

TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
DECEMBER 2012



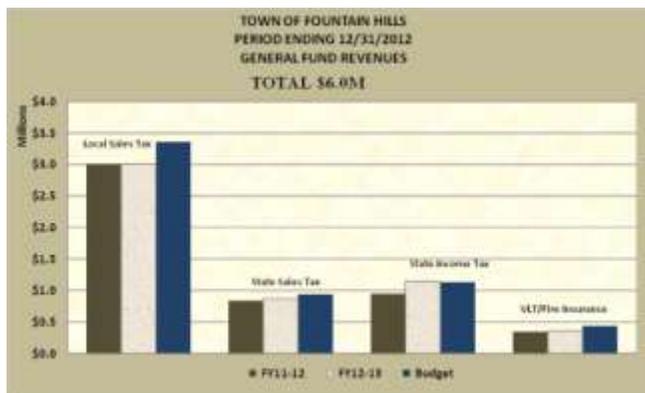


General Fund

General Fund Revenues

For the six month fiscal period ending December 31, 2012, revenues were received at 88% of budgeted amounts but \$245,800 more than the same time period last fiscal year (an increase of 4%). The increase is the result of three categories where revenues are higher than the previous year – the State vehicle license tax (up 4%), State income tax (up 21%) and State sales tax (up 4%) revenues. Total General Fund revenues for this period are \$5,998,576.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
General Fund	\$5,752,776	\$5,998,576	88.2%	\$13,000,000



The four revenues in the chart on the left represent 89.9% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections have remained flat with an approximate .2% increase over the same period last year (includes construction activity of which 50% is transferred to the Capital Project Fund). State sales and income taxes are 12% higher than last year as projected and vehicle license taxes are about 4% higher compared to last year (this revenue source is derived from vehicle registrations). Overall, General Fund revenues are at 88% for the first quarter of the fiscal year.

State Shared Revenues

State Shared Revenues represent a distribution of the State income, sales and vehicle licenses 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 \$2,380,651 which is \$244,936 or 11.5% more than the same time period last year – the increase in revenue was anticipated based on projections by the Arizona League of Cities and Towns.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
State Income Tax	\$949,005	\$1,148,601	101.7%	\$2,259,840
State Sales Tax	\$838,679	\$869,417	92.5%	\$1,880,400
Vehicle License Fees/ Insurance Premium Tax	\$348,031	\$362,633	82.9%	\$758,400

Local Sales Tax (2.6%)

The fiscal period revenue for this category total \$3,591,941 (including all funds), which is 92.3% of projections. Compared to the same time period as last year the total revenues are 2.8% lower.

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

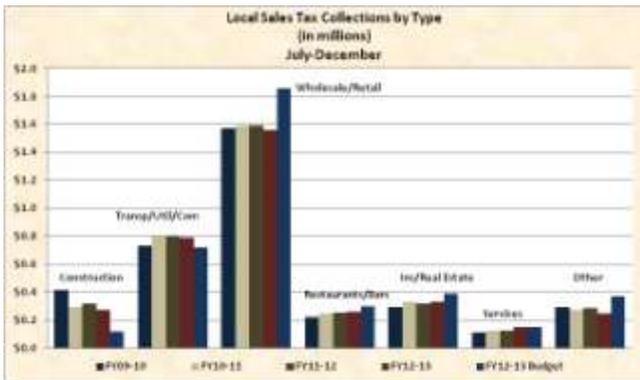
one fiscal year to another. The revenues for this category total \$1,556,545 which is 83.9% of projections; compared to last fiscal year revenues are down 2.2%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$256,572, which is 86.4% of projections; compared to last fiscal year revenues are up by 2.8%.

Communication/Utilities/Transportation: Utilities such as Chaparral City Water, cellular telephone companies and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$785,342, which is 109.7% of what was anticipated; compared to last fiscal year revenues are down by 2.3%.

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 \$271,714, which is 226.5% of what was budgeted; compared to last fiscal year revenues are down by 15.1%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Local Sales Tax	\$3,695,798	\$3,591,941	92.3%	\$7,785,744



Local sales tax makes up 52.6% of General Fund revenues; for the period ending December 31, 2012 collections were \$3.6M for all funds (\$3.0M in the General Fund). Retail and restaurant/bar activities represent 51.4% of total collections; telecommunications and utilities represent another 21.9%. Construction revenues collected this fiscal period total \$272K, which is an 15.1% decrease over last fiscal year. Retail sales tax collections decreased by 2.2% over the same period last year; restaurant/bar collections are up 2.8% 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 \$32,487 or 38% of the annual budget. Housing permits issued for the fiscal period are 6 single family, 0 multi family and 0 commercial. Plan review fees were submitted by the Ellman Group for the grading, paving and landscape preservation associated with the relocation of Fountain Hills Blvd. and future park area within the former State Trust Land area, however, there has been no further activity.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Building Permit Fees	\$25,459	\$32,487	38%	\$84,650

