

TOWN OF FOUNTAIN HILLS
BUDGET REPORT – SEPTEMBER 2010





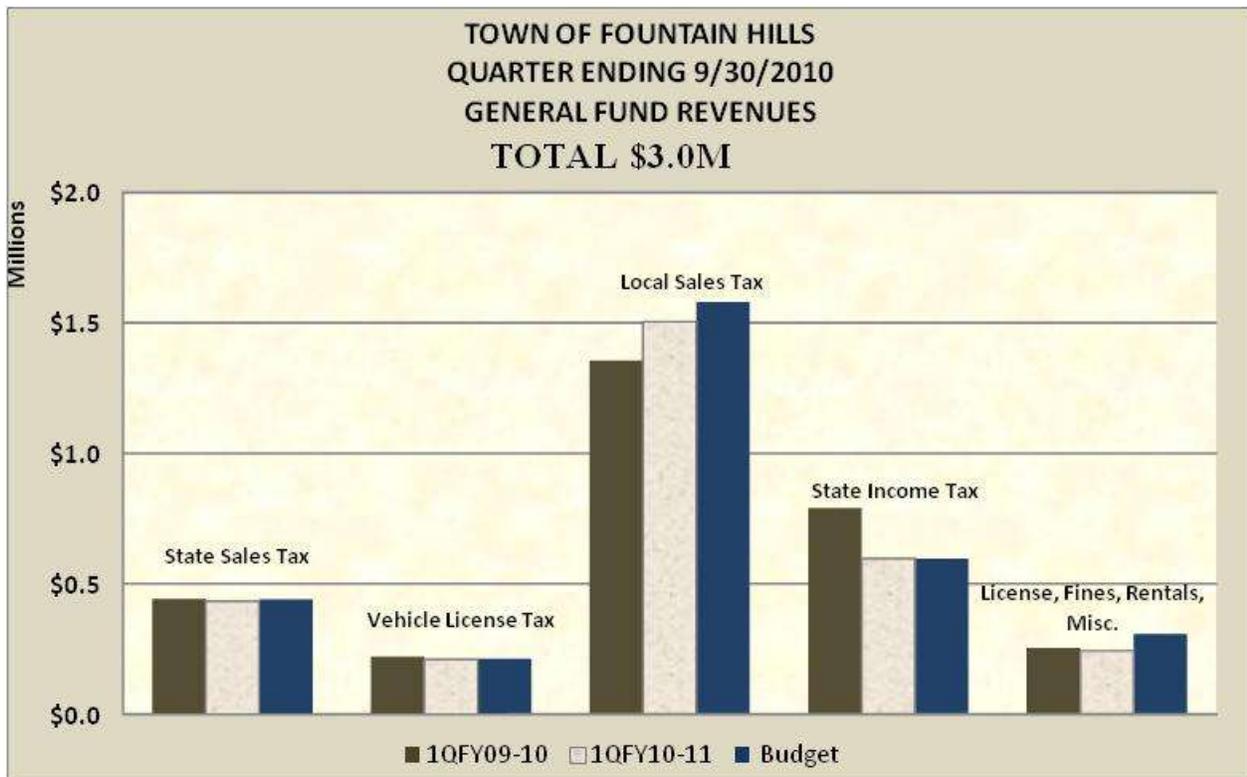
General Fund Revenues

General Fund Revenues

For the Fiscal Quarter ending September 30, 2010, General Fund Revenues were at 95% of budget as summarized below:

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
General Fund	\$3,137,192	\$2,985,528	95%	\$12,548,768

The first four revenues in the chart below represent 92% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections are showing signs of economic recovery with a 12% increase over the same period last year (excluding construction activity). State sales taxes, however, are lagging slightly over the first quarter of FY10 (2%). Residential construction (permit) revenues continue to lag compared to last year and projections (44% of the first quarter budget). Vehicle license taxes are also lagging by 1.4% compared to budget, and are 5% less than the same period last fiscal year; this revenue source is derived from vehicle registrations. Recreation, Community Center rental and franchise fees are 4% less than the same period last year, however, we anticipate that the gap will close during the fall and winter season. It is not anticipated at this time that budget cuts will be necessary due to dwindling resources.



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 fiscal year revenues from these categories total \$1,238,462 which is \$214,611 or 15% less than last year's distribution which was anticipated.

