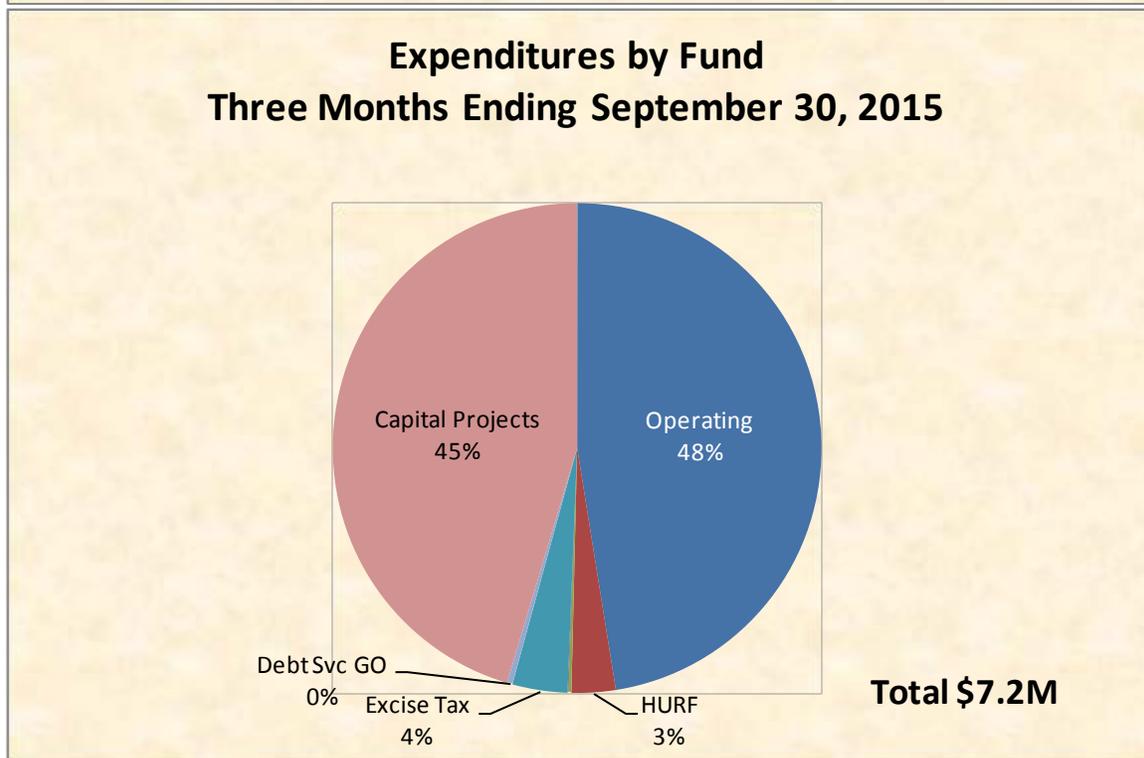
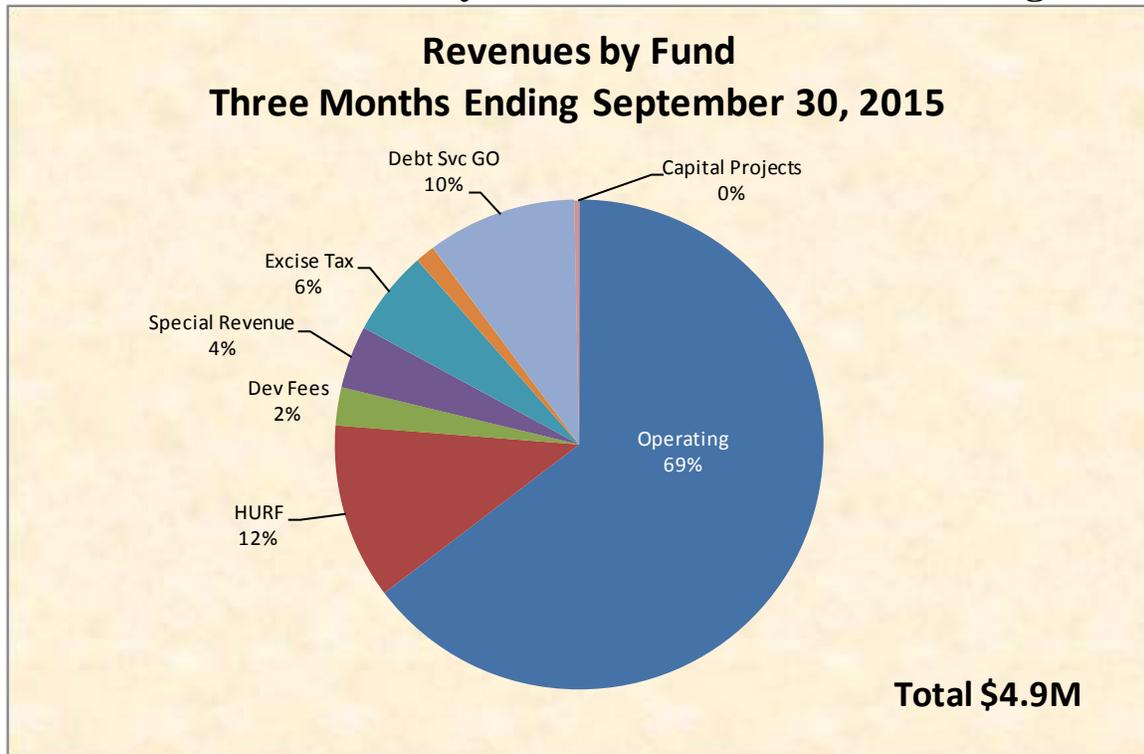


