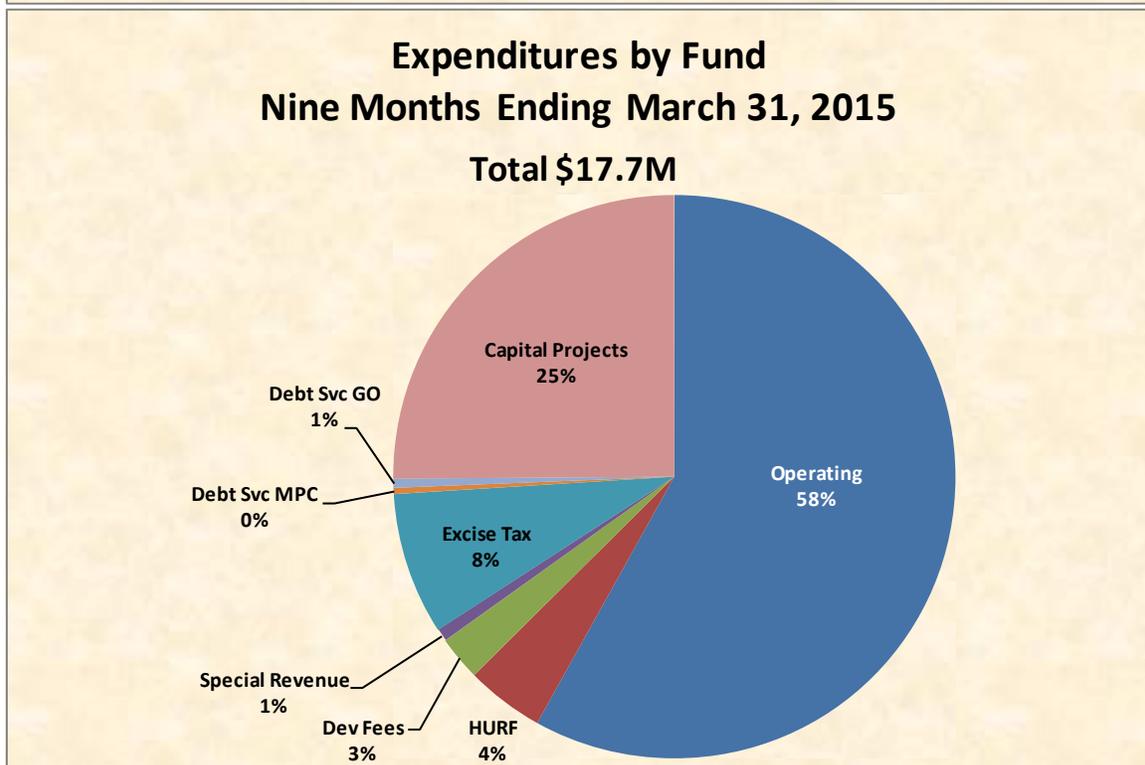
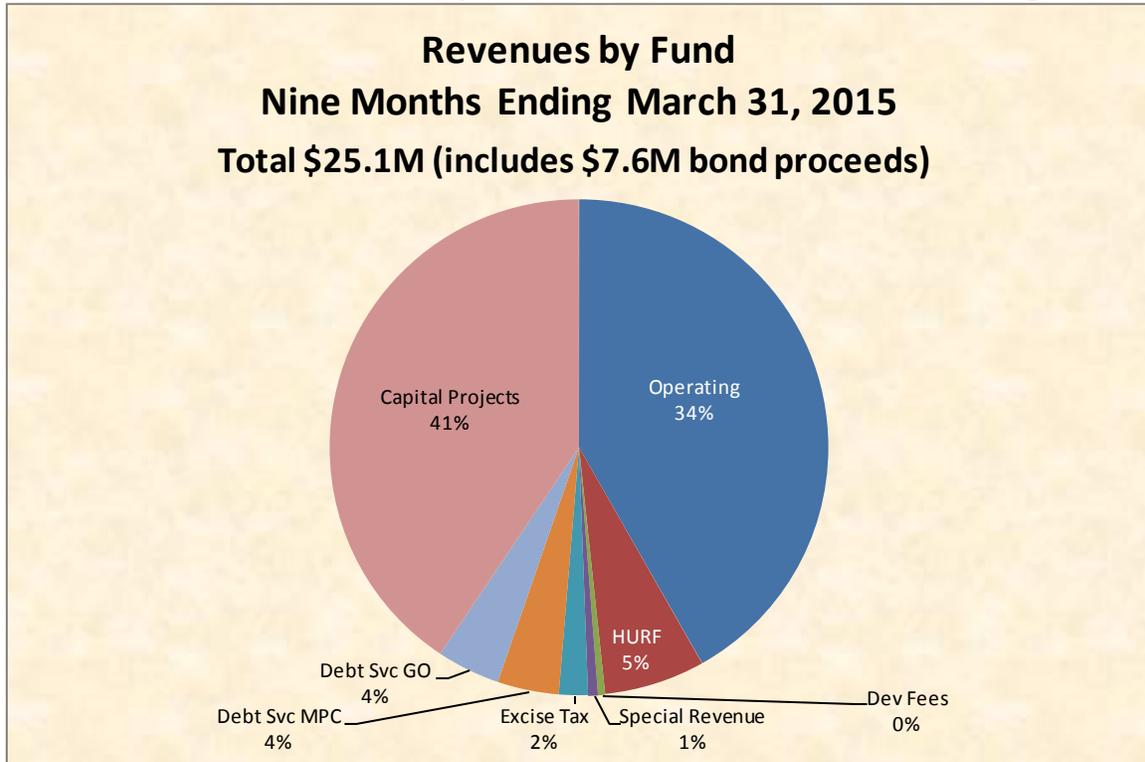


