

**TOWN OF FOUNTAIN HILLS, ARIZONA
CITIZEN-DRIVEN STRATEGIC PLANNING PROCESS**



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

Where We Are Now
Strategic Position Report

April 12, 2005

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TOWN OF FOUNTAIN HILLS, ARIZONA CITIZEN-DRIVEN STRATEGIC PLANNING PROCESS

Out Town. Our Choices.

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Preface

What Is Strategic Planning?

Strategic planning is a decision-making process. It involves asking and answering key questions: Where are we now? How did we get here? Where are we going? and How will we get there? In this process, people come together to identify the common ground on which they can agree about the answers to these questions. The strategic plan will address the vision and values of the people who participate in the process, and will identify the big issues that the community should address over the next several years.

The strategic planning process has two primary outcomes. One is a strategic plan document. This document may be used as a reference when making policy decisions in the future. If parties disagree about a policy, they may refer to the principles in the strategic plan. By starting from the agreed common ground developed through the strategic planning process, they may more easily find ways to agree on policies to implement the strategic direction that the plan describes.

The second outcome of the strategic planning process is the process itself. In this process, citizens come together to make consensus decisions. Consensus is based on the principle that each person has some part of the truth and that no one has all of it. It is also based on respect for everyone involved in the process. In this use of the term, every participant may not agree with every part of the decision, but every participant's position has been fully heard, and every participant is able to live with group's decision. Independent facilitators help the participants focus on the issues, ensure that every voice is heard, and work toward finding common ground.

In Fountain Hills, the citizenry will convene in a Town Hall meeting April 15-16, to begin developing consensus about the Fountain Hills strategic plan. All citizens are urged to participate in this process. A follow-up Town Hall will be held August 12-13. These Town Hall meetings are the places where the strategic planning process will develop consensus decisions. The next section describes the Fountain Hills Citizen-Driven Strategic Planning Process in more detail.

Citizen-Driven Strategic Planning Process

In September 2004, the Town of Fountain Hills hosted a meeting for citizens to discuss creating a strategic plan for the Town. About 45 citizens joined the discussion. A consensus among the participants emerged: to undertake a strategic planning process; to make it citizen-driven; and to

focus on a vision for the Town, values the Town should express and key issues the Town should address, rather than just create a list of amenities to be built with public funds.

About six weeks later, the Town hosted another meeting, with a similar-sized crowd. A group of volunteers—residents who are also specialists in strategic planning, organizational development and human resources—facilitated a process to identify the Town’s internal strengths and weaknesses and its external opportunities and threats (a “SWOT” analysis). This exercise demonstrated the kind of participatory activities that a citizen-driven process would entail. The discussions were animated, the participants were fully-engaged and the process generated valuable information (see Appendix A for the SWOT analysis).

The volunteer facilitators comprised an informal Technical Advisory Committee¹ (TAC) that came together to design and kick-off the Town’s Citizen-Driven Strategic Planning Process. They created a public involvement plan and a step-by-step process, and submitted them to the Town Council for review. The Town Council voted to adopt the strategic planning process on December 16, 2004. Appendix B shows a graphical description of the strategic planning process.

The Town engaged an independent group² to manage the project, facilitate the process and conduct focus groups to gauge public opinion. The Town also engaged a communications team³ to assist with public relations, marketing and document design.

The strategic planning process is based on the principle of citizen participation. Several steps in the process are designed to hear the Town’s citizenry’s opinions about the strategic direction the Town should take. The principle of citizen participation is critical to the success of the strategic planning process because people tend to own what they create. The resulting strategic plan stands a greater chance of being implemented if it is based on widespread public participation and consensus.

The TAC and its support team have met regularly to plan ways to engage the public in this citizen-driven strategic planning process. The first steps have included:

- Extension of the SWOT analysis started by the Town’s citizens in the Fall of 2004 (see Appendix A).
- 15th Anniversary Celebration and Strategic Plan Kickoff event January 29.
- A series of Speakers Bureau presentations to clubs and organizations about the citizen-driven strategic planning process.
- A series of approximately 35 interviews with elected officials and other community leaders.

¹ Janice Abramson, Curt Dunham, Peggy Fiandaca, Jim Hamblin, Henry Leger, Mike Tyler and Bob Yordy are principal citizen volunteers; Roger Riggert represents the Civic Association. Town Councilmembers Ed Kehe and Kathleen Nicola represent 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, with Lynne Brown, Facilitator, and O’Neil Associates, Inc., public opinion researchers. Mr. Blackerby gratefully acknowledges the helpful comments and editing of this *Report* by members of the Technical Advisory Committee and Image Weavers, but takes sole responsibility for errors and omissions this *Report* may contain.

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

- 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.
- This *Where We Are Now; Strategic Position Report*.

The next steps include a Town Hall meeting (April 15-16), at which participants will envision the future of Fountain Hills, develop statements of values they want Fountain Hills to express, identify priorities they want the Town to address over the next several years and develop a set of strategies to accompany them. Town staff will then analyze the implications the Town Hall recommendations, and develop cost estimates and financing alternatives to implement the recommendations.

This summer, a series of focus groups made up of a demographic distribution of residents will discuss the recommendations in the context of their financial implications. The focus groups will provide qualitative insights about citizens' willingness to commit the Town's resources to implementing the consensus vision, values and focus areas.

A second Town Hall event (August 13) will focus more directly on implementation strategies, and the financial resources to make the recommendations reality. The result will be a preliminary action plan and a draft of a Town of Fountain Hills *Strategic Plan*.

This draft *Strategic Plan* is planned to be validated through a statistically valid sample survey, to make sure that the consensus recommendations are widely shared throughout the community. The final draft Strategic Plan is planned to be considered by the Town Council for approval late in 2005. Anticipating Town Council approval, a celebration of the strategic plan's adoption is scheduled at the beginning of 2006, and the Town will begin to implement the plan at that time.

Purposes of the *Where We Are Now Report*

This *Where We Are Now; Strategic Position Report*, provides a snapshot of the Town of Fountain Hills, to describe it in factual terms, and to characterize it as the Town's opinion leaders see it. It is intended to be a common set of facts and starting point for Town Hall participants. Citizens should consider this report when they deliberate their vision for the Town, and the values they want the Town to express.

All Town citizens are encouraged to review this report, especially if they intend to participate in the April and August Town Hall meetings. It provides a common foundation of information to inform the process, so that the discussions can focus on vision and values, rather than the basic facts of the Town.

This *Where We Are Now; Strategic Position Report*, is also available on-line at the Fountain Hills Strategic Planning web site: www.fh.az.gov/ourtownourchoices/, or by calling the Strategic Plan Update line at (480) 816-5295.

TOWN OF FOUNTAIN HILLS, ARIZONA CITIZEN-DRIVEN STRATEGIC PLANNING PROCESS

Our Town. Our Choices.

Where We Are Now; *Strategic Position Report*

Setting the Scene

The Town of Fountain Hills is situated in the McDowell Mountains foothills, in Maricopa County, Arizona, northeast of the Phoenix-Mesa metropolitan area. Straddling Shea Boulevard, it is bounded on the north by state lands and the 21,099-acre McDowell Mountain Regional Park, on the east by the Fort McDowell Yavapai Nation, on the south by the Salt River Pima-Maricopa Indian Community and on the west by the City of Scottsdale. The Town is land-locked, except for a 1,276-acre state-owned parcel that is planned for development.

The land is hilly Sonoran desert, with temperate weather in winter, hot summers and just seven inches of average rainfall per year. Steep slopes guard deep washes, which are preserved open spaces. The area boasts magnificent mountain views to the north and east, and broad cityscapes to the south and west. Fountain Park lake in the downtown area features the tallest fountain in the world, at 560 feet with all pumps running.

Modern History

In 1968 Page Land and Cattle Co. sold 4500 acres of the P-Bar Ranch to McCulloch Oil Corp. (later MCO), developers of Lake Havasu City. Through other purchases, the Fountain Hills project grew to just over 12,000 acres. Early grading began in 1969 in Fountain Park and the lake area, and on December 15, 1970, the fountain was turned on.

Many people first saw Fountain Hills through a unique “fly to see” sales program. McCulloch flew clients to the Valley, and salesmen drove potential buyers to properties in white Jeeps.

Many seniors moved to Fountain Hills because of the climate, amenities and low housing prices. A mid-1980s building boom brought an influx of younger families, and the Town's population doubled from 1985 to 1990 to 10,000 people. Fountain Hills gained a reputation as a place for families. In 1993 it was listed in the book *50 Fabulous Places to Raise Your Family*. In 1997, *Parenting* magazine named Fountain Hills one of 10 “great” places in the U.S. to raise families.

The past 35 years have brought modern services and conveniences: shopping centers, Town government, special districts for other government services, recreational and cultural opportunities, a complete school system and much more. In late 1989 voters approved self-government. The first elected Town Council members took their seats in June 1990.

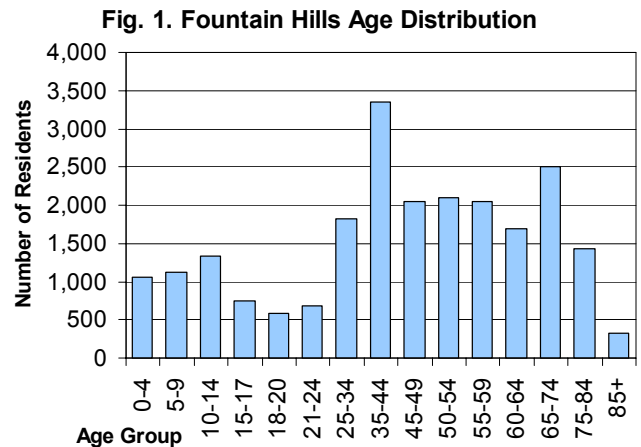
Population, Demographics and Housing

The 2004 estimated population of the Town is 22,863⁴, an increase of 13 percent since the 2000 Census, and 128% since the 1990 Census level of just over 10,000. The Town's *General Plan* projects an ultimate build-out population at 29,256, a 28% increase over 2004. The Maricopa Association of Governments projects ultimate build-out a bit higher, about 30,700, in a projected 2012-2015 time-frame.⁵

Demographics

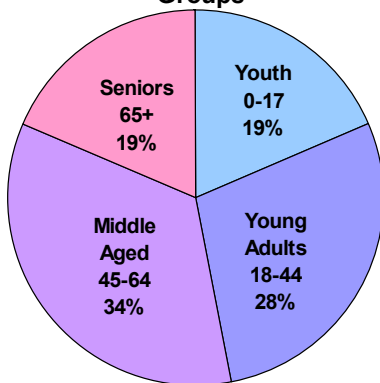
The population is overwhelmingly White (95%), including 3.6% Hispanic. No other racial or ethnic group registers more than 1.3%.