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
THREE MONTHS ENDING SEPTEMBER 30,
2015





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

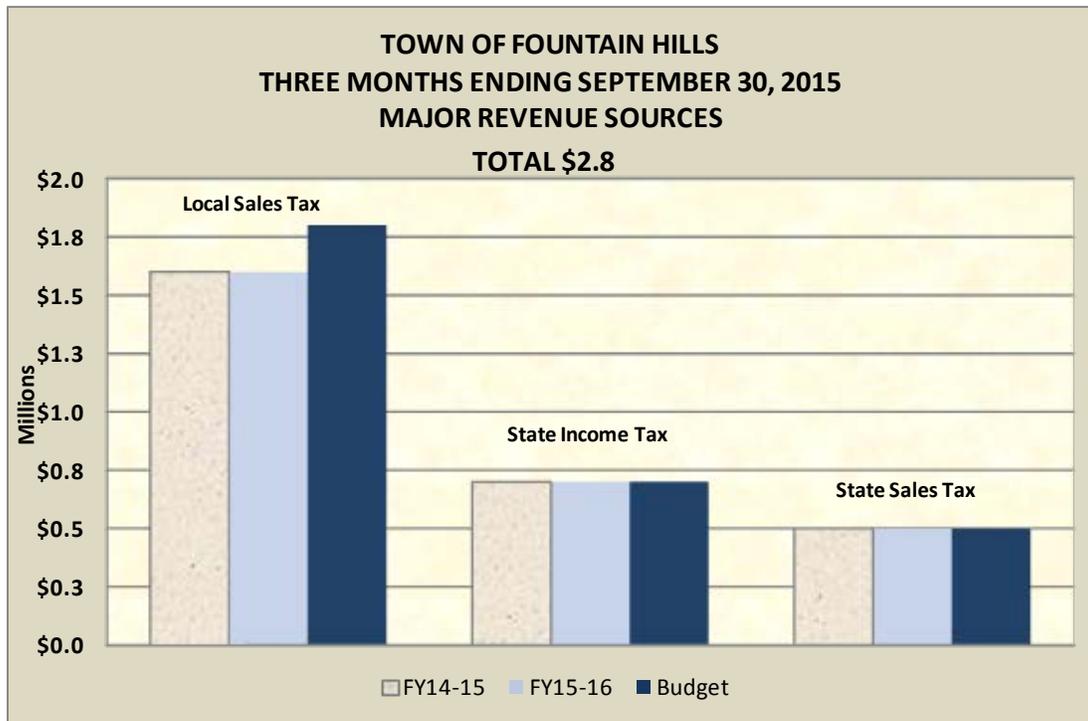




Operating Fund Revenues

For the twelve month period ending September 30, 2015, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 89.7% of budgeted amounts and \$134,226 higher than the same time period last fiscal year (an increase of 4.4%). Categories where revenues are higher than the previous year are the local sales tax (up 2.7%), fines & forfeitures (up 47.8%), investment earnings (up 1386.3%) as well as other revenue (up 436.0%). Total Operating Fund revenues for this fiscal period are \$3,183,710.