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**NINE MONTHS ENDING MARCH 31, 2015**





## Where does the money come from and where does it go?

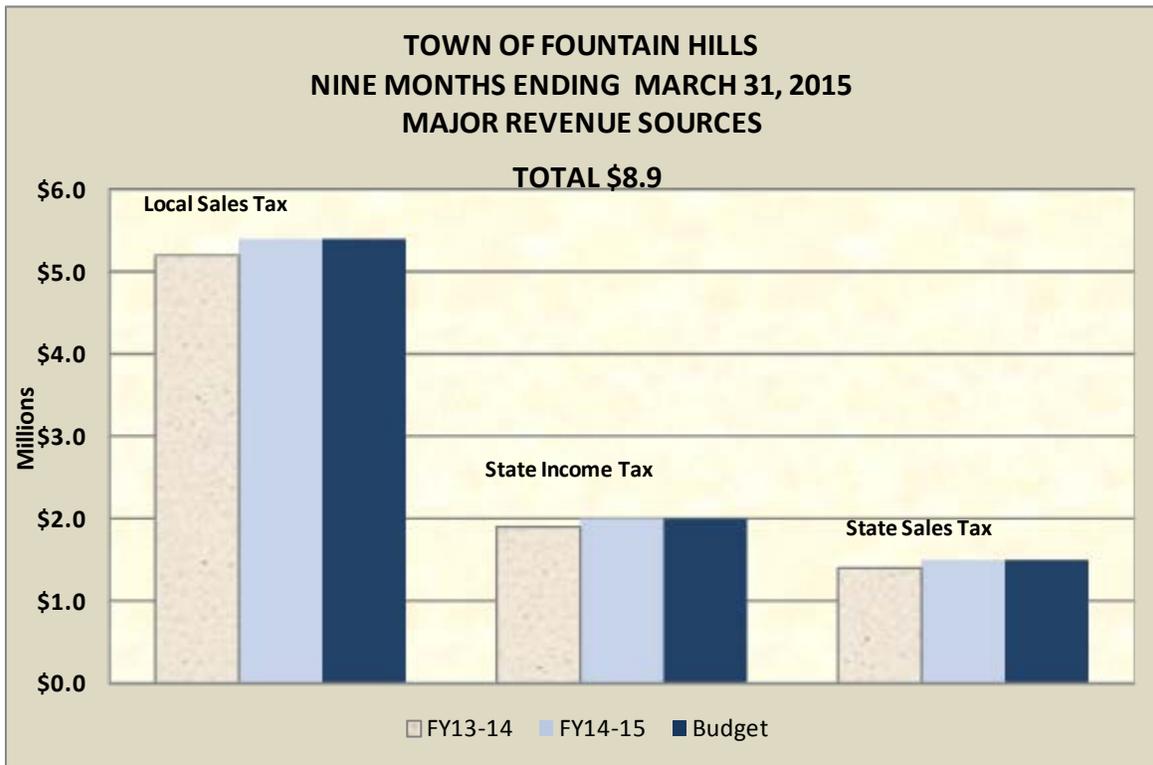




## *Operating Fund Revenues*

For the nine month period ending March 31, 2015, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 100.3% of budgeted amounts and \$597,948 higher than the same time period last fiscal year (an increase of 6.1%). Categories where revenues are higher than the previous year are the State income tax (up 8.6%) as well as Licenses & Permits (up 33.1%). Total Operating Fund revenues for this fiscal period are \$10,472,578.

	FY13-14 Actual	FY14-15 Actual	% YTD FY14-15 Budget	Year End Estimate
Operating Fund	\$9,874,630	\$10,472,578	100.3%	\$13,925,003



The three major revenues in the chart above represent 87.5% of Operating Fund revenues, and as such, provide key indicators of the Town’s overall economic condition and performance. Local sales tax collections have increased back to FY09 levels (3.9% over the same period last year). This total includes construction activity of which 50% is transferred to the Capital Projects Fund. State sales tax is 4.3% higher and income taxes are 8.6% higher than last year as projected; vehicle license taxes are 7.2% higher compared to last year (this revenue source is derived from



vehicle registrations and is now included in the HURF fund). Overall, these major revenue sources are at 99.2% of the budget for the fiscal year.