The population is relatively older than the surrounding Phoenix area, with an estimated median⁶ age of nearly 47 years (Fig. 1). Projections indicate that the median age will increase over the next five years, to nearly 48 years. In comparison,⁷ the median ages of: Phoenix is 31; Scottsdale is 41; Cave Creek is 45; Paradise Valley is 46; another MCO-planned town, Lake Havasu City, is 48; arts community Sedona is 51.



The Town's parent-age population, age 18-44, is significantly larger than its number of children. As the fig. 2 shows, the Town has a large number of people in the 35-44 age group (15% of the population). This group—and older groups of working age (up to 64 years old)—comprise 62% of the population, and include many two-person households.

Fig. 2. Fountain Hills Age Groups



Nearly one in five (19%) Fountain Hills residents is a senior, age 65 and older, a testament to Arizona's good weather, scenic environment, wide variety of cultural amenities, abundant recreational resources. (several golf courses, ample tennis courts and walking and hiking paths are in the immediate area), and other reasons.

These demographic patterns point to a diversity in the purposes of Fountain Hills, or why the Town exists.

Nearly half (47%) of the Town's population is adults of parent age (28% are 18 to 44) and their children (19% are 17 and younger). For these people, Fountain Hills is a safe, quiet, beautiful, "small town" atmosphere in which to raise a family. The pressures of career, commuting,

⁴ All Fountain Hills data in this section are estimates for 2004 by Claritas, Inc., *Site Report*, February 4, 2005. The estimates are based on 2000 and 2002 Census data and other information.

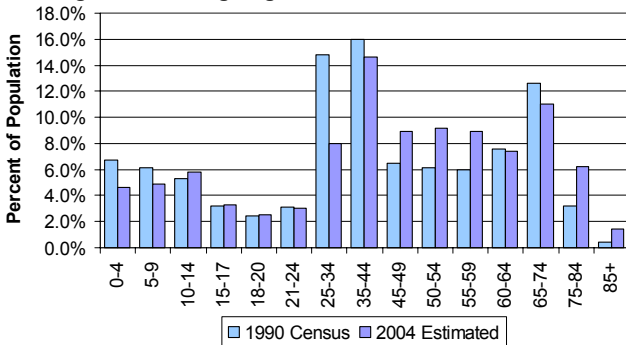
⁵ These projections do not include any potential development on State Trust lands.

⁶ "Median" means middle; half the population is younger than the median age, and half the population is older than the median age. Median is a measure that is well-suited to describing distributions such as age and income.

⁷ Comparison city data are from 2000 Census. All comparison cities are in Arizona.

child-raising, school involvement and home-making limit many of these families' participation in the Town's political arenas; anecdotally, policy makers find it difficult to hear from these young families in decision-making processes outside the school system; just 69% are registered to vote. Many of these families commute to Scottsdale or Phoenix, which may be a cost of raising a family in a small-town environment.

Fig. 3. Percentage Age Distribution 1990 and 2004



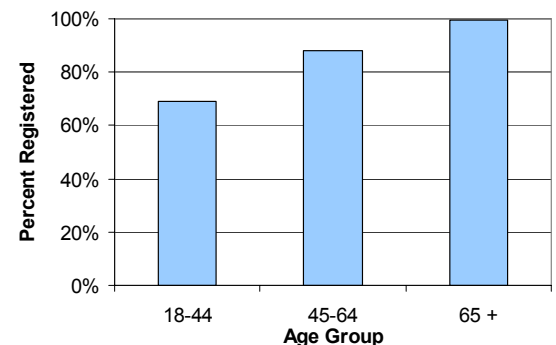
The population distribution has changed since 1990, as shown in fig. 3. In general, relatively more of the 2004 population is in the 45-64 category (34% compared to 26% in 1990), and relatively less of the population is in the younger 18-44 category (28% compared to 36% in 1990).

Escalating housing values will make growth of this group difficult, as many young families are priced out of Fountain Hills housing market. Housing costs

may explain the relatively high proportion of people aged 35-44 (see fig. 1), as younger adults (ages 18-34) may not have incomes sufficient to purchase a home in Fountain Hills.

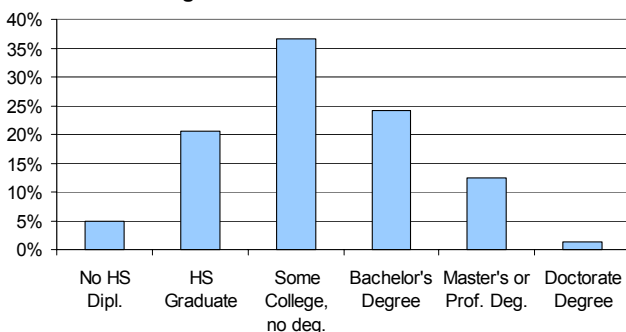
Over a third of the population is age 45 to 64, typically “two-person” families, working couples whose grown children have left home. With more time and higher discretionary incomes, they love Fountain Hills for its beauty and recreational opportunities. If they are in finance or business services, they may commute no further than north Scottsdale, and many may work from their homes or local offices. For them, Fountain Hills is a beautiful bedroom suburb with recreational facilities. Other needs may be met in neighboring Scottsdale, or occasional trips to Phoenix. Anecdotally, people in this group may take an active role in local policy issues when their interests are affected, but their time is often committed to professional and recreational activities; 88% are registered to vote (see fig. 4).

Fig. 4. Voter Registration by Age Group



Seniors, 65 and older, make up 19% of the population. Anecdotally, many of these residents have lived in Fountain Hills since their “empty nest” years; others came here to retire. For this age group, Fountain Hills is a retirement community or a “home base” from which to travel. They are attracted to the Town by its beauty, isolation and recreation. They also bring time and affection, which they express through a long tradition of volunteerism to build a new community. This group is most active in local political decision-making, evidenced by their participation in local political activities, and their nearly 100% voter registration rate.

Fig. 5. Educational Attainment



The Town's population is highly educated (see fig. 5). Of adults 25 and older, 95% have a high school

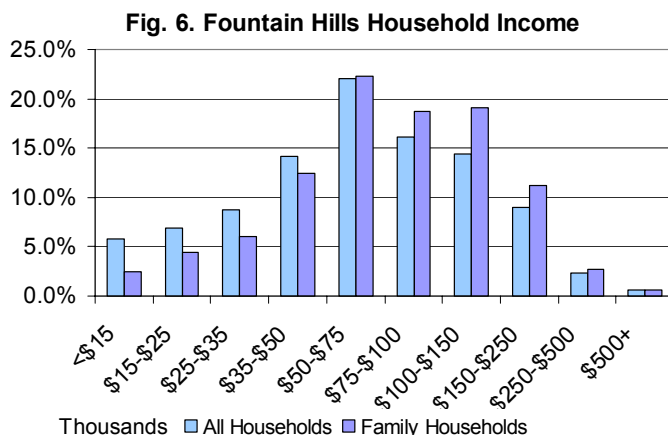
diploma. Nearly 38% have a college degree, including 14% who also hold an advanced degree.

Over two-thirds of the population 15 and older are married (70%); just 15% have never married.

In 2004 Fountain Hills had an estimated 9,961 households, averaging 2.3 people per household. Nearby Phoenix has 2.7 people per household. Nearly three-quarters (74%) are “family households,” with either related adults or one or more children. In Phoenix, just 64% are family households. Nearly half of households (47%) are married couples with no children. Nearly 22% of households are single residents. Fewer than one in five (18%) is a “traditional” married couple with children.

Income

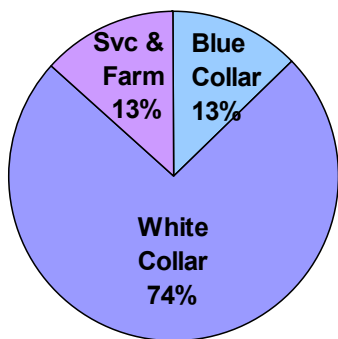
Median household income in Fountain Hills is \$66,492, (compared to \$42,721 in Phoenix). Fig. 6 shows the distribution of household income. The bottom fifth (21%) earns \$35,000 or less. The top fifth (22%) earns \$150,000 or more. The income distribution is skewed so that relatively more people earn higher incomes than earn lower incomes. Family households, with a median income of \$78,107, tend to earn relatively more than all households. Just 2.5% of families are below the federal poverty level.



Employment and Labor

Of the population 16 years and older, 40% are not in the labor force. Over half of this group (56%) is 65 or older. The remainder are students, child-raisers, other non-working spouses and people who have retired “early.” Only 1.3% is unemployed.

Fig. 7. Occupation Classification



Nearly three-fourths (73%) of residents work in for-profit companies; 10% are self-employed; 10% work for federal, state or local governments; and 8% are in the not-for-profit sector.

Nearly three-fourths (74%) of residents work in white-collar professions (see fig. 7), such as Sales and Office (32%), Professional and Related Occupations (21%) and Management, Business and Financial Operations (21%).

While Fountain Hills has 11,194 residents 16 years and older, just 6,422 jobs are in the Town. The largest sector is Services, accounting for nearly a third (33%) of all jobs (see fig. 8).

The largest employing industry (within sectors) is construction, with over 10% of all jobs. With the Real Estate-Trust-Holding Co. industry (part of the Finance-Insurance-Real Estate sector), the combined real estate and construction complex accounts for over 18% of all jobs. This combined industry also provides significant tax revenues to the Town in the form of construction materials; as the Town approaches build-out status, this sector may be expected to decline in

relative importance. In the Town's 2004-2005 budget, approximately 20% of the Town's general fund operating revenue derives from construction-related activity.