Current Year Revenues - YTD Ending September 30 - All Funds				
FUND	YTD FY14-15	YTD FY15-16	YTD FY15-16 Budget	% YTD FY15-16 Budget
Operating Funds	\$ 3,049,486	\$ 3,183,710	\$ 3,548,371	89.7%



The three major revenues in the chart above represent 88.8% 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 (2.7% 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 5.2% higher and State income taxes are 0.5% lower than last year. Overall, these major revenue sources are at 90.5% of the YTD 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 \$1,182,487 which is \$21,276 or 1.8% 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.

Operating Funds Revenue Report - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	YTD FY15-16 Budget	% YTD FY15-16 Budget
Local Sales Tax	\$ 1,601,285	\$ 1,645,165	\$ 1,829,342	89.9%
State Sales Tax	480,603	505,569	537,111	94.1%
State Income Tax	680,608	676,918	676,918	100.0%

Local Sales Tax (2.6%) – All Funds

The fiscal year to date revenue for this category totals \$1,960,963 (including all funds), which is 90.7% of projections. Compared to the same time period as last year, the total revenues are 0.6% 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 \$808,920 which is 79.5% of projections; compared to last fiscal year, revenues increased by 3.1%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$138,981, which is 77.5% of projections; compared to last fiscal year, revenues are up by 7.8% and higher than any other previous year.

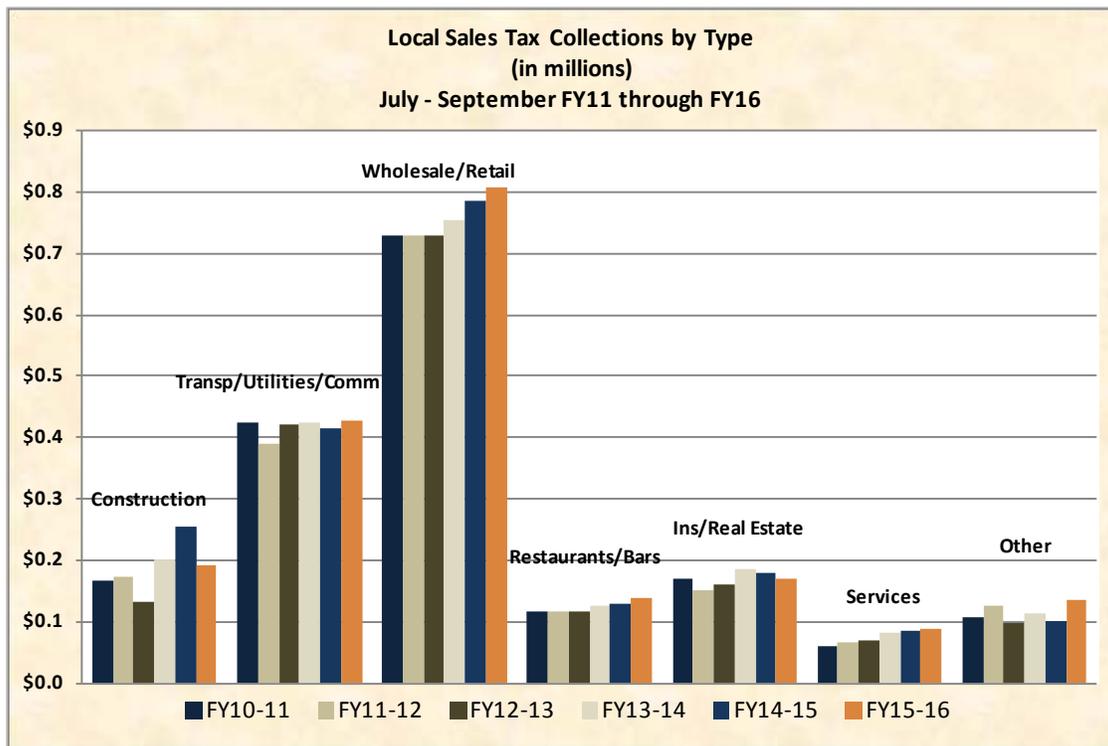
Communications/Utilities/Transportation: Utilities, such as Chaparral City Water, cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$428,975, which is 119.1% of what was anticipated; compared to last fiscal year, revenues are up by 3.1%.