**State Shared Revenues**

State Shared Revenues include a distribution of the State income and sales taxes returned to the Town based on its population in relation to the total population of all incorporated cities and towns. The income tax funds are distributed from tax collections from two years prior to the fiscal year in which the Town receives the funds. Sales taxes are distributed to cities and towns three months after the actual sales activity occurs. These revenues are distributed monthly through a distribution from the State Treasurer’s Office. The revenues from these categories total \$3,551,437 which is \$224,826 or 6.8% higher than the same time period last year – the increase in revenue was anticipated based on projections by the Arizona League of Cities and Towns.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
State Income Tax	\$1,879,653	\$2,041,824	100.0%	\$2,722,248
State Sales Tax	1,446,958	1,509,613	98.2%	2,048,760

**Local Sales Tax (2.6%)**

The fiscal quarter revenue for this category totals \$5,442,938 (including all funds), which is 100.3% of projections. Compared to the same time period as last year, the total revenues are 3.9% higher.

Wholesale/Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The revenues for this category total \$2,858,493 which is 96.8% of projections; compared to last fiscal year, revenues increased by 5.6%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$487,942, which is 92.5% of projections; compared to last fiscal year, revenues are up by 6.4% and higher than any other previous year.

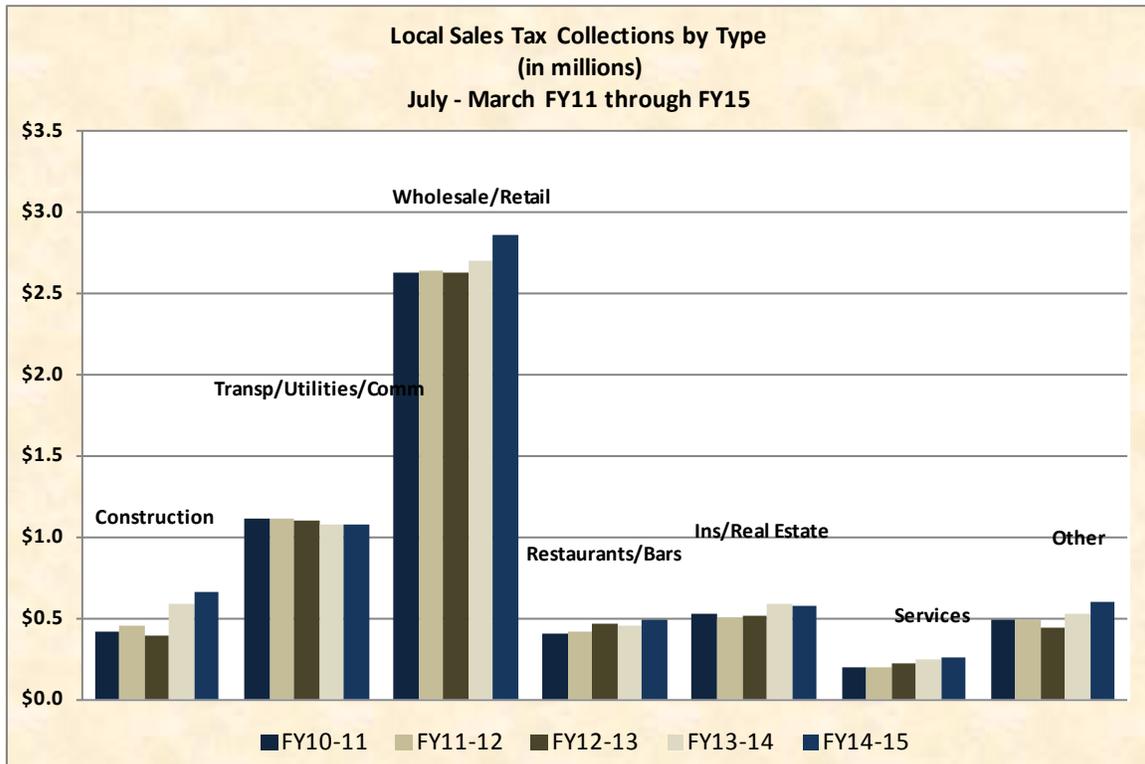
Communications/Utilities/Transportation: Utilities, such as Chaparral City Water, cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,079,923, which is 99.4% of what was anticipated; compared to last fiscal year, revenues are up by 0.5%.