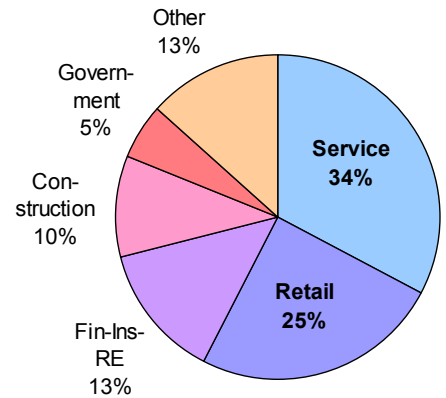
The second-largest employment industry is Eating and Drinking Places (10% of jobs, part of the retail sector), reflecting a wide selection of restaurants. While many of these establishments serve primarily local residents, many also serve tourists who visit the Fountain, shop, play golf at the local courses, attend community theater performances, visit the River of Time Museum and nearby casinos. Few jobs (33) are in hotel and lodging services, but a new hotel is under construction in the downtown area, and another has long been proposed along Shea Boulevard.

The next-largest employment industry is Business Services (9% of jobs, part of the services sector), including a cluster of marketing and business consulting firms (nearly 8% of workers work at home), and shops providing copies, mail services, signs, computer services, etc.

In spite of the high median age, health services (in the services sector) account for fewer than 5% of jobs in the Town. Fountain Hills has a local health care center, a residential independent living and skilled nursing center, and many private medical, dental, chiropractic and other specialized doctors. While the Town has no hospital, the Mayo Clinic facility is just one mile west, and a Scottsdale Healthcare hospital is about eight miles west on Shea Boulevard.

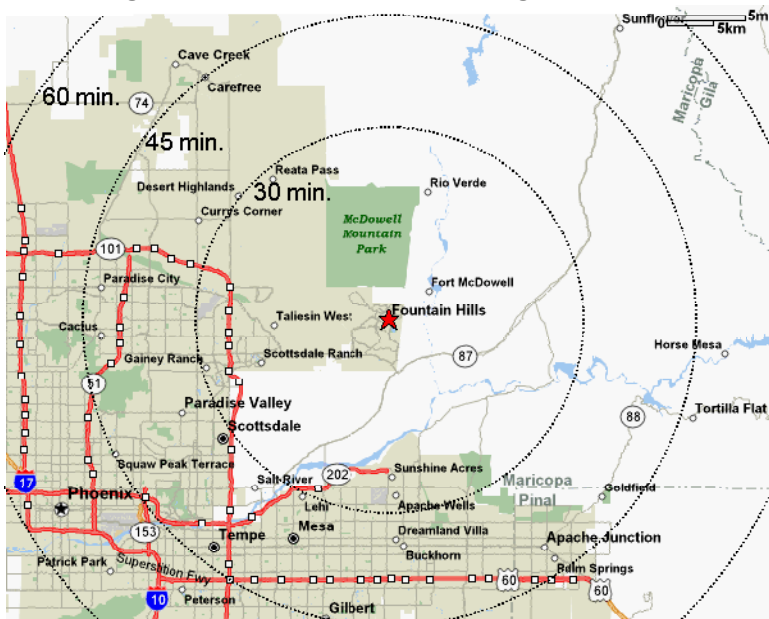
The Retail Trade sector accounts for a quarter (25%) of all jobs in the Town, and generates nearly \$364 million in retail sales, dominated by automotive dealers accounting for 28% of sales. The next-largest retail group is food stores, with 15% of retail sales; the Town has three groceries and several convenience stores. The

Fig.8. Business Employment Types



third-largest sector is general merchandise, with 13% of sales; the largest general merchant is Target in the Shea corridor.

Fig 9. Approximate Commuting Distances



Residents generally do not work in the Town: 71% commute 15 minutes or longer from their homes, or outside the Town. Nearly 20% commute 15-29 minutes, reaching much of north Scottsdale (see fig. 9). Almost a third (31%) commute 30-44 minutes, reaching all of Scottsdale and parts of Paradise Valley, Tempe, Sky Harbor airport, northeastern Phoenix and the east Valley. Over 14% commute 45-59 minutes, reaching the Phoenix central business district. The average commute is just over 30 minutes, and 80% of commuters drive alone.

Housing

Fountain Hills is a Town of homeowners, with nearly 84% of housing units owner-occupied; the remainder are rented. The median value of owner-occupied homes was \$248,000 in 2004, a 14% increase over the \$217,200 measured by the 2000 Census. Anecdotally, the market is rising rapidly and current values are no doubt significantly higher.

Over three-fourths (77%) of all housing is single-family detached or single-family town homes. About 3% are duplexes, and 18% are in complexes of 3-19 units; a few are in larger complexes, and another large complex is under construction.

The median age of housing is 12 years (built in 1993; see fig. 11). Much of the housing stock (46%) is less than ten years old, constructed since 1995. This statement implies that nearly half the Town's population has never had an opportunity to participate in a Town Hall event, as the last Town Hall was held in 1995.

Fig. 11. Year of Housing Construction

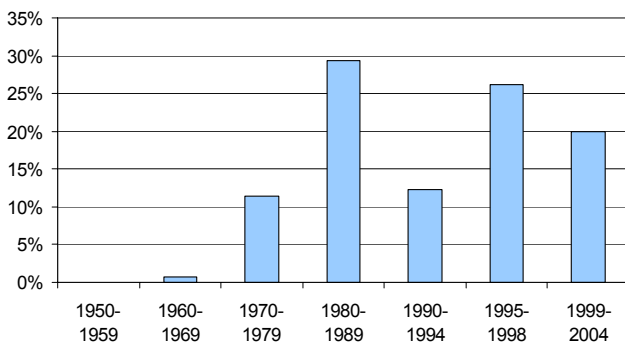


Fig. 12 compares the 2000 median house values for the Phoenix-Mesa metro area, the City of Phoenix, and east Valley suburbs. While Fountain Hills house values are noticeably higher than Mesa, Chandler and Gilbert, they are somewhat lower than Scottsdale and Cave Creek, and significantly less than Carefree and Paradise Valley. Comparable estimates for 2004 are not available, but a reasonable assumption is that east Valley housing prices have appreciated by similar percentages in all these areas.

Several civic leaders expressed concerns about the high cost of housing, and its effect on the Town's demographic diversity. They note that high housing costs may price many young families out of the Fountain Hills market. Several participants in the Youth Visioning Institute noted that their teachers generally cannot afford to live in Fountain Hills.

Fig 10. Owner-Occupied Housing Values

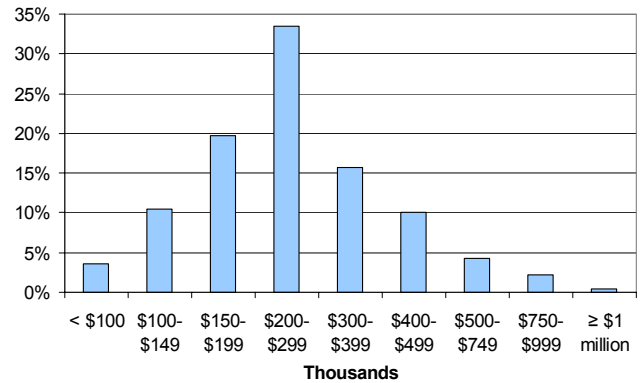
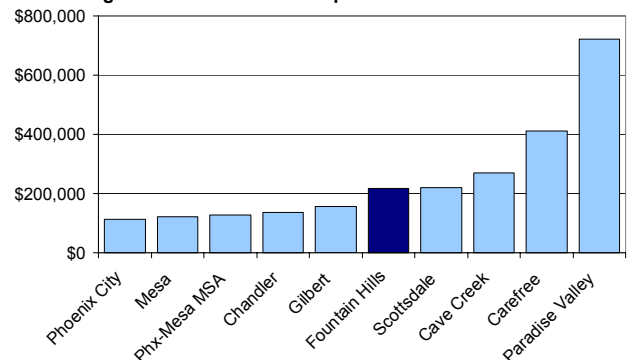


Fig. 10 also shows that a large cluster (29%) of the Town's housing was constructed during a 1980's growth spurt. Much of this housing is now 15-25 years old and it is depreciating due to wear and obsolescence in the same cluster as it was constructed. In most cases, housing is expected to be fully depreciated in about 30 years, or starting about 2010 for housing in this cluster. During this period of advanced depreciation, neighborhoods may start to decline, unless homeowners reinvest substantially in remodeling, refurbishment or replacement housing.

Fig. 12. Median Owner-Occupied House Values - 2000



If young families are priced out of the market, the Town may face some implications. Young families tend to spend more than older couples, as they furnish their homes, buy food and clothing for growing children and accumulate goods. In contrast, more mature couples typically tend to save more of their income. Higher spending by young families stimulates local economic vitality, produces jobs and generates sales tax revenues to operate the Town.

With fewer young families, the school system would have fewer students and suffer reduced State funding, degrading the educational system and making the Town less-desirable. High housing costs may also force the Town's existing young people to leave after high school graduation, disrupting the family-oriented small-town atmosphere that attracts people to Fountain Hills. Lack of affordable housing would make hiring more difficult for local businesses, as workers, unable to afford a Fountain Hills home, would have to commute into Town.

On the other hand, increasing the availability of affordable housing—given market-driven high land prices—would likely imply an increase in housing density, such as apartments, condominiums and town houses. Higher density housing may lead to more congestion, and possibly blocked view corridors.

Economy: Commerce, Tourism and Economic Development

The Town has invested little in economic development, only recently hiring a staff member to coordinate downtown economic development activities. Some civic leaders suggested that the Town should support its small businesses by promoting and recruiting a better mix of businesses, by providing transportation from resorts and hotels, or by making regulations more “business friendly.” This might be accomplished by focusing attention on a business vision for the Town, and sustaining that vision with implementation strategies in place long enough to have an impact.

Commerce and Tourism

The Fountain Hills Tourism Bureau operates under the auspices of the Chamber of Commerce, in cooperation with the Town and the Fort McDowell Yavapai Nation. The efforts of this Bureau attracts visitors to tour, dine, shop and play in the area. The Fountain Hills Tourism Bureau is a member of the Scottsdale Convention and Visitors Bureau, and taps in to a national and regional hotel and visitor outreach through this association.