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
State Income Tax	\$596,055	\$595,969	100%	\$2,384,218
State Sales Tax	\$441,266	\$432,877	98%	\$1,765,065
Vehicle License Fees	\$212,500	\$209,616	99%	\$850,000

Local Sales Tax (2.6%)

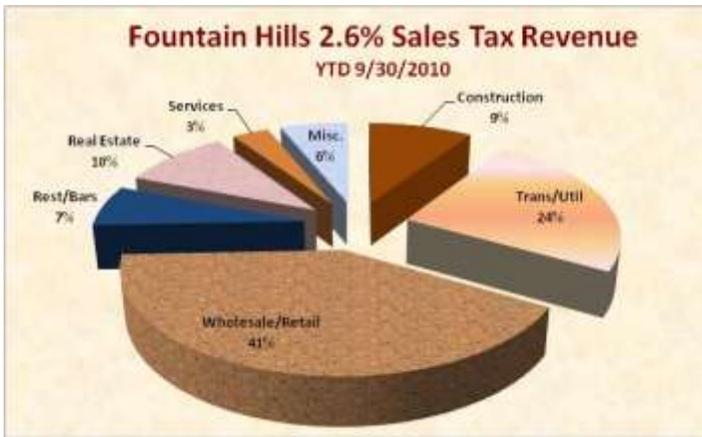
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. This quarter's revenues for this category total \$728,586, which is \$18,088 or 3% more than the same time period last fiscal year.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. This quarter's revenues for this category total \$117,253, which is \$15,364 more than the same time period last fiscal year (15%).

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. Through the first quarter of this fiscal year revenues for this category total \$424,645, which is \$49,296 or 14% more than the same time period last fiscal year.

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. This quarter's revenues for this category total \$166,554, which is \$54,805 or 25% less than the same time period last fiscal year. 50% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Local Sales Tax	\$1,505,130	\$1,429,481	95%	\$6,020,520



Local sales tax makes up 47% of General Fund revenues; for the year ending June 30, 2010 collections were \$7.6M for all funds (\$6.2 in the General Fund). Retail and restaurant/bar activities represent 54% of total collections; telecommunications and utilities represent another 19%. Construction revenues collected so far this fiscal year total \$538K, which is 38% less than last fiscal year. Retail sales tax collections decreased by 3.6% over the same period last year; restaurant/bar collections are at the same level as 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 quarter, revenues for this category total \$17,032 or 44% of the first quarter budget, and \$13,455 or 45% less than the same time period last fiscal year. Housing starts for the fiscal period (9 single family, 0 multi family and 0 commercial) remained level with the prior fiscal period with two less multi-family and three less commercial permits issued.

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Building Permit Fees	\$38,875	\$17,032	44%	\$55,000

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 quarter, revenues for this category total \$48,838, which is \$14,352 less than last year's same fiscal period (23%).

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Court Fines & Fees	\$63,770	\$49,838	78%	\$255,078

License Revenue

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. This fiscal quarter, revenues for this category total \$32,002 or 83% of the quarter budget and \$2,075 or 6% less than the same time period last fiscal year. While business license renewals and new applications are down, the number of animal licenses has increased over the last year.

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Business License Fees	\$27,295	\$20,595	76%	\$109,180
Animal License Fees	\$11,272	\$11,407	101%	\$45,088



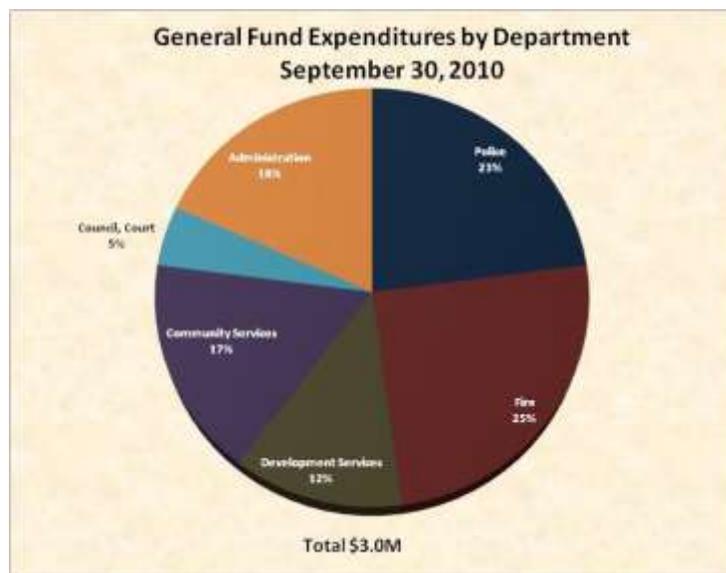
General Fund Expenditures

General Fund Expenditures

The General Fund accounts for most of the day to day operations of the Town, including Fire Department, Law Enforcement, Development Services, Community Services, Court, Council and Administrative functions. At the end of the first quarter 94% of the budget was expended.