Construction Contracting: This revenue is generated from the 2.6% tax on new home and business construction as well as improvements to real property. Like retail sales tax, this revenue source is considered to be volatile as it is strongly impacted by changes in the economy. The largest sources of revenues in this category come from residential homebuilders. The revenues for this category total \$663,455, which is 133.9% of what was budgeted; compared to last fiscal



year, revenues are up 13.1%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY13-14 Actual	FY14-15 Actual	% YTD FY14-15 Budget	Year End Estimate
Local Sales Tax	\$6,178,030	\$6,518,422	102.6%	\$8,470,980



Local sales tax makes up 52.0% of Operating Fund revenues; for the period ending March 31, 2015, collections were \$6.5M for all funds (\$5.4M in the Operating Fund). Retail and restaurant/bar activities represent 51.4% of total collections; telecommunications and utilities represent another 16.6%. Construction revenues collected this fiscal period total \$663,455, which is a 13.1% increase over last fiscal year. Retail sales tax collections increased 5.6% over the same period last year; restaurant/bar collections are up 6.4% from the same period last year.



**Building Permit Revenue**

Revenues in this category include both commercial and residential permitting activity with the majority of revenues coming from residential activity. This fiscal period, revenues for this category total \$121,694 or 41.5% of the period budget. New housing permits issued for the fiscal period are 24 single family, 10 multi-family and 1 commercial.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Building Permit Fees	\$94,173	\$121,694	41.5%	\$390,900

**Court Revenue**

This category summarizes several revenue funds collected by the court. The court generates various revenues through fines, sanctions and court orders. These fines include criminal, civil, Town code violations and diversion fees for defensive driving school attendees. Reimbursement fees for required background checks, incarceration costs, and Public Defender costs are also collected by the court and included in this category. This fiscal period, revenues for this category total \$124,695 which is \$5,648 (4.7%) more than last year’s same fiscal period and 110.8% of the budgeted amount.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Court Fines & Fees	\$119,047	\$124,695	110.8%	\$150,011

**License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current fiscal revenues for these two categories total \$131,049 or 114.7% of the fiscal period budget.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Business License Fees	\$81,883	\$100,834	120.8%	\$111,305
Animal License Fees	32,807	30,215	98.2%	41,006



## **Operating Fund Expenditures**

The Operating Fund accounts for most of the day to day operations of the Town, including Police, Fire and Emergency Medical Services, Development Services, Community Services, Court, Council and Administration functions. At the end of the second quarter, 99.5% of the period budget has been expended.