Fountain Hills has an active Chamber, with a total membership of about 600, and attracting 200 business people to its monthly breakfast meetings. A popular tourism activity is the Chamber-sponsored Fairs in February and November each year. Over 500 artisans, merchants and craftspeople show and sell wares to over 150,000 visitors during a three-day period at each Fair. The events draw considerable attention, and generate significant sales tax revenue for the Town.

The Chamber sponsors three “Home Town” holiday traditions for the residents of Fountain Hills. The only Thanksgiving Parade in the state of Arizona draws 5-6,000 residents and visitors, and 80-90 floats, groups and bands. The Chamber also sponsors the annual “Stroll in the Glow” event during the December holiday season. Families walk down the Avenue of the Fountains, visit Avenue merchants, enjoying the lighting displays, tethered hot air balloons and a visit from Santa. The annual holiday display of miles of luminaries placed and lighted by hundreds of Chamber volunteers delights residents and draws visitors from throughout the Valley.

The Town initiated a “nocturnal farmers market” on Friday evenings, November through March, starting in 2004. Coupled with new holiday lighting, these events bring people to the Avenue of the Fountains in early evenings and merchants stay open late to accommodate shoppers.

A new upscale art-and-wine event was held on the Avenue of the Fountains in March 2005, with a view to becoming an annual event. The Arts Council stages a number of annual juried arts events showcasing area artists, and the River of Time Museum has established a venue to feature local Western artists and sculptors.

All of these events showcase the Town to visitors, and thereby attract repeat visitors for local businesses and, potentially, new residents.

Downtown

The Avenue of the Fountains is scheduled to undergo a major facelift starting in late 2005, including resurfacing the sidewalks, installing streetlights, benches and shade elements, creating crosswalks and traffic controls, and eventually refurbishing the median with new planting, public restrooms, walkways and water features. This initiative is intended to revitalize the downtown area, improve its functionality and set new standards governing Avenue development.

As of March 2005, the south side of the Avenue of the Fountains remains undeveloped. Various proposals for this property have been reviewed during the last several years, and another has recently been proposed. The downtown area does have several projects under construction, including a hotel, a large condominium project and a new Town Hall building.

Several opinion leaders recommended expanding the Town’s tourism potential, especially by focusing on culture and arts, focusing on its “small town” character, developing the Avenue of the Fountains and downtown shopping alternatives; developing cross-marketing relationships with neighboring casinos and creating more recreation-oriented events. Other interviewees disagreed with focusing on tourism. They said that Fountain Hills has little to offer tourists: after they have photographed the Fountain, little else is left to do, and that the downtown area will never have enough customers to support a major shopping destination.

Economic Development

Fountain Hills has managed to avoid many of the urban ills that face large metropolitan areas such as Phoenix: congestion, pollution, illegal immigration, poor education and water shortages. Other problems relate to state-wide issues, such as: low education funding; high drop-out rates; low-wage job generation; difficult access to start-up business capital; low levels of research and development; and other barriers to participating in the knowledge-based economy. Several civic leader interviewees recognized that Fountain Hills is not immune from these difficulties.

To address its long run problems, Phoenix has initiated several steps to develop the biotech industry, with high wages and large capital investments. Scottsdale has joined the effort, supporting development of an ASU technology campus. Some of the civic leaders interviewed recognize that Fountain Hills has been insulated from the benefits of these advances, as well as from some of the problems of the metropolis. They suggested that Fountain Hills engage with state legislators and the Congressional delegation for guidance and support in these issues.

Town Finances

The Town of Fountain Hills has corrected the financial difficulties it faced in 2001-2002, which required significant expenditure and service cuts. The current budget, for 2004-2005, is balanced. It increases reserves, and maintains them at policy levels, to preserve the Town's favorable Aa3 credit rating by Moody's. The new budget, for the 2005-2006 budget year, is in development, and is scheduled for Town Council vote in June 2005.

The experience of 2001-2002 underscored a sense of concern voiced by many of the people who were interviewed. Several noted that continuing to solidify the Town's financial stability is an important goal for the future. People looking for new homes would be unlikely to buy into a Town facing unpredictable financial conditions.

Sales Tax

Fountain Hills levies a 2.6% sales tax, including a special 0.4% assessment to fund: downtown development (0.1%); payoff of Town Hall construction bonds (0.1%); and mountain land acquisition bonds (0.2%). Local sales taxes generate approximately \$7.25 million, or 51% of the Town's general revenues. Some of the key interviewees believe the Town is too dependent on this revenue stream.

In addition to the local levy, the Town receives another \$1.75 million allocation of the State's 6.3% sales tax, based on population. The Town does not control this revenue source; the State Legislature controls it, and the Legislature regularly considers changing the allocation, or using this revenue for other purposes. This allocation makes up another 12% of general revenues.

The Town's sales tax rate is relatively high compared to neighboring jurisdictions, and although not substantiated, some interviewees believe the high tax rate stifles business. Dependence on the sales tax as a key revenue source also makes the Town's finances vulnerable to the ups and downs of the general economy.

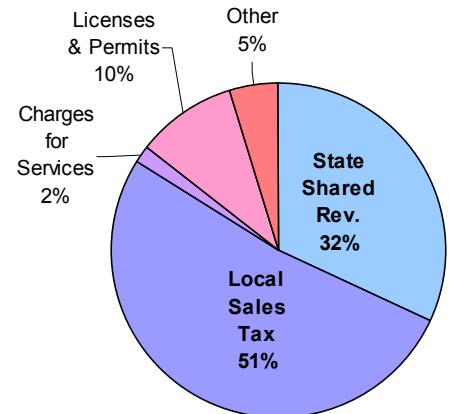
As the Town approaches build-out, the sales tax revenues from construction activity will drop off. The Town's financial management staff is monitoring and analyzing this impact.

Sales tax abatement has been used as an economic development tool to lure new retail businesses. For example, the Town rebates half the local sales tax back to Four Peaks Plaza for a limited time period, and subject to a maximum amount.⁸ The abatement is scheduled to end in approximately two years, much sooner than expected.

Property Tax

Fountain Hills does not use property tax revenues to fund general expenses. Several civic leaders interviewed suggested adopting a property tax to stabilize the Town's revenues and offset corresponding reductions in the high and volatile sales tax.

Fig. 13. General Fund Revenues 2004-2005



⁸ A limited portion of sales tax revenue is rebated to a local retail development for a limited period of time, under a development incentive package; this rebate obligation is projected to end in 2007, and not recur afterward.

A “secondary” property tax generates \$1.45 million to pay for general obligation bonds issued to finance the Town library and museum, street paving and land acquisition and preservation. The Town has used well under half of its bonding capacity under State law.

Income Tax and Other Shared Revenues

Fountain Hills does not levy a personal or corporate income tax. Fountain Hills receives a population-based share of State income tax collections, \$1.86 million in 2004-2005, or 13% of the Town’s general revenues. Under State law, the Town’s share of State income taxes is based on actual collections during the 2002-2003 recession years. The current economic recovery will be reflected in the Town’s budget in 2006-2007.

The Town also receives a population-based share of State vehicle license taxes, totaling \$0.82 million, or 6% of general revenues, and a share of fire insurance premiums taxes totaling less than 1% of general revenues.

Like the shared sales tax, the Town does not control these shared taxes; the State Legislature controls them, and it regularly considers changing the allocation, or reserving these funds for State use. Total shared revenues—sales, income, vehicle license and fire insurance premium taxes—are 32% of Fountain Hills’ general fund revenues. Consequently, nearly a third of the Town’s general fund budget is outside its control.

Moreover, as surrounding cities and towns grow faster than Fountain Hills, and gain a larger proportionate share of the State population, Fountain Hills actually loses revenue that is redistributed to the faster-growing communities. Early estimates of the impact of the 2005 mid-decade population update indicate that Fountain Hills will lose approximately \$135,000 of state shared revenues in budget year 2005-2006 because the Town has not grown at the dramatic pace of other Arizona cities.

Residential and Commercial Development Impact Fees

Some key interviewees believe that Fountain Hills’ development impact fees are too low, particularly in comparison to other Valley jurisdictions. Fountain Hills impact fee for residential development is \$3,495; the average impact fee on residential development in the surrounding communities is approximately \$8,350 (2003 rates).

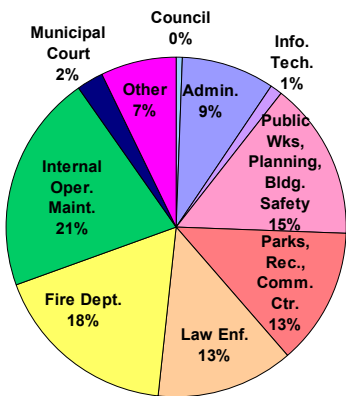
Expenditures

Some of the key interviewees also addressed Town expenses. One suggested increased reliance on community organizations and volunteers, to maintain the small town atmosphere and to reduce costs. Another recommended cautious, lean spending, with careful attention to residents’ priorities. One suggested a five-year financial plan synchronized with the strategic plan.

Infrastructure

Several key interviewees pointed to a need to invest in infrastructure to maintain and keep it up to date. A high level of maintenance is necessary to preserve the Town’s image and attractiveness to visitors and potential new residents. As the infrastructure ages, its depreciation becomes a greater draw on limited Town financial resources.

Fig. 14. General Fund Expenses
2004-2005



Examples of infrastructure include the 165 miles of Town streets. More than half the Town’s street surfaces are over 20 years old, which is the normal life expectancy of asphalt without regular maintenance. Sufficient maintenance programs over the last 12 years proved to be the right investment, as most of the streets are in good to fair condition today. The Town also maintains six jurisdictional earthen dams to prevent flooding. Inspected annually by the Arizona Department of Water Resources, the Town maintains these dams to rigorous State standards.

In 2002-2003, the Town prepared a five-year Capital Improvement Plan that identified projects and associated costs to maintain and improve crucial infrastructure and support the Town’s continued growth and development. The analysis revealed over \$8 million in unfunded improvement projects that will be necessary to maintain the streets over the next five years.