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 \$190,489, which is 114.7% of what was budgeted; compared to last fiscal year, revenues are down 24.8%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Operating Funds Revenue Report - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	YTD FY15-16 Budget	% YTD FY15-16 Budget
Local Sales Tax	\$ 1,601,285	\$ 1,645,165	\$ 1,829,342	89.9%



Local sales tax makes up 51.7% of Operating Fund revenues; for the period ending September 30, 2015, collections were \$2.0M for all funds (\$1.6M in the Operating Fund). Retail and restaurant/bar activities represent 48.4% of total collections; telecommunications and utilities represent another 21.9%. Construction revenues collected this fiscal period total \$190,489, which is a 24.8% decrease from last fiscal year. Retail sales tax collections increased 3.1% over the same period last year; restaurant/bar collections are up 7.8% 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 \$27,711 or 43.0% of the YTD budget. New housing permits issued for the fiscal period are 10 single family, 1 multi-family and no commercial.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Building Permit Fees	\$35,248	\$27,711	43.0%	\$257,755

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 \$43,179 which is \$13,958 (47.8%) more than last year's same fiscal period and 117.5% of the YTD budget amount.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Court Fines & Fees	\$29,221	\$43,179	117.5%	\$147,011

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 \$35,473 or 93.7% of the fiscal period budget.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Business License Fees	\$22,683	\$25,995	94.9%	\$109,575
Animal License Fees	10,007	9,478	90.6%	41,932



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, Municipal Court, Town Council and Administration functions. At the end of the period, 99.0% of the annual budget has been expended.

Expenditures by Category - YTD Ending September 30				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 729,967	\$ 702,935	86.7%	\$ 3,241,546
Supplies and Services	207,549	148,775	112.4%	529,449
Contractual Services	2,030,608	2,155,178	101.7%	8,473,814
Maintenance/Utilities	256,610	201,386	76.2%	1,056,985
Capital Expenditures	23,586	11,028	96.4%	45,775
Internal Transfers/Contingency	104,315	248,534	148.3%	670,452
TOTAL	\$ 3,352,635	\$ 3,467,836	99.0%	\$ 14,018,021

- Wages and benefits represent one fifth (20.3%) 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 represents 4.3% of the total Operating Fund budget and includes items such as dues and memberships, education and training, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 62.1% 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.
- Maintenance/Utilities represent 5.8% of the Operating Fund budget and include facility maintenance and utilities.
- Capital Expenditures are only 0.3% of the Operating Fund and include those purchases of small items that do not meet the Town's capitalization threshold.
- Internal Transfers/Contingency (7.2%) 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 September as well as charges to the Operating Fund budget by department and transfers to provide monies for future scheduled replacement of vehicles and equipment. Also includes contingency funding.