<b>FY14-15 Expenditures by Category - Operating Funds</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Salaries and Benefits	\$ 2,448,815	\$ 2,471,530	94.6%	\$ 3,482,633
Supplies and Services	1,093,477	1,029,475	84.6%	1,623,139
Contractual Services	5,520,927	5,819,010	98.2%	7,898,867
Internal Services	172,617	919,304	191.2%	641,187
Other	197,396	33,176	37.1%	119,102
<b>Grand Total all Categories</b>	<b>\$ 9,433,232</b>	<b>\$ 10,272,495</b>	<b>99.5%</b>	<b>\$ 13,764,928</b>

- Salaries and benefits represent one fourth (24.1%) of the total Operating Fund budget and accounts for all staff with the exception of streets employees who are funded through a separate Highway User Revenue Fund (HURF).
- Supplies and Services, including Utilities represents 10.0% of the total Operating Fund budget and includes items such as facility maintenance, utilities, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 56.6% of the Operating Fund budget and include contracts for law enforcement (Maricopa County Sheriff's Office) and fire and emergency medical services (Rural Metro). The Town utilizes contracts for specialized or one-time services that do not require the addition of full time staff.
- Internal Services are charged to the Operating Fund budget by department and transferred to provide monies for future scheduled replacement of vehicles and equipment.
- Other includes transfers that are made at the end of the fiscal year from the Operating Fund (Community Center) to the Debt Service Fund for the annual bond repayment due in June as well as contingency and other minor expenditures.



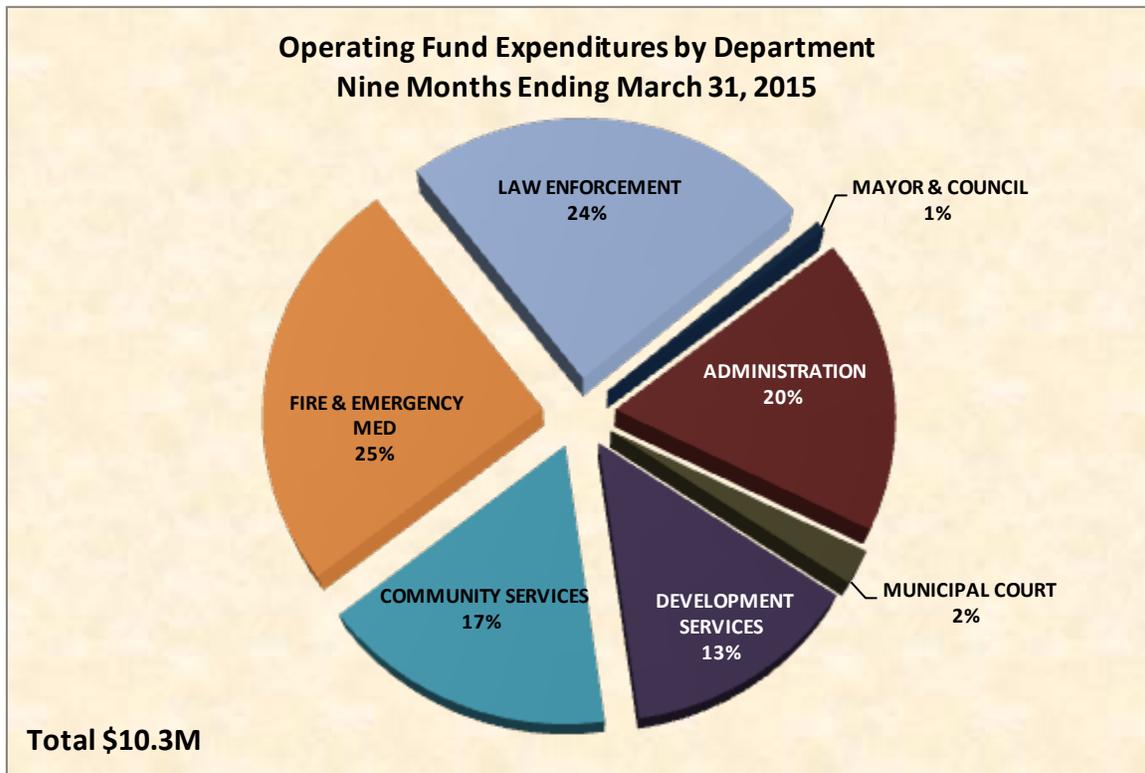
## Department summary

	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>YTD Budget</b>	<b>FY14-15 Annual Budget</b>
Mayor & Council	\$ 57,934	\$ 63,689	\$ 60,239	\$ 80,318
Administration	1,481,671	1,824,374	1,638,518	2,184,690
Municipal Court	216,483	213,659	206,374	275,165
Development Services	1,320,964	1,380,314	1,510,880	2,014,506
Community Services	1,475,484	1,714,435	1,787,640	2,383,520
Fire & Emergency Medical	2,581,739	2,579,771	2,585,324	3,447,099
Law Enforcement	2,298,959	2,496,252	2,534,723	3,379,630
Period Total	\$ 9,433,234	\$ 10,272,495	\$ 10,323,699	\$ 13,764,928