Physical Plan; Land Use

The zoning and land-use plan was originally created by Town developer MCO Properties long before the Town of Fountain Hills incorporated in 1989. After incorporation, the Town enacted the 1993 *General Plan for the Town of Fountain Hills*. In 2002, the Town updated the *General Plan*. Today, land use is governed by the 2002 *General Plan* and the *Zoning Ordinance*.

According to the 2002 *General Plan*, the allocation of developable land is shown in Table 1. In addition to the acres shown, 4,278 acres are not developable; over a third of this land is Town-owned, and a quarter is Hillside Protection Easements. The total land area is nearly 13,000 acres.

Table 1. Land Uses

| Use Type | Acres Developable | Percent of Developable |
|---|-------------------|------------------------|
| Single family | 5,618 | 65% |
| Multi-family | 632 | 7% |
| Commercial | 398 | 5% |
| Lodging | 23 | 0% |
| Industrial | 39 | 0% |
| Town-owned Hillside Protection Easement | 1,450 | 17% |
| Totals | 8,706 | 100% |

Some key interviewees view the significant amount of vacant commercial-zoned land, particularly in the downtown area, and assume that the Town has too much commercial space. As Table 1 shows, the Town’s commercial, lodging and industrial land totals just 5% of all developable land. Comparisons with other cities and towns are difficult, as they use different categories, definitions and measurement techniques:

- The City of Scottsdale’s *General Plan*, reports a combined 4% commercial, office and mixed use or downtown land uses.
- The City of Mesa *General Plan* reports 4% commercial land use in 2002.
- The Town of Carefree *General Plan* reports 0.6% commercial land use in July 2000.
- The tourism-focused City of Sedona *General Plan* reports 5% commercial land use, and 3% lodging land use for 2002. At build-out (2015-2019), the *General Plan* projects 7% commercial land use, and 5% lodging land use.
- Lake Havasu City, another MCO-planned town with a current population almost twice that of Fountain Hills, reports in its *General Plan* 8% commercial land use in the current City limits.

It also projects a 4% commercial land use in the long-term planning period when the population could be as much as four times its current population.

The Maricopa Association of Governments projects ultimate build-out in Fountain Hills at about 30,700 total population between 2012 and 2015, or about one-third (34%) more population than in 2004. This estimate does not include any projected development on State Trust lands, though people who eventually live on these lands will use Fountain Hills for many of their commercial and retail needs. This greater population will require additional commercial and retail services, and those additional services will require space.

State Trust Lands

1,276 acres of State Trust lands in the McDowell Mountains foothills are expected to be released for development. The State has scheduled disposition of the land in 2007. A key question is how densely these highly-desirable lands will be developed when the State Land Commissioner sells them at auction.

At this time, the State can only supply rough estimates of potential densities, which would cap at 2.5 dwelling units per acre, based on total gross acres. This density figure is based on an annexation threshold analysis prepared by the Town of Fountain Hills in September, 2003, which identified 693 acres that are suitable for development. At this density, 1,733 residences could eventually be built; and at the current average of 2.3 people per household, this density could imply approximately 4,000 new residents in the area.

Maricopa County currently zones this land for one-acre residential lots, or 693 residences; at the current average of 2.3 people per household, build-out at this lower density would imply approximately 1,600 new residents in the area.

According to the Town's annexation analysis, a third scenario of higher density between 7.26 and 2.3 units per acre would imply approximately 3,300 residences and 7,600 new residents.

Whether these lands are annexed into Fountain Hills or not, people who will live on these lands will use Fountain Hills streets and other amenities. According to the Town's annexation analysis, the basic infrastructure of Fountain Hills was originally designed to accommodate a much larger population; consequently the Town is projected to be able to absorb these additional residents with the following budgetary impacts: existing staff and facilities will be adequate for fire protection, schools, water, wastewater and electric power; the primary costs are projected to be for additional law enforcement officers, parks, open space maintenance and streets maintenance (except if the community is gated).

The Fountain Hills Unified School District (FHUSD) has placed on the May 14, 2005, ballot an item to encompass the State Trust lands within the District's boundaries, subjecting them to school taxes. A vote now to expand the District's boundaries involves only current FHUSD residents. A vote after development would put the decision into the hands of the new residents of the area. Whether the State Trust lands are within FHUSD boundaries or not, residents of that area may choose to educate their children at Fountain Hills Schools.

Amenities

The Town of Fountain Hills has a wide variety of public and private facilities to improve the quality of life of its residents.

Parks

The 64-acre Fountain Park, with the world's highest fountain in the 29-acre Fountain Lake, is central to the Town's identity; its image forms the Town Seal. A favorite subject for photographers, the park features 35 acres of turf, 1.4-miles of walkway circuit, amphitheater with performance pad, playground, splash pad, 18-hole disc golf course, two ramadas with barbecue pits and tables, restrooms and a war veterans memorial (under construction). The park is widely used by joggers and walkers and has hosted many weddings, high school graduations and family reunions.



Golden Eagle Park is a 25-acre active recreation area adjacent to the middle and high schools. It includes four multi-purpose ball fields with lights, covered dugouts and seating for 550 spectators, four lighted tennis courts, two lighted basketball courts with bleachers, two lighted sand volleyball courts with a shower tower, a children's playground, a 2,500 square foot restroom and control center building, three picnic ramadas with barbecue pits and a horse shoe pit. Sidewalks and lighting encircle the park.

Four Peaks Neighborhood Park is a 15-acre active recreation area adjacent to the elementary school. The park includes a lighted soccer field with spectator seating, two multi-purpose ball fields with lights and seating, two lighted tennis courts, two lighted basketball courts, a children's playground, a group ramada with a barbecue pit and restrooms.

Desert Vista Neighborhood Park is a 12-acre site on Saguaro Blvd., between Desert Vista and Tower Drive, with broad turf. It houses a new dog park, fenced so that dogs may run without leashes. A new skate park will be built soon, primarily serving the Town's youth.

The Fountain Hills Parks and Recreation Department organizes a wide variety of activities, including basketball and softball leagues, bridge, classes in art, dance, dog obedience, golf, gymnastics, hiking, hunting, karate, parenting, piano, pilates, pottery, Spanish, tai chi, tennis, volleyball, yoga and more.

Other parks include: Kiwanis Park, largely undeveloped, owned by the Town and maintained by the Kiwanis Club; the private North Heights Park and facilities at the four public school sites.

National Recreation and Parks Association minimum standards for both community and neighborhood parks are 2.5 acres per 1,000 people in each category. Many communities throughout the Valley, state and nation have adopted much higher park standards than these minimums.

Fountain Hills has 58 acres of community parks and 27 acres of neighborhood parks. Table 2 summarizes how Fountain Hills stacks up against these national standards.

Table 2. Parks Needs Analysis

| Period | Population | Current Parks Acres | Acres per 1,000 Population | National Standard Ac./1,000 | Additional Acres Needed |
|---------------------------|-------------------|----------------------------|-----------------------------------|------------------------------------|--------------------------------|
| Community Parks | | | | | |
| 2000 | 20,235 | 58 | 2.9 | 2.5 | 0 |
| 2004 | 22,863 | 58 | 2.5 | 2.5 | 0 |
| Build-out | 30,700 | 58 | 1.9 | 2.5 | 19 |
| Neighborhood Parks | | | | | |
| 2000 | 20,235 | 27 | 1.3 | 2.5 | 24 |
| 2004 | 22,863 | 27 | 1.2 | 2.5 | 30 |
| Build-out | 30,700 | 27 | 0.9 | 2.5 | 50 |

Table 2 shows that the Town has just enough acres of community parks at the present time, but without additional investment in parkland, it will fall considerably short of the standard by the time build-out occurs, estimated between 2012 and 2015. To meet the standard, community parks would have to grow by one-third to meet the needs of the projected build-out population.

Table 2 shows that the Town already falls significantly short of neighborhood parks. In fact, if the Town doubled its neighborhood parks acreage, adding 27 more acres, it would still not reach the national standard; 30 additional acres are needed to meet the standard today. By the time the Town reaches build-out, it will need an additional 50 acres of neighborhood parks.

This parks needs analysis does not include any population that may eventually occupy the State Trust lands. Adding in this potential population would make the parks shortfall look even worse.

Other Recreational Facilities

The 740-acre Fountain Hills McDowell Mountain Preserve, located in the northwestern corner of the Town, provides hiking and contemplative recreational opportunities. A \$2 million trailhead is currently being designed for the Town in the Preserve. Adjacent to the Preserve are 200 acres of dedicated open space owned by the City of Scottsdale.

The McDowell Mountain Regional Park, with 21,099-acres and over 50 miles of trails, has a minor trailhead just north of the Town, near the end of Golden Eagle Parkway. The main entrance is through the neighboring Fort McDowell Yavapai Nation lands.

Four golf courses serve the Town, including Desert Canyon Golf Club, SunRidge Canyon Golf Club, the Golf Club at Eagle Mountain and Firerock Country Club.

Cultural Facilities

The town's civic center area features a 31,000 square-foot community center, with facilities ranging from a small conference room to an 800-seat-capacity ballroom. The community center is available for rent, and is heavily used by local clubs, businesses and other organizations, as well as concerts, parties and weddings. It houses the Senior Center, with activities for hundreds of seniors each day. Several Youth Visioning Institute participants noted that the community center has no facilities and few programs oriented to the interests of high-school-age students.

Also in the civic center is the Town lending library, which boasts 500-600 visitors daily. Included in the library is a used bookstore, which contributes to library operations. The River of Time Museum, dedicated to local and Native American history, is also part of the civic center complex. Under construction is a new Town Hall, to replace the currently-rented facilities.

Statuary installations are scattered throughout the civic center complex, as well as in various shopping areas, notably Plaza Fountainside. The Fountain Hills Cultural Council and the Sunridge Foundation are coordinating art acquisitions, with a goal of 100 installations.

The Town has at least 17 places of worship; many of these congregations also provide meeting facilities, public services and other amenities.

Some private organizations, such as Kiwanis and Fountain View Village, also have facilities that are available to members or the public. The Boys and Girls Club, with 700 members, was recently completed with a significant investment by the Town and area civic associations.

Frequently mentioned by interviewees as potential amenities for the future are an aquatic center, a performing arts center and a movie theater. Several others interviewees mentioned they would like to see better use of the Town's natural features, by building pedestrian trails and paths throughout the Town and its wash areas.

