighborhoods began to decline due to lack of reinvestment, and have not yet begun to redevelop.

If commercial architectural compatibility standards are objective, easily understood by developers, and responsive to different economic conditions, they can improve the physical appearance of a community, and thereby increase its property values.

Most commercial and residential properties in Fountain Hills are landscaped using low-water native vegetation, sometimes called "xeriscaping." This approach requires little water or maintenance, and can be as pleasant as more lush vegetation appropriate to Midwest or Eastern climates. It also conserves valuable water resources, and provides habitat for natural wildlife.

The Town's population, estimated at 22,900 in 2004, is projected to increase up to 34%, to 30,700 at build-out between 2012 and 2015. Some citizens are already concerned about the size and level of congestion in the Town and fear that developers may concentrate on multifamily housing for remaining vacant land, increasing the population beyond the projected 30,700 level. Town officials note that all areas of the Town are zoned, and that relatively little property zoned for multifamily development remains.

The State Land Commissioner has announced plans to auction off about two square miles of undeveloped State Trust Land adjacent to Fountain Hills, to the north. How this land will be developed, and whether it will become a part of the Town proper, are key questions. The Town has analyzed alternative development scenarios, which range from a low estimate of 1,600 new residents to a mid-range estimate of 4,000, or a high estimate of 7,600 new residents.

Current Situation: The Town has established its General Plan, and has zoned every parcel for its most appropriate use. It also works with developers to design developments that comply with the zoning and subdivision ordinances and other regulations. From time-to-time, developers request variances from various ordinances, or changes to the ordinances themselves. These requests are reviewed first by the advisory Planning and Zoning Commission, and then they are considered by the Town Council.

The Town does not currently regulate architecture, though an advisory committee reviews commercial buildings and suggests ways that architects might improve the appearance and compatibility of their buildings. While the Town has published recommended paint colors, it has not enacted any commercial architectural compatibility standards, and so it has no objective basis from which to evaluate proposed buildings.

Regulating the architectural appearance of commercial buildings may not be within the legal powers vested in the current Town of Fountain Hills government; a different form of government, called a “charter government,” might be required to enable the Town to regulate architectural appearance.

Many HOAs regulate front landscaping within their communities, and most of these regulations call for native desert vegetation, which uses little water and is consistent with the surrounding desert area. The Town does not regulate landscaping anywhere, but it is responsible for landscaping at public facilities such as the civic center area, street medians, parks and other Town-owned lands. In general, the Town uses native desert vegetation, except for park lawns—which use effluent—and on the Avenue of the Fountains median.

The Town regulates population growth indirectly, through application of its zoning ordinance. All property in the Town is zoned, and residential zones limit the number of housing units that can be built on any piece of property. While the Town has not conducted a detailed analysis of the population that could be housed on undeveloped land under current zoning, officials believe that the current projections of about 30,700 people at build-out (2012-2015) are reasonable.

The Town has several gated communities. None has announced plans to turn over streets to the Town. The Town Council must approve all gated communities, after recommendations by the Planning & Zoning Commission and Town staff. The State Trust Lands slated for development after 2007 (see below) may include requests to create new gated communities.

Fountain Hills is land-locked, except for a tract of State Trust Lands, nearly two square miles (1,276 acres), that will be auctioned for development by the State Land Commissioner in 2007. Town officials are working with the State Land Commissioner, Sen. Carolyn Allen and other officials to ensure that:

- a. Development on the State Trust Lands is consistent with Fountain Hills standards, in terms of density and protection of views, open space, washes, hillsides, natural areas and dark skies;
- b. Streets match up to, and meet the same construction standards as Fountain Hills streets;
- c. Developers set aside sufficient amenities, including parks and other community facilities to support the eventual population on these lands;
- d. Development fees pay for Fountain Hills infrastructure improvements that will be necessary to serve the additional population in this area; and
- e. The property is annexed into the Town of Fountain Hills, so that the Town Council can zone the property, review development plans and incorporate the area into its General Plan, and so that residents' secondary property taxes may help pay off the bonds that built Town facilities that these new residents will use.

If the area is not annexed prior to development, the future residents of the area will use Fountain Hills streets, parks and community facilities anyway, without having contributed a fair share toward developing those amenities. In effect, the Town will have the burden of serving these non-citizens, without corresponding investments in the Town's service infrastructure.

A statewide conservation group is currently circulating initiative petitions to amend the Arizona State Constitution, to permit State Trust Lands to be purchased by local governments for preservation, in addition to being sold to the highest bidder to benefit the state education system. The State Trust Lands adjacent to Fountain Hills are not covered by this proposal. If this conservation group acquires over 180,000 signatures, the matter may be put before voters in November 2006. If the amendment passes this election, the U.S. Congress would have to enact a parallel amendment to the Arizona Statehood and Enabling Act of 1910 (H.J. Res. 14, 62nd Congress), which set aside these lands in trust for the state's school system.