- The Mayor & Council and Municipal Court budgets represent a total 0.6% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 17.8% of the Operating Fund budget. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), customer service, audits, public meetings, Channel 11, Town website, elections, Town Attorney, Town Prosecutor, budget and financial reporting, etc.
- Development Services (13.4% of Operating Fund expenditures) includes programs such as public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Environmental, Facilities Maintenance, Building Safety, and Mapping & Graphics.
- Community Services (16.7% of Operating Fund expenditures) includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), recreation programs for youth, adults and seniors. The Community Center serves the community as a meeting or special event location as well as daytime activities for Seniors. This department includes the cost of the annual debt service payment that is transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- Fire & Emergency Medical Services represents 25.1% of the Operating Fund budget and includes the contract with Rural Metro for fire and emergency medical services; the budget also includes expenditures for maintenance of the fleet which is Town owned, fire stations and equipment.



- Law Enforcement represents 24.3% of the Operating Fund budget and includes the contract with Maricopa County Sheriff's Office as well as costs for jail incarceration fees, which are costs for holding individuals at the jails and billed by Maricopa County. The Town also has a contract with Maricopa County for animal control and shelter services that is included within the Law Enforcement budget.



## **Other Funds:**

- Highway User Revenue Fund (Streets)
- Excise Tax (Downtown Strategy, Economic Development and Tourism)
- Special Revenue (Grants)
- Capital Projects
- Development Fees





**Highway User Revenue Fund (HURF) – Streets**

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
State Shared Revenues	\$1,495,979	\$1,632,691	105.6%	\$2,061,094
In Lieu Fees	2,522	3,022	33.6%	12,000
Transfers	994,000	562	0.0%	0
Miscellaneous & Other	8,852	8,991	159.8%	7,500

This fund supports most of the Town’s street and traffic operations and is managed by the Development Services Department. Revenues were received less than budgeted therefore expenditures did not exceed the available resources. The fund is primarily supported by the State Highway User Revenue Fund (60.7%), Vehicle License Taxes (38.5%) and from payments for construction in the rights of way (in lieu payments). HURF revenues are distributed partially on a population formula and partially on the county of origin for gasoline sales. There is a State constitutional restriction that these funds be used solely for street and highway purposes. The Town bills contractors when they make cuts in the Town’s rights of way and has recovered \$3,022 in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous & other.

<b>HURF Expenditures by Program - Quarter Ending March 31, 2015</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Administration	\$ 139,965	\$ 109,025	85.2%	\$ 170,717
Adopt A Street	2,697	2,377	66.0%	4,804
Legal Services	18,850	22,716	126.2%	24,000
Open Space	188,850	170,845	82.6%	275,863
Pavement Maintenance	2,095,631	227,939	20.4%	1,493,249
Street Signs	66,488	52,330	80.4%	86,798
Street Sweeping	56,891	65,544	94.4%	92,563
Traffic Signals	74,102	84,407	74.0%	152,034
Vehicle Maintenance	54,270	57,768	88.4%	87,175
<b>Grand Total HURF</b>	<b>\$ 2,697,744</b>	<b>\$ 792,951</b>	<b>44.3%</b>	<b>\$ 2,387,203</b>

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, insurance, fuel, utilities, etc.).



- Open Space program includes maintenance of the medians; the largest component of this category is the contract for landscaping and water usage.
- Pavement Maintenance program includes personnel costs related to road repair and maintenance, such as pot holes and curb replacement. A major expenditure for pavement maintenance has been deferred until the next fiscal year to allow funds to accumulate.
- Street Signs program includes personnel and maintenance costs for the Town's 6,800 street signs.
- Street Sweeping program's major expenditure is the contract costs for street sweeping. Arterial streets are swept every three weeks and residential streets every eight weeks.
- Traffic Signals program includes personnel and electric costs for the Town's 13 Traffic signals. Costs include hardware and programs for maintenance and synchronization of the signals.
- Vehicle Maintenance program includes personnel as well as costs to maintain the Town's fleet of 42 vehicles and heavy equipment.