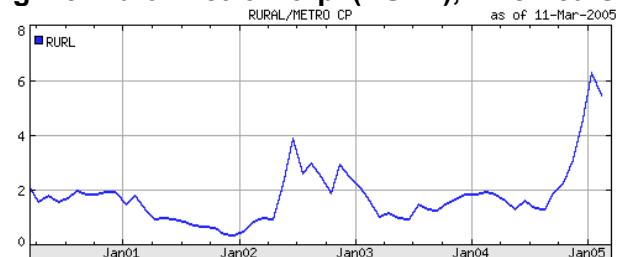
Public Safety

Police services are provided under contract by the Maricopa County Sheriff's Office. The Fountain Hills area has 26 full-time deputies assigned, including patrol, detectives and community services officers, all under the command of a Sheriff's Captain. The MCSO's law enforcement mission is to create and maintain a safe and secure environment for residents.

Fire protection services are provided under contract by Rural/Metro Corporation, which maintains two Fountain Hills fire stations, and has a site secured for a potential third fire or emergency medical services station. The contract between Scottsdale and Rural/Metro will not be renewed in July 2005, as Scottsdale is starting a municipal fire department, and a new "mutual aid" agreement between the Town and the developing Scottsdale Fire Department is under discussion. The current Fountain Hills Fire Chief has accepted a position with the Scottsdale Fire Department, and a nation-wide search for a new Fountain Hills Fire Chief has been launched.

A citizens' proposal to establish a Fountain Hills Fire District, a taxing authority to support locally-operated fire protection services, did not go before voters. When Rural/Metro faced financial difficulties in 2000 and 2001, some people feared a potential bankruptcy might leave Fountain Hills without services. Rural/Metro's finances stabilized, it did not declare bankruptcy, and it has rebounded significantly since September 2004 (see fig. 15).

Fig. 15. Rural/Metro Corp. (RURL), Five Years



Fountain Hills' ambulance and emergency medical services are provided by Southwest Ambulance, a subsidiary of Rural/Metro Corp. The City of Scottsdale contract with Southwest Ambulance expires in 2007, and a new agreement will be discussed, which could affect Fountain Hills.

Environment and Resources

The Town of Fountain Hills enjoys the beauty of the Sonoran desert, dramatic views of the McDowell and Superstition Mountains, and a low-density suburban lifestyle with few of the urban ills of nearby Phoenix.

Town leaders consistently cited the beautiful scenery, natural beauty and mountain views as reasons why they came to Fountain Hills, and identified the need to preserve these assets as challenges for the future. Many of these key leaders viewed Fountain Hills' natural environment as one of its most significant competitive advantages, and stewardship of these resources as a primary economic development strategy. They said that Fountain Hills need not try to become another Scottsdale; rather, that people will come to Fountain Hills because of its quiet beauty.

The Town's McDowell Mountain Preserve Commission is responsible for maintaining the Preserve and its habitat, and developing and regulating access and use of trails for hikers.

Water and Wastewater

Fountain Hills water is provided by Chaparral City Water Co., a privately-owned utility serving approximately 12,000 connections including the Town and some nearby communities outside the Town boundaries. Chaparral City recently applied for a rate hike and restructuring, to encourage conservation by charging more for higher usage. It recently received an increased allocation of water from the Central Arizona Project, and its wells are not evidencing any diminution of supplies. Chaparral City believes it has sufficient water resources to supply Town demand for a 100-year horizon, including service to the State Trust land parcel when it is developed.

State-wide, many people are skeptical about the adequacy of water resources in the 100-year planning horizon. The State's major water source is the Colorado River, brought to the Valley by the Central Arizona Project canal. These people believe that projected yield of available water from the Colorado are optimistic or flawed, and subject to challenge and re-statement.

Town residents generally practice water conservation. Most areas are landscaped with native desert vegetation, typically with efficient drip irrigation systems; very few homes have traditional green lawns. Some neighborhood associations restrict non-native plantings and green lawns in areas visible from the street.

The Fountain Hills Sanitary District provides sewerage services, with its own wastewater treatment plant. It supports water conservation in the Town by recycling effluent wherever possible. Fountain Lake contains reclaimed waste water, which is also used to maintain the park lawns. Surplus effluent in the winter is stored by recharging underground aquifers, then withdrawn in summer for landscape watering. Two of the four golf courses also use reclaimed water, and the Sanitary District is increasing use of reclaimed water at a third golf course.

Solid waste collection in Fountain Hills is provided by independent companies. Subscription is not mandatory. Limited recycling programs are available.

Air Quality

Fountain Hills' air quality generally reflects the impact of greater Phoenix. Prevailing winds from the west bring dust and smog from Phoenix toward the McDowell Mountains, where it may accumulate. Fountain Hills' higher elevation and position in the foothills do not protect it from the urban pollution of the surrounding metropolis. While the causes of an unsatisfactory air quality rating are outside the Town's control, it cannot escape the consequences of its location on the eastern edge of the Nation's fifth-largest urban area. Fully-paved roads throughout the Town and construction regulations keep locally-generated dust to a minimum.

Energy

Electrical energy is provided by the Salt River Project, primarily through underground distribution. SRP has a maintenance facility south of Shea Boulevard, in Firerock Centre, and the Glenbrook substation at the Town's northern border. Southwest Gas provides natural gas to limited areas. Liquid propane is available from local suppliers

Transportation

Major access to the Town of Fountain Hills is from Shea Boulevard, a median-divided four- to six-lane road. Shea connects the Town to the greater Phoenix metropolitan area to the west, toward Scottsdale and central Phoenix. Some leaders interviewed noted that Shea poses some safety risk because it is one of only two exits in case of emergency.

To the east, Shea intersects State Highway 87, a median-divided four lane road. It connects to the south and east Valley, including the cities of Mesa, Chandler and Gilbert. Highway 87 also connects the Town northward to the Verde and Salt Rivers, Saguaro Lake, and further north to Payson, the Mogollon Rim and mountain areas.

McDowell Mountain Road, a two-lane road, heads north out of Fountain Hills through Rio Verde, and connects to northeast Scottsdale through Dynamite Road.

The Town has approximately 165 miles of paved roadways. One interviewee noted that many roads are in poor shape compared to neighboring communities. Bicycle lanes are striped on Saguaro Boulevard, and portions of Palisades and Fountain Hills Boulevards.

Valley Metro buses depart La Montana at Palisades twice each morning, to downtown Phoenix, and return to the same corner twice each evening, Monday through Friday.

Fountain Hills has private taxi service available.

Scottsdale Airport provides private aircraft terminal services, approximately 25 minutes from Fountain Hills. Phoenix Sky Harbor Airport, with full commercial and cargo service, is approximately 40 minutes from Fountain Hills.

Neighboring Jurisdictions

Key neighbors include the Fort McDowell Yavapai Nation, the Salt River Pima-Maricopa Indian Community and the City of Scottsdale. Fountain Hills' relationships with its neighbors are important; for example: Neighbors back each other up on issues of public safety. Limited access points into and out of Fountain Hills traverse neighbors' jurisdictions. Tourism—a significant part of all four entities' economies—depends in part on the critical mass of clustered attractions, including shopping, community theater, art festivals, River of Time Museum, and golf in Fountain Hills, Taliesin in Scottsdale, and golf, camping, recreation and gaming in neighboring Native American facilities. Fountain Hills residents cut through reservation streets to access State Highway 87 northbound, and Native Americans work in Fountain Hills businesses, shop in its stores, and attend its schools.

At the same time, neighbors can also be competitors; for example: Both Scottsdale and Fountain Hills school districts compete for students, though they compete more against private and charter schools than against each other. Scottsdale shopkeepers compete for Fountain Hills customers, and Fountain Hills shopkeepers compete for the more numerous Scottsdale consumers. Fountain Hills restaurants compete for tourists' discretionary spending, while neighboring casinos compete for the same dollars, with plans for extensive commercial development. Realtors lure homebuyers to Fountain Hills touting its beauty and recreational opportunities, while others lure homebuyers to Scottsdale citing its convenience, vibrancy and employment opportunities.

To date, most inter-community relationships have been developed through one-on-one negotiations, or limited discussions based on isolated issues. Many of the Town's civic leaders feel that these cooperative and competitive relationships interact with each other to a degree that cannot be effectively separated. The amount and degree of interdependency requires that friendly and cooperative relationships be systematically established and then pro-actively maintained.

Other leaders interviewed view independent planning as a preferred approach. Their view is that independent relationships have worked so far; few negative issues have arisen to date, and they can be addressed as they come up. Cooperative planning is difficult, and does not always produce the best result.

A key element in developing and maintaining relationships with neighboring jurisdictions is the Town's relationship to its Congressional⁹ and Arizona legislative¹⁰ delegations. For example, Senator Kyl spearheaded recent changes in the allocation of the State's water resources, and Senator Allen has facilitated the Town's discussions with the State Land Department regarding the release of State Trust lands.

⁹ Senators John Kyl (R-AZ) and John McCain (R-AZ) and Representative J.D. Hayworth (R-AZ5).

¹⁰ Senator Carolyn Allen and Representatives Michele Reagan and Colette Rosati (all R-8).

Key Challenges Ahead

As the Town embarks on its journey to map its future, it will face several key challenges, some of which are presented below. These challenges are presented as questions that the Town of Fountain Hills may address, and attempt to answer, in its strategic planning process:

Vision of Fountain Hills

What is the vision of Fountain Hills in five, 10 or 20 years? Should it be a bedroom suburb of Scottsdale and Phoenix? Or should it be a stand-alone small town, where people can live, work, learn and play? Or a retirement community? A tourism destination? Or an arts community? Or some special blend of the best of these alternatives?

Transportation

Fountain Hills is dependent on Shea Boulevard to the west for access to Scottsdale and Phoenix. Eastward, Shea provides access to State Highway 87 (Beeline Highway) and the east Valley suburbs. Any disruption on Shea can disrupt virtually all traffic to or from Fountain Hills, affecting commuters, tourists and, potentially, emergency vehicles. Should the Town explore development of other routes to provide access to the Town?

Town Government Financial Stability

How will build-out affect the long-term stability of Town finances? Will remodeling, refurbishment and replacement of older housing and commercial buildings offset the decline in new construction sales tax revenue? Should the Town explore a property tax to reduce its dependence on volatile sales taxes?