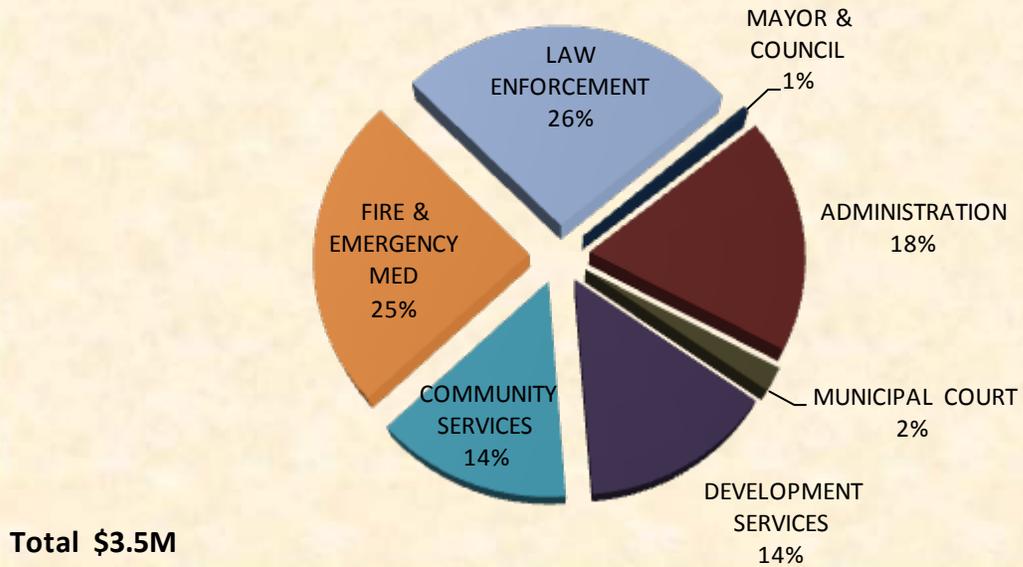
Department summary

Expenditures by Department - YTD Ending September 30				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Mayor & Council	\$ 21,676	\$ 16,310	81.5%	\$ 80,084
Administration	702,744	637,095	106.4%	2,395,765
Municipal Court	70,418	66,383	95.8%	277,107
Development Services	361,174	488,950	108.4%	1,803,724
Community Services	532,656	496,295	87.2%	2,275,574
Fire & Emergency Medical Services	831,415	847,952	96.9%	3,501,797
Law Enforcement	832,551	914,851	99.3%	3,683,970
TOTAL	\$ 3,352,634	\$ 3,467,836	99.0%	\$ 14,018,021

- The Mayor & Council and Municipal Court budgets represent a total 0.5% 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 18.4% of the Operating Fund budget. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, and liquor), customer service, audits, public meetings, Channel 11, Town website, elections, Town Attorney, Town Prosecutor, budget and financial reporting, etc.
- Development Services (14.1% 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 (14.3% 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 September.
- Fire & Emergency Medical Services represents 24.5% 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 26.4% 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.



Operating Fund Expenditures by Department Three Months Ending September 30, 2015



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

HURF Revenues by Program - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
State Shared Revenues	\$ 537,459	\$ 565,137	98.6%	\$ 2,292,162
In Lieu Fees	800	5,640	188.0%	12,000
Transfers	-	-	0.0%	-
Miscellaneous & Other	(132)	1,317	83.6%	6,300
Grand Total HURF	\$ 538,127	\$ 572,094	99.0%	\$ 2,310,462

This fund supports most of the Town's street and traffic operations and is managed by the Development Services Department. Revenues were received more than budgeted. The fund is primarily supported by the State Highway User Revenue Fund (58.9%), Vehicle License Taxes (39.9%) 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 \$5,640 in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous & other.

HURF Expenditures by Program - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Administration	\$ 57,377	\$ 70,743	128.1%	\$ 220,860
Adopt A Street	720	736	69.6%	4,227
Legal Services	8,296	4,665	58.1%	32,136
Open Space	55,006	50,457	57.6%	350,309
Pavement Maintenance	51,659	38,639	8.8%	1,761,276
Street Signs	16,181	12,434	55.3%	90,003
Street Sweeping	22,338	-	0.0%	-
Traffic Signals	34,332	19,063	27.4%	278,145
Vehicle Maintenance	16,391	14,629	55.2%	106,070
Grand Total HURF	\$ 262,300	\$ 211,366	29.7%	\$ 2,843,026



- The Administration program for the Streets division includes activities that are not directly related to a program (for example, insurance, fuel, utilities, etc.).
- Adopt A Street includes expenses incurred to support the program by the same name.
- Legal Services represent an allocation of the Town Attorney's fees.
- 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 8,500 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 40 vehicles and heavy equipment.



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

Excise Tax Revenues - All Funds - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Revenues	\$ 268,634	\$ 277,050	197.5%	\$ 561,000
Grand Total Excise Tax Funds	\$ 268,634	\$ 277,050	197.5%	\$ 561,000

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 FY14-15, 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.

Excise Tax Funds Expenditures by Category - YTD Ending September 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 21,014	\$ 38,061	90.0%	\$ 169,218
Supplies and Services	4,138	15,337	170.1%	36,076
Contractual Services	36,305	67,205	153.6%	175,055
Maintenance/Utilities	247	5,284	41.4%	51,050
Internal Transfers	836,871	139,737	90.5%	617,826
Grand Total all Categories	\$ 898,575	\$ 265,624	101.3%	\$ 1,049,225

- Wages and benefits, which represent 14.3% 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 5.8% 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 represent 25.3% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (2.0%) include sign repair and replacement in addition to telecommunication charges.
- Internal Transfers (52.6) reflect the transfer of funds to the Tourism Fund.



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 this fiscal year, there have been eleven (11) permit applications including development fees.