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 \$50,962 which is \$1,251 (3%) less than last year's same fiscal period and 30% less than budgeted.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Court Fines & Fees	\$105,150	\$91,301	63%	\$289,800

License Revenue

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current quarter revenues for these two categories total \$69,178 or 85% of the fiscal period budget.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Business License Fees	\$50,478	\$47,728	81%	\$114,679
Animal License Fees	\$21,348	\$21,450	91%	\$47,365

General Fund Expenditures

The General 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 Administrative functions. At the end of the first fiscal quarter 89.4% of the period budget has been expended.

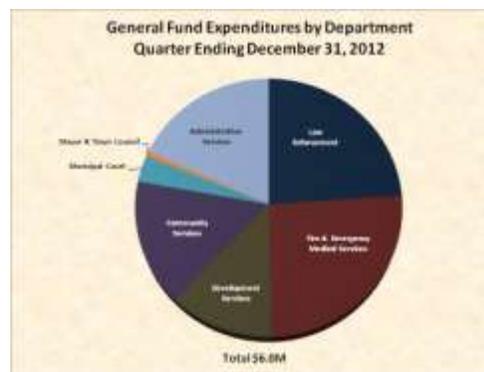
FY2012-13 Expenditures by Category - General Fund				
	Jul-Dec Actual FY12	Jul - Dec Actual FY13	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$1,494,265	\$1,644,240	\$1,673,361	98.3%
Supplies and Services	\$658,987	\$722,058	\$910,108	79.3%
Contractual Services	\$3,542,023	\$3,600,033	\$3,741,313	96.2%
Internal Services	\$30,238	\$28,887	\$102,275	28.2%
Other	\$1,801,387	\$58,239	\$347,253	16.8%
Grand Total all Funds	\$7,526,901	\$6,053,458	\$6,774,309	89.4%

- ◆ Salaries and benefits represent one fourth (25%) of the total General Fund operating budget and accounts for all staff with the exception streets employees who are funded through a separate Highway User Revenue Fund (HURF)
- ◆ Contractual services represents 55% of the General Fund budget and includes 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.
- ◆ Services, Supplies and Utilities represents 13% of the total General Fund operating 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.
- ◆ Internal Services Charges are charged to the General Fund operating budget by department and transferred to other funds to provide funds for future scheduled replacement of vehicles and equipment.
- ◆ Other includes transfers that are made at the end of the fiscal year from the General Fund (Community Center) to the Debt Service Fund for the annual bond repayment due in June (\$193,500 annually) as well as contingency and other minor expenditures.

Department summary:

General Fund Monthly Expenditure Report - December 2012					
	Jul-Dec Actual FY12	Jul - Dec Actual FY13	FY2012-13 Budget	% of Budget	+ / (-) from Prior Year
Mayor & Council	\$34,098	\$39,539	\$41,406	95.5%	16.0%
Administration	\$2,835,871	\$1,102,583	\$1,287,511	85.6%	-61.1%
Municipal Court	\$183,889	\$198,719	\$201,467	98.6%	8.1%
Development Services	\$653,557	\$742,578	\$1,026,289	72.4%	13.6%
Community Services	\$884,210	\$958,344	\$1,116,919	85.8%	8.4%
Fire & Emergency Medical	\$1,517,553	\$1,566,111	\$1,627,668	96.2%	3.2%
Law Enforcement	\$1,417,723	\$1,445,584	\$1,473,051	98.1%	2.0%
Period Total	\$7,526,901	\$6,053,458	\$6,774,309	89.4%	-19.6%

- ◆ Law Enforcement represents 24% of the General Fund operating budget and includes the contract with Maricopa County Sheriff's Office as well as costs for jail incarcerate 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.
- ◆ Fire & Emergency Medical Services represents 26% of the General Fund operating 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.
- ◆ Development Services (12% of General 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% of General 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 (\$193,500) that is transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- ◆ Administrative Services includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 18% of the General Fund operating budget. The department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), provides customer service, managing audits, public meetings, Channel 11, Town website, elections, Town Attorney and Town Prosecutor, budget and financial reporting, etc.
- ◆ The Town Court and Mayor & Council budgets represent the balance of the General Fund operating expenditures (4%)



Other Funds:

Streets

Excise Tax (Economic
Development)

Special Revenue (Grants)

Development Fees

Capital Projects



Highway User Revenue Fund (HURF) – Streets

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
State Shared Revenues	\$516,272	\$565,253	89%	\$1,265,640
In Lieu Fees	\$42,573	\$2,194	9%	\$5,000
Miscellaneous & Other	\$14,661	\$4,944	158%	\$6,500

This fund supports most of the Town's street and traffic operations and is managed by the Development Services Department. The fund is primarily supported by the State Highway User Revenue Fund (96%) 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. First half revenues in the HURF fund are \$565,253 which is 9% more than last fiscal year. The Town bills contractors when they make cuts in the Town's rights of way which has recovered \$2,194 in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous and other.