Expenditures by Function	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Salaries & Benefits	\$869,852	\$925,181	106%	\$3,749,407
Contractual Services	\$1,745,909	\$1,741,783	100%	\$6,983,637
Services & Supplies	\$323,610	\$327,223	101%	\$1,294,439
Transfers to Other Funds	\$0	\$0	\$0	\$702,434
TOTAL	\$3,158,761	\$2,995,066	95%	\$12,635,044

- ◆ Salaries and benefits represent less than one-third (31%) of the total General Fund operating budget. It is not anticipated that any staff reductions will be necessary with the current economic recession – the prior years' reduction in force (RIF) resulted in cumulative savings into the current fiscal year.
- ◆ Contractual services represents 59% 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 and Supplies represents 11% of the total General Fund operating budget and includes items such as utilities, maintenance and repair, office supplies, insurance, software, etc. Expenditures are being monitored in order to avoid deficit spending.
- ◆ Transfers will be made from the General Fund (Community Center) to the Debt Service Fund for the semi-annual bond repayment due in December; additionally, transfers are made to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and contingency.



Department highlights:

Expenditures by Department	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Police	\$687,922	\$682,762	99%	\$2,751,687
Fire & Emergency Medical Services	\$765,603	\$744,009	97%	\$3,062,411
Development Services	\$389,389	\$369,202	95%	\$1,557,557
Community Services	\$580,558	\$501,059	86%	\$2,322,230
Mayor & Town Council	\$123,430	\$137,487	111%	\$493,718
Administrative Services	\$611,860	\$545,475	89%	\$2,447,441
TOTAL	\$3,158,761	\$2,979,994	94%	\$12,635,044

*Revised budget

- ◆ Law Enforcement represents 23% of the General Fund operating and in addition to the contract with Maricopa County Sheriff’s Office includes costs for jails 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 25% of the General Fund operating budget and includes the contract with Rural Metro for fire and emergency medical services; the department also includes expenditures for maintenance of the fleet, fire stations and equipment.
- ◆ Development Services (13% of General Fund expenditures) includes programs such as engineering associated with public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Other programs included in Development Services are Planning, Zoning, Code Enforcement, Planning, Environmental, Building Safety, and Mapping & Graphics.
- ◆ Community Services (17% 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 (\$387,000) transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- ◆ Administrative Services (19% of General Fund expenditures) includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 19% 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, manages audits, public meetings, Channel 11, Town website, elections, Town Attorney and Town Prosecutor, budget and financial reporting, etc.

Other Funds:

Streets

Excise Tax (Economic
Development)

Special Revenue (Grants)

Development Fees

Capital Projects



Highway User Revenue Fund (HURF) – Streets

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$334,648	\$343,957	103%	\$1,338,590

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 (99%) 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. Year end revenues in the HURF fund are projected to be \$1,338,590, which is 14% less than last fiscal year.

HURF Expenditures by Program - Quarter Ending 9/30/2010				
Expenditures by Program	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Administration	\$45,069	\$42,234	93.7%	\$180,276
Adopt A Street	\$4,830	\$4,682	96.9%	\$19,319
Legal Services	\$5,350	\$4,369	81.7%	\$21,400
Open Space	\$74,206	\$77,594	104.6%	\$296,825
Pavement Management	\$24,512	\$13,376	54.6%	\$98,049
Street Signs	\$26,584	\$21,653	81.5%	\$106,336
Street Sweeping	\$51,506	\$35,277	68.5%	\$206,023
Traffic Management	\$24,362	\$22,552	92.6%	\$97,446
Traffic Signals	\$41,602	\$43,961	105.7%	\$166,407
Vehicle Maintenance	\$23,033	\$24,353	105.7%	\$92,131
Grand Total HURF	\$321,053	\$290,051	90.3%	\$1,284,212

- ◆ 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 (\$134,160).
- ◆ Pavement Management program includes personnel costs related to road maintenance in addition to any contribution to the Capital Projects Fund for major road projects such as slurry seal - \$20,000 is all that is available in FY10-11 for the transfer.
- ◆ 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. The largest cost is for the transfer of annual depreciation to the Vehicle Replacement Fund (\$79,876).

Excise Tax Fund – Economic Development

	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$67,657	\$66,886	99%	\$270,629

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%).