FY15-16 Revenues by Category - YTD Ending September 30 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ 698	\$ -	0.0%	\$ -
Fire/Emergency	3,537	23,147	174.2%	26,580
Streets	33,734	-	0.0%	-
Parks/Rec	17,912	14,330	36.7%	78,060
Open Space	596	5,396	179.9%	6,000
Library/Museum	480	-	0.0%	-
General Government	-	-	0.0%	-
Grand Total All Funds	\$ 56,957	\$ 42,873	77.5%	\$ 110,640

FY15-16 Expenditures by Category - YTD Ending September 30 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ 203,484
Fire/Emergency	-	-	0.0%	67,202
Streets	-	-	0.0%	-
Parks/Rec	-	-	0.0%	-
Open Space	134	135	50.5%	535
Library/Museum	-	-	0.0%	-
Grand Total All Funds	\$ 134	\$ 135	0.1%	\$ 271,221



FY15-16 Expenditures by Category - YTD Ending September 30 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ 203,484
Fire/Emergency	-	-	0.0%	67,202
Streets	-	-	0.0%	-
Parks/Rec	-	-	0.0%	-
Open Space	134	135	50.5%	535
Library/Museum	-	-	0.0%	-
Grand Total All Funds	\$ 134	\$ 135	0.1%	\$ 271,221



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 year ending September 30, 2015.

FY15-16 Capital Projects Fund Revenues - YTD Ending September 30			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
Construction Sales Tax	\$ 95,245	28.7%	\$ 332,035
Developer Fee	-	0.0%	-
Bond Proceeds	-	0.0%	-
Grants	(212,953)	(11.9%)	1,790,000
Misc.	78,876	51.2%	154,082
Interest Income	21,752	181.3%	12,000
Transfers In	81,715	9.9%	827,401
Grand Total CIP Fund	\$ 64,635	2.1%	\$ 3,115,518



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 expenditures to date. Some of the projects have not started yet and therefore have no expenditures.

FY15-16 Expenditures by Category - YTD Ending September 30 - Capital Projects			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
D6030 DRAINAGE-ASHBROOK WASH C	\$ -	0.0%	\$ 2,145,000
D6047 MISC DRAINAGE IMPROVEMEN	-	0.0%	50,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	200,000
F4005 FIRE STATION 2 RELOCATIO	-	0.0%	3,650,000
P3011 FOUNTAIN PARK, PHASE VI	239,826	26.4%	910,000
P3022 FOUNTAIN LAKE WATER QUAL	-	0.0%	200,000
P3025 ADERO CANYON TRAILHEAD	-	0.0%	20,000
S6005 SHEA BLVD WIDENING	85,713	8.6%	1,000,000
S6010 SAGUARO BLVD RECONSTRUCT	2,781,354	55.6%	5,000,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	500,000
S6057 MCDOWELL MOUNTAIN ROAD R	-	0.0%	65,000
T5011 TS-PALISADES & SAGUARO	207,050	54.5%	380,000
CONTINGENCY	14,761	5.4%	272,885
Grand Total Capital Projects	\$ 3,328,704	23.1%	\$ 14,392,885



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-End Fund Balances (Unaudited)
September 30, 2015

	Rainy Day Fund	\$ 2,624,843	
	General Fund	5,571,220	
	Public Art Fund	5,602	
	Internal Service Fund	(10,555)	
	Vehicle Replacement Fund	457,848	
Operating Funds			\$ 8,648,958
Highway User Revenue Fund (HURF)		1,911,689	1,911,689
	Special Revenue Fund	54,643	
	Court Enhancement Fund	278,517	
	Environmental Fund	79,378	
	Cottonwoods Maintenance District Fund	12,363	
Special Revenue Funds			424,901
	Downtown Strategy Fund	964,366	
	Economic Development Fund	15,258	
	Tourism Fund	111,854	
Excise Tax Funds			1,091,478
	General Obligation Debt Service Fund	785,030	
	Eagle Mountain CFD Debt Service Fund	130,401	
	MPC Debt Service Fund	265,748	
Debt Service			1,181,179
	Capital Projects Fund	7,450,926	
	Facilities Replacement Fund	170,227	
Capital Projects			7,621,153
	Law Enforcement	203,484	
	Fire & Emergency	94,275	
	Streets	-	
	Parks & Recreation	215,294	
	Open Space	1,665,886	
	Library/Museum	-	
Development Fees			2,178,939
	Grand Total		<u>\$ 23,058,297</u>