As the Town's growth rate subsides, and per-capita allocations of state shared revenues decrease, how will Fountain Hills generate sufficient revenues to support the Town's governmental operations and amenities?

How will build-out affect other elements of the Town? How does governance of a stable housing and population base differ from governance of a growing area? How do needs change under build-out conditions for citizens, businesses, schools and government?

As the Town ages, its infrastructure—paved streets, buildings, parks equipment, etc.—will depreciate and deteriorate. How should the Town finance repair, refurbishment and replacement of its infrastructure when it wears out?

Should the Town consider Charter Government? What advantages would Charter Government bring? What disadvantages would result? How would Charter Government affect the Town's financial management and facilities financing options?

State Trust Lands

How will the State Trust lands be developed? At what density? How many people will be expected to live there? Will it be annexed by the Town of Fountain Hills?

Amenities

What amenities will continued population growth require? Additional parks? Other recreational facilities? Cultural facilities? How should the Town finance these amenities?

Housing

What actions, if any, can be undertaken to increase the affordability of housing, to attract more young families and a more diverse demographic base?

How will the Town's housing stock be maintained as it depreciates in large clusters over the next 5-to-30 years? Will owners invest in remodeling, refurbishment and replacement to prevent neighborhood deterioration?

Will the demand for a Fountain Hills address decrease in response to the next new upscale development? How can Fountain Hills preserve its competitive position as new areas are developed in Maricopa County?

Youth Participation

At the Youth Visioning Institute, many Fountain Hills youth reported that they do not feel included in the Town's planning. How can the Town ensure that it considers multi-generational needs when planning for new facilities and resources?

Natural Resources

How can the Town preserve its unique open spaces, protecting nature and views? How can Fountain Hills protect itself against its main natural disaster: forest fires?

Collaboration with Neighboring Jurisdictions

Does Fountain Hills have a structure for inviting and engaging its neighbors in collaborative discussions, and then converting dialog into strategies and plans?

Appendix A: SWOT Analysis
*(From October 8, 2004 Citizen Meeting and
 January 29, 2005 Strategic Plan Kick-Off Meeting)*

| <i>Services and Infrastructure</i> | | | |
|---|--|---|---|
| <i>Internal Strengths</i> | <i>Internal Weaknesses</i> | <i>External Opportunities</i> | <i>External Threats</i> |
| <ul style="list-style-type: none"> • Absence of charter gov't • School system/ high avg of students • Fountain • Youth council/ B&G Club/ Teen Center • Gov't Channel 11 • Good relationship w/MCSO • Many amenities for community this size, e.g., senior services, park system, art/ theatre, bike lane system, sports activities • Funded, well run Sanitary district • Assured water supply • Shea Blvd corridor • Proximity to Mayo Clinic • Strategic planning proces | <ul style="list-style-type: none"> • Charter gov't. would give people more say/ lack of communication avenues/ gov't to people • Reputation of school system threatens housing values / teacher turnover • Under-funded for streets • High sales tax/ dependent upon volatile revenue stream • No property tax • Lack of stable funding for fire protection • Limited financial resources exacerbated by build out/ excessive spending/ reliance on state revenue/ construction revenue ultimately ceases/ future financing ability • Lack of aquatic facility/ recreation center/ movie theatre/ senior center/ more space for library/ cemetery/ postal sub station • Inadequate public transportation • Lack of land for expansion, i.e., recreational property, more development | <ul style="list-style-type: none"> • Partner with Ft McDowell on infrastructure issues • Grants • State Trust Land annexation • Partnership with NAU and Maricopa Community college for in town campus • Tie into regional transportation grid | <ul style="list-style-type: none"> • State Trust Land developed improperly • Add'l traffic dirt and noise associated with development of State Trust Land • Need access alternative to Shea • Not control water utility |

Services and Infrastructure

| <i>Internal Strengths</i> | <i>Internal Weaknesses</i> | <i>External Opportunities</i> | <i>External Threats</i> |
|---------------------------|--|-------------------------------|-------------------------|
| | <ul style="list-style-type: none"> • Environmental planning and education/ recycling for plastic and glass/treat waste water and reuse • No protection of view corridors • Lack of commercial architectural integrity • Public safety, e.g., no evacuation plans • Spotty cell phone coverage • No hi-speed internet in industrial area • Lack of competition in cable service • Strain on town staff/ services • Traffic grid improvements • Business should pay for fire protection • Too many refuse companies • Election cycle needs to be earlier to align budgeting with elections • Inconsistent bldg inspector punch lists • Housing deterioration in older areas/housing stock will deteriorate at approximately the same time • Defined maximum population • Shea is only regional road through Town and may need widening • Town of FH as employee training ground | | |

Business and Tourism Development

| <i>Internal Strengths</i> | <i>Internal Weaknesses</i> | <i>External Opportunities</i> | <i>External Threats</i> |
|--|--|--|---|
| <ul style="list-style-type: none"> • Captured/defined market area • Good education/high avgs of students • Sports activities/ events • Good business involvement • Resorts and golf courses • Fairs • Favorable community identity/ positive marketing of Town • High speed internet in town • Churches • #2 in valley home sales • Reasonable real estate taxes • Art/Theatre • Park system • Proximity to Mc Dowell Mtn Park • Fountain • Known in area for great bicycling • Proximity to Casino/RV Parks • Planned downtown • Low crime • More resorts and hotels planned • Views | <ul style="list-style-type: none"> • Lack of diversity/mix of businesses • Lack affordable housing • Insufficient population base to attract business/ demographic restrictions limit diverse business • Recruit business that attract or are desired by new FH residents • Lack of industry • Too many apartments • Too many new commercial bldgs/ existing ones vacant • Downtown should be consolidated to Ave of Fountains and Parkview/ too spread out • Limited financial resources • No property tax • High sales tax relative to valley • Lack of funding for fire protection • Lack of real downtown/ night life/ entertainment • Lack of parking spaces for events • No hi-speed internet in industrial area • Spotty cell phone coverage • Inadequate public transportation • Lack of competition for cable service • Improve USPS delivery system | <ul style="list-style-type: none"> • Identify trends and how they help attract business/economic development • Partnership with neighboring communities • Tourism • State Trust land annexation • Partner with Ft McDowell on business attraction and tourism • Accessibility to other amenities in the region • Potential business recruitment/ • Development as ‘hub’ for the arts • Adjacent to nations fifth largest city • Downtown development • New resorts and hotels | <ul style="list-style-type: none"> • Closeness to metro area/ adjacent to nations fifth largest city • Over regulation • Regional water shortage /no local control of water utility • Economic development of adjacent communities may conflict with FH • State trust Land and coordination with the state • Image of area is sometimes as a retirement community |

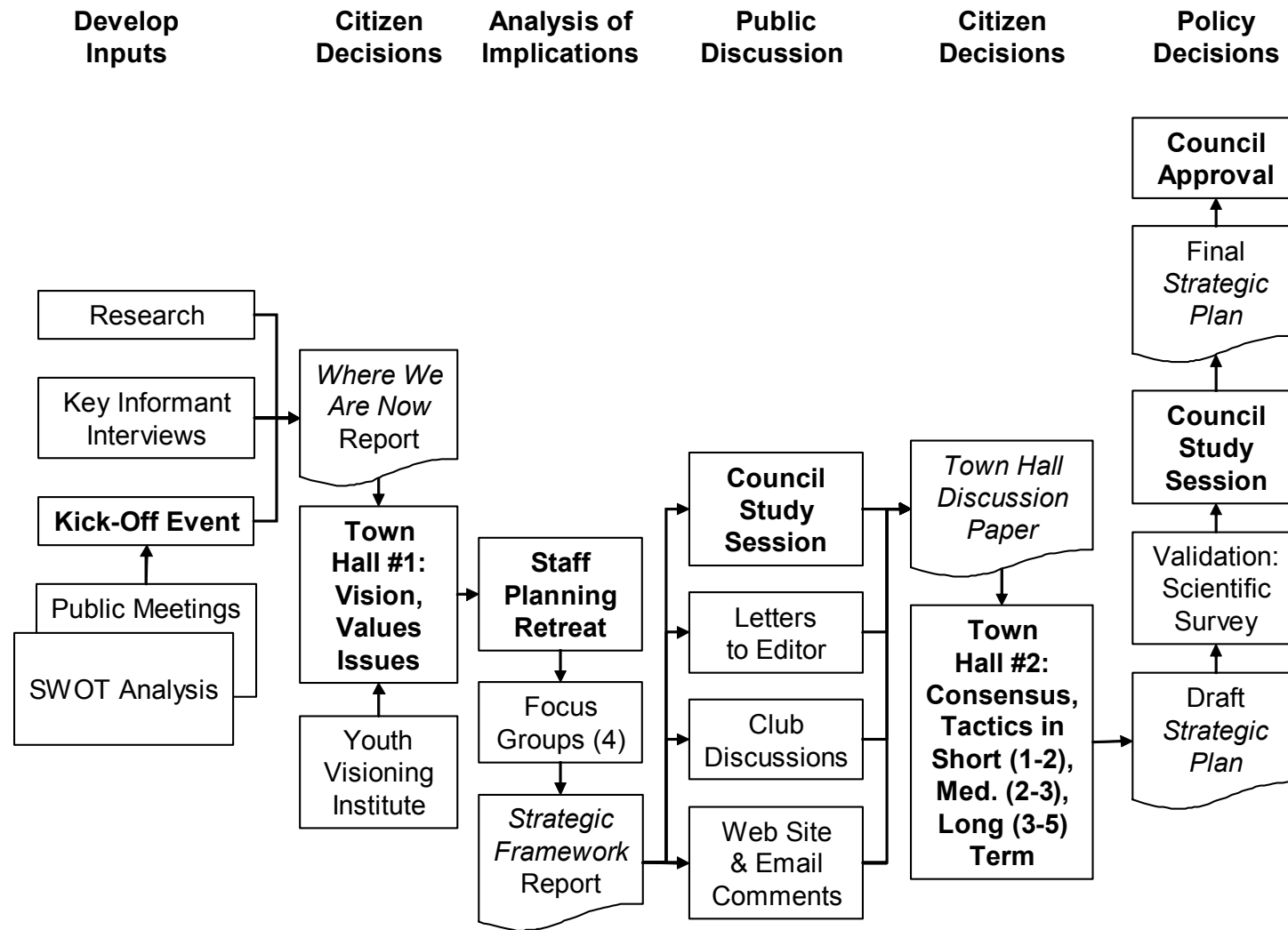
Business and Tourism Development

| <i>Internal Strengths</i> | <i>Internal Weaknesses</i> | <i>External Opportunities</i> | <i>External Threats</i> |
|----------------------------------|---|--------------------------------------|--------------------------------|
| | <ul style="list-style-type: none"> • Protect views/ no 40' buildings on Ave of Fountains • No movie theatre; movie will bring trouble and noise • Don't need 5 hotels- develop Ave of Fountains ala Carmel, CA for the Fair • Run Fountain at full height • Limited land for business expansion • Closeness to metro area • Limited employment opportunities • Lack of business training for youth • Lack of youth-targeted retail • Recruit less expensive clothing shops, e.g., Kohl's • Limited employment opportunities • Plan appropriate mix of industry, commercial, and housing • Create DVD souvenir movie of FH for snow birds, tourists, visitors • Cost of area golf courses • Limited # of transportation accesses, especially for work force | | |