HURF Expenditures by Program - Fiscal Quarter Ending 12/31/2012				
Expenditures by Program	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Administration	\$68,324	\$86,727	\$95,496	90.8%
Adopt A Street	\$1,580	\$1,747	\$1,597	109.4%
Legal Services	\$14,375	\$10,233	\$10,800	94.8%
Open Space	\$139,373	\$135,859	\$151,349	89.8%
Pavement Management	\$66,123	\$72,878	\$169,633	43.0%
Street Signs	\$31,482	\$42,436	\$43,236	98.1%
Street Sweeping	\$77,066	\$70,685	\$63,403	111.5%
Traffic Management	\$45,003	\$0	\$0	#DIV/0!
Traffic Signals	\$76,319	\$43,626	\$85,168	51.2%
Vehicle Maintenance	\$31,417	\$33,713	\$40,260	83.7%
Grand Total HURF	\$551,062	\$497,904	\$660,940	75.3%

- ◆ The Administrative program for the Streets division includes activities that are not directly related to a program, for example overhead items such as 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 Management program includes personnel costs related to road repair and maintenance, such as pot holes and curb replacement.
- ◆ Street Signs program includes personnel and maintenance costs for the Town's 6,800 street signs.
- ◆ Street Sweeping program major expenditures are for personnel costs and maintenance/fuel for operating the Town's two street sweepers. Arterial streets are swept every two 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 50 vehicles and heavy equipment.



Excise Tax Fund – Economic Development

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Revenues	\$144,510	\$144,107	98%	\$295,560

This is a separate operating fund from the General Fund and supports the Town’s downtown economic development and business retention programs. This fund is supported by a portion of the local sales (excise) tax (.1% of the 2.6%).

Excise Tax Fund Expenditures by Program - Fiscal Quarter Ending 12/31/2012				
Expenditures by Category	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$23,367	\$6,961	\$25,087	27.7%
Supplies and Services	\$3,586	\$6,283	\$3,722	168.8%
Contractual Services	\$5,094	\$23,852	\$62,118	38.4%
Internal Services	\$172	\$3,240	\$878	369.3%
Grand Total all Categories	\$32,218	\$40,336	\$91,804	43.9%

- ◆ Salaries and benefits, which represent 28% of the total Economic Development operating budget, are at 28% of budget which is less than budget at this time. A percentage (50%) of the Economic Development Administrator’s salary and benefits had been allocated to this fund; however, until the vacant Economic Development Administrator position is filled there will be no further expenditures in this category
- ◆ Contractual services and supplies represent 72% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.



Development Fees

This is a restricted fund with revenues paid by developers at the time of new residential and commercial construction permits. The increase in permit activity has resulted in more development fees collected over the same time period as last year. The expenditures are related to the development fee study that the Town is required to have as a result of legislation enacted in FY10-11. The study is ongoing and will take approximately nine months to complete.

During the first six months of this fiscal year there have been six (6) single family permit applications including development fees.

Effective January 1, 2012 cities and towns are prohibited from collecting a development fee for the General Government category.

FY2012-13 Revenues by Category - Development Fees				
	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Law Enforcement	\$75	\$673	\$4,188	16.1%
Streets	\$12	\$30,027	\$24,672	121.7%
Parks	\$0	\$11,229	\$4,437	253.1%
Open Space	\$2,271	\$5,716	\$2,700	211.7%
General Government	\$143	\$0	\$8,886	0.0%
Library	\$16	\$419	\$522	80.2%
Fire	\$15	\$1,159	\$939	123.4%
Grand Total All Funds	\$2,532	\$49,222	\$46,344	106.2%

FY2012-13 Expenditures by Category - Development Fees				
	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Law Enforcement	\$0	\$456	\$2,500	18.3%
Streets	\$0	\$2,071	\$10,000	20.7%
Parks	\$0	\$1,822	\$7,500	24.3%
Open Space	\$8,404	\$2,225	\$0	826.0%
General Government	\$526,326	\$0	\$0	0.0%
Library	\$0	\$456	\$2,500	18.3%
Fire	\$0	\$456	\$2,500	18.3%
Grand Total All Funds	\$534,730	\$7,487	\$25,000	29.9%

Capital Projects Fund

Capital projects are funded with accumulated with reserves that were accumulated from surplus revenues in the General 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 six month period ending December 31, 2012.