Scenario A: Enforce the current General Plan and zoning ordinance

Under Scenario A, the Town Council would virtually never grant a variance or amend the zoning ordinance. Instead, the Council would follow a rigid adherence to the current General Plan and zoning ordinance. This alternative would effectively limit the Town's population at build-out to about 30,700, not counting the State Trust Lands. Actions related to Scenario A might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
1. Strict enforcement of height restrictions, to protect mountain views.	Town Council	Planning & Zoning	Negligible cost	\$0
2. Continue the build-out plan, which contemplates that the Town population will stabilize at the currently projected range of 29,300 to 30,700.	Town Council	Planning & Zoning	No increase in cost above current spending	\$0
3. Include population projections as a criterion when considering planning and zoning cases.	Town Council	Planning & Zoning	Negligible cost	\$0
<u>Projects:</u>				
4. Improve estimates of ultimate build-out by inventorying developable vacant land, and applying current zoning and population ratios.	Planning & Zoning		\$75,000 for analysis	\$8

Scenario B: Halt creation of new gated communities

Some residents feel that gated communities dilute the small-town atmosphere that is one of Fountain Hills' primary characteristics. By isolating pockets of land behind gates and walls, the Town becomes fragmented and loses the immeasurable but valuable "sense of community." They also complicate responses by fire and police services, who have to navigate through the gates in order to meet emergencies.

While gated communities are responsible for their own street maintenance and repairs, relieving the Town of that responsibility and expense, their Home-Owner's Association (HOA) may decide in the future to turn their streets over to the Town, even though the streets may be in substandard condition or design.

On the other hand, many home-buyers value homes in gated communities higher than homes in open subdivisions; eliminating gated communities may have the effect of holding down the value of the Town's most expensive housing.

Town actions might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policy Alternatives:</u>				
Negotiate with developers to allow other variances in exchange for eliminating the use of gated communities.	Planning & Zoning	Town Council	Negligible cost	\$0
Refuse to approve development plans that include gated communities.	Town Council	Planning & Zoning	Negligible cost	\$0
Amend the subdivision ordinance and associated regulations to eliminate private streets.	Town Council	Planning & Zoning	Negligible cost	\$0

Scenario C: Establish controls over commercial architectural compatibility

If regulation of commercial building architectural compatibility is a legal activity for the Town, key actions to ensure architectural compatibility might include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Policy:				
Establish a citizens architectural review committee to: <ul style="list-style-type: none"> (a) Establish objective architectural compatibility standards for commercial buildings (b) Review proposed commercial buildings for compliance with architectural compatibility standards, and recommend whether a building permit should be awarded; (d) In case of a negative recommendation, work with the architect and developer to find ways to meet the building's objectives consistent with the architectural compatibility standards; (e) If not resolved within a specified time, refer the case to the Town Council for consideration. 	Town Council	Planning & Zoning	\$80,000 /yr. for support to the Committee, including staff personnel costs, operating expenses and support services.	\$8
Program:				
Provide matching grants for existing (grandfathered) commercial buildings to become compatible with new architectural compatibility standards.	Town Council	Planning & Zoning	\$100,000 per year for several years for matching grants.	\$10

Scenario D: Require use of natural landscaping

To integrate the “look and feel” of the Town with its major asset—its setting in a beautiful desert environment—the Town might establish landscaping standards that emphasize the use of native vegetation. Such standards would have the additional benefits of consuming less water, and providing resources for desert wildlife. Several Home Owners Associations (HOAs) already have such standards for their neighborhoods. These low-water native vegetation standards (also called “Xeriscape”) might be applied at different levels, including:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
<u>Policies:</u>				
Continue to use low-water native vegetation landscaping in all public projects, including public buildings and selected parklands.	Public Works	Parks & Recreation Chaparral City Water Co.		\$0
Require low-water native vegetation landscaping in all commercial projects.	Planning & Zoning	Downtown Economic Development Code Division Chaparral City Water Co.		\$0
Require low-water native vegetation landscaping in common areas in new developments.	Planning & Zoning	Code Division Chaparral City Water Co.		\$0
<u>Projects:</u>				
Undertake a public education program to demonstrate the benefits of following natural vegetation standards in residents’ homes.	Planning & Zoning	Downtown Economic Development	\$100,000 one-time cost	\$10

Scenario F: Annex the State Trust Lands

The State Land Commissioner has announced his intention to release for development approximately two square miles (1,276 acres) of State Trust Lands adjacent to Fountain Hills. At this time, the future status, regulation and density of this land are not clear. Under Scenario C, actions the Town might take include:

Activity	Lead Responsibility	Support	Estimated Costs	Cost per Household per Year
Policies:				
Annex the State Trust Lands into the Town of Fountain Hills, and assume the financial responsibility of providing full municipal services—police, fire, emergency, street maintenance and parks & recreation facilities and maintenance—at levels comparable to those provided to similar areas in the Town.	Town Council	Town Manager Town Attorney Planning & Zoning MCSO FHFD Parks & Recreation Finance State Land Commissioner	Collection of up to \$29 million in development impact fees, and some sales tax revenues from new residents. Would require additional \$18 million for park acquisition and development, and some other costs. Net budget impact is unknown as ultimate population is unknown.	\$0
Apply planning and zoning standards to the State Trust Lands consistent with other similar areas in Fountain Hills.	Town Council	Planning & Zoning	Negligible	\$0