Community Culture and Amenities

| <i>Internal Strengths</i> | <i>Internal Weaknesses</i> | <i>External Opportunities</i> | <i>External Threats</i> |
|---|--|---|--|
| <ul style="list-style-type: none"> • Location/landlocked/views • Proximity to McDowell Park • Volunteerism/talented population • Variety of backgrounds/resources • Small town atmosphere/ sense of pride/ friendliness/ size of community • Diversification of clubs • Diversification of people/ ages, etc • Youth Council/ B&G club/ Teen center/ Teen Court • Churches • Partnerships with courts, schools, towns, MCSO • Senior services • Town Council listens • Hilly community great for hiking and biking • Strategic planning process • Recreational facilities • Low crime • Winning swim team • Culture/ art/ theatre • Welcoming attitude to new residents • Talented population • Volunteerism | <ul style="list-style-type: none"> • Apathy/ NIMBY mentality • Not as diverse as we could be • Lack of real identity-internal and external • Not enough volunteers utilized properly • Seasonal population lack of commitment to the community • Not tapping young people • Lack of sense of pride • Gated communities squelch sense of community • No aquatic/ recreational/ performing arts facility and no movie theater • Cost of using golf courses • No public access TV channel • Lack of affordable housing for young families • No view corridor protection • 40' movie theater on Ave of the Fountains • No paths for mobility scooters/ biking/ hiking besides street • Drugs in school • Inadequate public transportation • Insider/outsider mentality/ pull up drawbridge • Not preserving nature • Lack of historical experience | <ul style="list-style-type: none"> • Youth grants-tap into university/ other grants • Potential to recruit business and develop as 'hub' for the arts • Sister cities involvement • Access to amenities of adjacent communities | <ul style="list-style-type: none"> • Politics and external perceptions • Regional water shortage/no local control of water utility |

Appendix B: Citizen-Driven Strategic Planning Process



Appendix C: Frequently Asked Questions

Question: What is Strategic Planning?

Answer: Strategic planning is a decision-making process. It involves asking and answering key questions: Where are we now? How did we get here? Where are we going? and How will we get there? In this process, people come together to identify the common ground on which they can agree about the answers to these questions. The strategic plan will address the vision and values of the people who participate in the process, and will identify the big issues that the community should address over the next several years.

Q: Isn't it mainly for businesses?

A: Strategic planning is often used by businesses, and it is even more useful to organizations in the public and not-for-profit sectors. In these sectors, agreement about the organization's basic purpose, values and vision for the future may not be clearly established, and conflicts about how to implement them may result. A strategic planning process can help organizations establish consensus about the organization's purpose, values and vision. In addition, measuring effectiveness is more difficult in public and not-for-profit sector organizations. Strategic planning can help organizations develop measures of how effectively the organization performs.

Q: Haven't we done it before with our Town Halls and surveys?

A: The last Town Hall was in March, 1995. Since that time, the Town has implemented many of the recommendations from that Town Hall, The Town has grown considerably since that time; nearly 50% of the current residents were not living in Fountain Hills in 1995. After ten years, the time to develop a new strategic plan has come.

Q: Isn't it primarily an initiative to ask us what amenities we want to fund?

A: While a list of new amenities may be an outcome of the strategic planning process, the primary focus is establishing consensus on a set of values and a vision for Fountain Hills' future.

Q: Why should I participate?

A: It is an opportunity to voice your opinions on what is important and to shape the quality of life in Fountain Hills. The Town Halls provide a venue to give citizens an objective base of facts to better understand what makes up our quality of life, to set priorities and define the financial strategies to achieve those results. As in the past, the decisions made at Town Hall meetings can have consequences for the next 5, 10, 15 and 20 years.

Q: Who should attend the Town Hall meetings?

A: All citizens of Fountain Hills are encouraged to attend the Town Hall meetings April 15-16 and August 12-13, and to share their ideas; the success of the process depends on obtaining input from a broad cross section of the population. Registration is necessary, as you will receive a

packet of important background information about the Town. Register online at: www.fh.az.gov/ourtownourchoices or by calling the Strategic Plan Update Line: 480-816-5295.

Q: Who is REALLY in charge?

A: The citizens of Fountain Hills are REALLY in charge. All Fountain Hills residents are urged to attend the Town Hall meetings April 15-16 and August 12-13, and to participate in the deliberations. Additionally, some citizens will participate in focus groups and others will be asked to respond to a scientific sample survey. All of this citizen input will form the basis for the strategic plan. In December 2005, the Town Council will review the strategic plan and consider adopting it.

Q: Who is managing this Strategic Planning Process?

A: The strategic planning process is being organized and overseen by the Technical Advisory Committee (TAC), a group of community volunteers with strategic planning experience or significant community involvement. In the Fountain Hills tradition, this group is devoting a more than year of volunteer time to plan and implement the various activities to gather citizen input. A professional project manager was contracted to ensure the strategic planning process goes according to schedule, and a communications company was contracted to publicize the Town Hall meetings and other events. Professional public opinion firms will facilitate focus groups and conduct a scientific sample survey.

Q: What is meant by “citizen-driven?”

A: Citizens are driving all aspects of the strategic plan. Fountain Hills citizen volunteers designed the process; Fountain Hills students created their vision of the Town, facilitated in small groups by citizen volunteers; citizens will develop consensus about Town values and a vision for the future at the Town Hall meetings; citizens will provide their opinions through a series of focus groups and through a scientific sample survey. All of this citizen input will result in a strategic plan that represents the views of the citizens who participated in the processes.

Q: What will be discussed during the first Town Hall (April 15-16)?

A: Residents will express their ideas on the values and vision they want expressed in Fountain Hills over the next 5 - 20 years. Citizens will work in groups using an objective set of facts about the Town to develop a vision for the Town’s future. They will also discuss how to achieve the vision.

Q: What if there is disagreement about priorities?

A: Some disagreement is inevitable. As used in this context, “consensus” means that every participant may not agree with every part of a decision, but every participant’s position has been fully heard, and every participant is able to live with group’s decision. Independent facilitators help the participants focus on the issues, ensure that every voice is heard, and work toward finding common ground.

Q: Who is assembling Town statistical information for the public to study prior to the Town Hall sessions?

A: An independent company, Blackerby Associates, Inc. has been retained to manage and facilitate the process. This company will also develop the background information the public will review prior to the Town Hall meetings. This information will be available online at www.fh.az.gov/ourtownourchoices.

Q: If I can't attend the Town Hall, can I still contribute my ideas?

A: Yes. The Town Hall discussion topics are posted on the website. Click on the "Town Hall" button at www.fh.az.gov/ourtownourchoices. You can also provide your input to the Project Manager by calling the Strategic Plan Update Line, 480-816-5295 where you can leave a voice message.

Q: Do I have to attend the first Town Hall to attend the second one?

A: No. All citizens of Fountain Hills over 18 years of age are encouraged to attend either or both sessions. Attendance at the first session is not required to attend the second one.

Q: How can I get more information about what's going on?

A: Register on line at www.fh.az.gov/ourtownourchoices, and receive e-mail updates and information on upcoming public events. A series of newsletters will be mailed to all Fountain Hills residents and also be available at locations throughout the Town including, the Community Center, Library, Chamber of Commerce Information Center and Town offices. All the materials used in the Town Halls and other reports can be downloaded from the website.

Q: How can provide input and feedback?

A: The best way is to attend the Town Hall meetings. See details at the project web site, at www.fh.az.gov/ourtownourchoices. If attending is not possible, go to the website and click on the "Contact Us" button on the Home Page and follow the instructions to send an online comment. You can also call the Strategic Plan Update Line at (480) 816-5295 to leave a voice message.

Q: What is the role of the Mayor and Town Council?

A: On December 16, 2004, the Mayor and Town Council approved the strategic planning process that was designed by a group of Fountain Hills citizen volunteers with experience in strategic planning. Two Town Councilmembers participate on the Technical Advisory Committee that is overseeing implementation of the strategic planning process. The Town Council approved a contract for the project manager. The Mayor and other Councilmembers have been actively encouraging citizens to participate in the Town Hall meetings and other strategic planning activities. The Town Council will hear periodic updates about the strategic planning activities at

key points in the process, during public work sessions. In December, the Town Council will consider adopting the citizen-driven strategic plan as Town policy.

Q: What is a “key strategic issue?”

A: A key strategic issue is an important question that the citizens want the Town Council to resolve during the next few years. Examples may include the issue of annexation of the State Trust Lands; creating new access routes to and from the Town; identifying ways to pay for Town services when sales tax and state shared revenues fall after build-out; or developing relationships with neighboring jurisdictions.

Q: Will the plan be totally done in one year?

A: Yes. The formal strategic planning process began December 16, 2004, when the Town Council approved the public involvement plan and the strategic planning process. The current schedule calls for the Town Council to consider adopting the final strategic plan in early December 2005. Anticipating adoption, a celebratory open house is tentatively scheduled for early January, 2006. Implementation of the plan will begin after the strategic plan is adopted by the Town Council.