FY2012-13 Capital Projects Fund Revenues				
Revenue	FY2011-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Construction Sales Tax	\$160,019	\$107,750	179.6%	\$200,000
Grants	\$0	\$40,001	1.4%	\$40,000
Misc.	\$200,000	\$0	0.0%	\$0
Interest Income	\$8,779	\$22,095	100.0%	\$45,000
Transfers In	\$0	\$3,240	0.5%	\$100,000
Grand Total CIP Fund	\$368,798	\$173,086	4.8%	\$385,000

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 anticipated fiscal year end expenditures. Some of the projects will be carried over until the next fiscal year.

FY2012-13 Expenditures by Category - Capital Projects				
	FY2012-13 Actual	YTD to Budget	Annual Budget	Year End Estimate
UNDEFINED	\$1,682	2.9%	\$58,281	\$1,700
D6047 MISC DRAINAGE IMPROVEMENTS	\$4,666	7.2%	\$65,000	\$5,000
E8501 DOWNTOWN VISION PLAN-PHASE I	\$0	0.0%	\$100,000	\$0
E8502 DOWNTOWN VISION PLAN-PHASE II	\$0	0.0%	\$250,000	\$0
E8504 AOTF MEDIAN & RIGHT-OF-WAY IMPRVMT	\$6,481	0.4%	\$1,792,000	\$120,000
F4005 FIRE STATION 2 RELOCATION	\$0	0.0%	\$2,110,000	\$0
F4012 LIBRARY EVENT CIRCLE	\$38,000	79.2%	\$48,000	\$39,600
F4015 FIRE STATION 1 RENOVATION	\$130	0.0%	\$495,000	\$64,000
F4020 VOICE & DATA COMMUNICATIONS	\$23,683	94.7%	\$25,000	\$25,000
F4023 ENERGY EFFICIENCY PROGRAM	\$0	0.0%	\$35,000	\$0
F4025 PORTABLE LIVE FIRE TRAINING UNIT	\$0	0.0%	\$160,000	\$0
F4026 EMERGENCY OPERATIONS CENTER (EOC)	\$0	0.0%	\$75,000	\$0
F4027 ASSISTANCE TO FIREFIGHTER GRT-RADIO	\$0	0.0%	\$120,000	\$0
P3008 FOUR PEAKS PARK IMPROVEMENTS	\$40,498	81.0%	\$50,000	\$44,350
P3022 FOUNTAIN LAKE WATER QUALITY IMPRVMT	\$17,003	6.8%	\$250,000	\$17,003
P3024 URBAN TRAIL IMPROVEMENTS	\$0	0.0%	\$50,000	\$12,570
S6001 SHEA BLVD TRUCK CLIMBING LANE	-\$11,695	#DIV/0!	\$0	-\$11,695
S6003 UNPAVED ALLEY PAVING PROJECTS	\$0	0.0%	\$325,000	\$0
S6005 SHEA BLVD WIDENING	\$15,584	0.4%	\$3,903,000	\$41,680
S6008 ANNUAL PAVEMENT MANAGEMENT	\$0	0.0%	\$100,000	\$100,000
S6010 SAGUARO BLVD RECONSTRUCTION	\$0	0.0%	\$300,000	\$0
S6047 SHEA BLVD MULTI USE PATH	\$0	0.0%	\$50,000	\$0
S6053 FOUNTAIN HILLS BLVD SHOULDER PAVING	\$23,506	36.2%	\$65,000	\$64,901
S6054 HIGHWAY SAFETY IMPROVEMENT PROGRAM	\$0	0.0%	\$57,000	\$0
S6056 SHEA BLVD EB BIKE LANE & OVERLAY	\$0	0.0%	\$651,000	\$0
T5010 INTELLIGENT TRANSPORTATION SYSTEM	\$0	0.0%	\$53,000	\$0
T5011 TS-PALISADES & SAGUARO	\$0	0.0%	\$400,000	\$0
Grand Total Capital Projects	\$159,538	1.4%	\$11,587,281	\$524,109

Fund Balances/Reserves

Fiscal Quarter Fund Balances 31-Dec-12	
General Fund	\$5,437,184
HURF	\$754,135
Special Revenue Funds	\$247,269
Economic Dev/Downtown Fund	\$2,143,830
Public Art	\$2,763
Development Fees:	
Law Enforcement	\$301,317
Fire & Emergency	\$40,860
Streets	\$82,095
Parks & Recreation	\$19,709
Open Space	\$1,649,645
Library/Museum	\$41,885
Debt Service	\$1,074,629
Capital Projects	\$9,325,715
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$718,792
Total	\$23,185,028

The Town maintains several funds, some of which are restricted for specific purposes; the General 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 Fund is designated for downtown development.