**Excise Tax - All Funds (Downtown Strategy, Economic Development, Tourism)**

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Revenues	\$245,436	\$471,250	119.0%	\$486,940

These funds are separate operating funds from the Town’s Operating Fund and they support the Town’s downtown strategy, economic development including business retention program, and tourism. Beginning in FY13-14, the Excise Tax Fund was separated into two separate functions supported by a portion of the local sales (excise) tax (.1% of the 2.6%). Downtown Strategy focus is for infrastructure improvements and development; Economic Development focus is dedicated to Town-wide economic development and the Economic Development Plan implementation. The Economic Development Fund also provides the funding for the Tourism Fund.

<b>Excise Tax Funds Expenditures by Category - Quarter Ending March 31, 2015</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Salaries and Benefits	\$ 20,984	\$ 82,664	97.4%	\$ 113,130
Supplies and Services	7,990	18,823	22.2%	113,190
Contractual Services	104,189	117,015	112.3%	138,875
Internal/Transfers	5,001	1,227,600	86.8%	1,886,000
Grand Total all Categories	\$ 138,164	\$ 1,446,102	85.6%	\$ 2,251,195

- Salaries and benefits, which represent 5.7% of the total Excise Tax operating budget, replaced contractual services after the hiring of the Town’s Economic Development Specialist and Tourism Coordinator.
- Supplies and Services represents 1.3% of the total Excise Tax budget and includes items such as office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services and supplies represent 8.1% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Internal/Transfers reflect the expenditures in the Capital Projects Fund for the Avenue of the Fountains median project. This project has been completed.



## Development Fees

These fees are placed into restricted funds with revenues paid by developers at the time of new residential and commercial construction permits. The decrease in permit activity over the same time period as last year is related to the development fee study that implemented new fees as of August 1, 2014. The study was presented to the public at a Public Hearing in February, 2014 and resulted in the elimination of several categories of fees and changes in the remaining categories.

During the first nine months of this fiscal year, there have been thirty five (35) permit applications including development fees.

<b>FY14-15 Revenues by Category - Development Fees</b>				
	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Law Enforcement	\$ 4,102	\$ 730	1460.0%	\$ 100
Fire/Emergency	7,468	16,933	678.7%	4,990
Streets	178,781	33,804	0.0%	-
Parks/Rec	77,248	53,057	1414.9%	7,500
Open Space	7,613	11,122	0.0%	-
Library/Museum	2,859	487	0.0%	-
<b>Grand Total All Funds</b>	<b>\$ 278,071</b>	<b>\$ 116,133</b>	<b>1844.8%</b>	<b>\$ 12,590</b>

<b>FY14-15 Expenditures by Category - Development Fees</b>				
	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Law Enforcement	\$ 1,956	\$ -	0.0%	203,000
Fire/Emergency	1,956	-	0.0%	47,000
Streets	10,029	407,921	200.0%	407,921
Parks/Rec	7,825	-	0.0%	-
Open Space	8,240	403	0.0%	-
Library/Museum	1,956	43,445	204.4%	42,500
<b>Grand Total All Funds</b>	<b>\$ 31,962</b>	<b>\$ 451,769</b>	<b>129.0%</b>	<b>\$ 700,421</b>



## **Capital Projects Fund**

Capital projects are funded with accumulated reserves that were surplus revenues in the Operating Fund in addition to 50% of sales tax revenues that are derived from construction activity. Some projects are funded with proceeds from grants or developers; the table below is a summary of revenues for the fiscal period ending March 31, 2015.