Expenditures by Function	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Salaries & Benefits	\$13,679	\$15,597	114%	\$54,714
Contractual Services	\$31,136	\$10,805	35%	\$124,545
Services & Supplies	\$4,444	\$2,394	54%	\$17,775
Transfers	\$92,500	\$0	0%	\$370,000
TOTAL	\$143,244	\$28,806	20%	\$572,977

- ◆ Salaries and benefits, which represent 10% of the total Economic Development operating budget, are at 114% of budget (overage is due to timing but will be within budget by year end). A percentage of the Economic Development Administrator’s salary and benefits are allocated to this fund; the remainder is paid through the General Fund.
- ◆ Contractual services represent 22% of the budget and include contracts for downtown holiday lighting, marketing, downtown parking study, highway signage and professional services for the Lakeside district.
- ◆ Services and Supplies, which represents 4% of the total operating budget, are at 54% of budget and include items such as training, publications, and office supplies.
- ◆ Transfers included a transfer to the Capital Projects Fund for contingency if an opportunity to provide an incentive to a developer arises (would require Council approval).

Development Fees

Revenues by Category	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Law Enforcement	\$1,985	\$1,008	51%	\$7,980
Fire & Emergency	\$450	\$224	50%	\$1,795
Streets	\$12,195	\$2,762	23%	\$48,775
Parks & Recreation	\$1,856	\$2,958	160%	\$7,425
Open Space	\$1,210	\$2,295	190%	\$4,835
Library & Museum	\$220	\$361	164%	\$875
General Government	\$4,228	\$3,087	73%	\$16,910
TOTAL	\$22,150	\$12,695	58%	\$88,595

This is a restricted fund with revenues paid by developers at the time of new residential and commercial construction permits. The lack of permit activity results in less development fees collected. There were no expenditures projected for the current fiscal year from development fees, however, a budgeted FY09-10 expenditure carried forward to the current year that was unanticipated.

Expenditures by Category	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Law Enforcement	\$0	\$0	0%	\$0
Fire & Emergency	\$0	\$0	0%	\$0
Streets (transfer to CIP)	\$0	\$128,704	0%	\$128,704
Parks & Recreation	\$0	\$0	0%	\$0
Open Space	\$0	\$0	0%	\$0
Library & Museum	\$0	\$0	0%	\$0
General Government	\$0	\$0	0%	\$0
TOTAL	\$0	\$128,704	\$0	\$128,704

Capital Projects

Revenue	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Construction Sales Tax	\$96,745	\$86,581	90%	\$386,978
Stimulus Funding	\$270,404	\$0	0%	\$1,081,614
Grants	\$690,803	\$55,664	8%	\$2,763,212
Rebates	\$70,656	\$0	0%	\$282,625
TOTAL	\$1,128,608	\$142,245	13%	\$4,514,429

Expenditures	First Quarter FY2010-11 Budget	First Quarter FY2010-11 Actual	YTD to Budget	Annual Estimate
Downtown Improvements	\$570,000	\$0	0%	\$570,000
Street Projects	\$5,507,493	\$79,630	2%	\$5,507,493
Traffic Signals	\$148,800	\$128,000	86%	\$148,800
Drainage	\$0	\$157,925	100%	\$0
General Government	\$90,000	\$0	0%	\$90,000
Fire & Emergency	\$66,000	\$0	0%	\$66,000
Contingency	\$200,572	\$0	0%	\$200,572
TOTAL	\$6,582,865	\$365,555	6%	\$6,582,865

Fund Balance as of September 30, 2010

The Town has adopted financial policies that establish a level of reserves (fund balance) that provide future financial stability for the Town. The policy requires that the Town set aside designated unreserved funds of a minimum 10% of average revenues, reserved funds of 20% of average revenues and a Rainy Day Fund of \$1.3M. The reserved funds are not available for appropriation. When reserves exceed policy requirements the surplus is transferred at year-end to the Capital Projects Fund for future appropriation (approximately \$117,000 for FY10).

The following table is a summary by fund of all fund balances as of September 30, 2010; each fund should be viewed individually and balances cannot be transferred between the funds. The fund balances will change each month as revenues and expenditures are recorded.

Fund Balances
as of 9/30/2010

General Fund	\$5,325,460
HURF	\$223,931
Special Revenue Funds	\$216,682
Economic Dev/Downtown Fund	\$1,723,968
Public Art	(\$2,046)
Development Fees:	
Law Enforcement	\$196,369
Fire & Emergency	\$38,551
Streets	\$20,431
Parks & Recreation	(\$6,761)
Open Space	\$1,642,697
Library/Museum	\$40,240
General Government	\$518,597
Debt Service	\$1,572,863
Capital Projects	\$9,797,493
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$464,581
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Total	<u>\$23,118,256</u>