<b>FY14-15 Capital Projects Fund Revenues</b>			
	<b>YTD FY14-15 Actual</b>	<b>% FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Construction Sales Tax	\$ 331,728	102.2%	\$ 324,600
Developer Fee	200,000	100.0%	200,000
Bond Proceeds	7,907,086	96.4%	8,200,000
Grants	735,512	17.0%	4,314,000
Misc.	43,601	0.0%	-
Interest Income	41,348	208.8%	19,800
Transfers In	1,513,866	62.2%	2,434,921
<b>Grand Total CIP Fund</b>	<b>\$ 10,773,141</b>	<b>69.5%</b>	<b>\$ 15,493,321</b>



The table below summarizes the projects that were included in the current year budget including the original budgeted expenditure, the year to date expenditures and the percentage of fiscal year end expenditures. Some of the projects have not started yet and therefore have no expenditures.

<b>FY14-15 Expenditures by Category - Capital Projects</b>			
	<b>YTD FY14-15 Actual</b>	<b>% FY14-15 Budget</b>	<b>FY14-15 Budget</b>
D6030 DRAINAGE-ASHBROOK WASH C	\$ 94	0.0%	\$ 1,640,000
D6047 MISC DRAINAGE IMPROVEMEN	9,530	19.1%	50,000
E8501 DOWNTOWN VISION PLAN-PHA	-	0.0%	100,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	200,000
E8504 AOTF MEDIAN & RIGHT-OF-W	1,095,324	71.8%	1,525,000
F4005 FIRE STATION 2 RELOCATIO	11,711	0.5%	2,510,000
F4027 ASSISTANCE TO FIREFIGHTE	107,607	89.7%	120,000
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	100,000
P3011 FOUNTAIN PARK, PHASE VI	23,504	1.7%	1,394,750
P3022 FOUNTAIN LAKE WATER QUAL	-	0.0%	300,000
P3024 URBAN TRAIL IMPROVEMENTS	798	3.6%	22,250
S6003 UNPAVED ALLEY PAVING PRO	121,647	37.4%	325,000
S6005 SHEA BLVD WIDENING	1,455,648	33.4%	4,360,000
S6009 DOWNTOWN SIDEWALK PROGRA	-	0.0%	40,000
S6010 SAGUARO BLVD RECONSTRUCT	1,280,091	15.6%	8,200,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	296,000
S6054 HIGHWAY SAFETY IMPROVEME	-	0.0%	57,000
S6056 SHEA BLVD EB BIKE LANE &	-	0.0%	380,000
T5011 TS-PALISADES & SAGUARO	14,912	3.7%	400,000
CONTINGENCY	320,734	168.7%	190,080
<b>Grand Total Capital Projects</b>	<b>\$ 4,441,600</b>	<b>20.0%</b>	<b>\$ 22,210,080</b>



**Fund Balances/Reserves**

The Town maintains several funds, some of which are restricted for specific purposes; the Operating Fund is the Town’s main operating fund and has sufficient reserves that satisfy the Town’s fund balance policy. Development fees are restricted for projects that are related to growth and the Economic Development/Downtown Strategy Funds are designated for downtown development.

Fiscal Quarter Fund Balances  
March 31, 2015

	Rainy Day Fund	\$ 1,345,200	
	General Fund	6,497,115	
	Public Art Fund	15,667	
	Internal Service Fund	(11,031)	
	Vehicle Replacement Fund	456,667	
<b>Operating Funds</b>			<b>\$ 8,303,618</b>
<b>Highway User Revenue Fund (HURF)</b>		1,448,095	<b>1,448,095</b>
	Special Revenue Fund	18,971	
	Court Enhancement Fund	267,453	
	Cottonwoods Maintenance District Fund	10,904	
<b>Special Revenue Funds</b>			<b>297,328</b>
	Downtown Strategy Fund	1,000,629	
	Economic Development Fund	85,916	
	Tourism Fund	27,965	
<b>Excise Tax Funds</b>			<b>1,114,510</b>
	General Obligation Debt Service Fund	747,139	
	Eagle Mountain CFD Debt Service Fund	278,435	
	MPC Debt Service Fund	939,517	
<b>Debt Service</b>			<b>1,965,091</b>
	Capital Projects Fund	12,860,612	
	Facilities Replacement Fund	143,772	
<b>Capital Projects</b>			<b>13,004,384</b>
	Law Enforcement	203,484	
	Fire & Emergency	67,510	
	Streets	-	
	Parks & Recreation	185,336	
	Open Space	1,658,639	
	Library/Museum	-	
<b>Development Fees</b>			<b><u>2,114,969</u></b>
	<b>Grand Total</b>		<b><u>\$ 28,247,995</u></b>