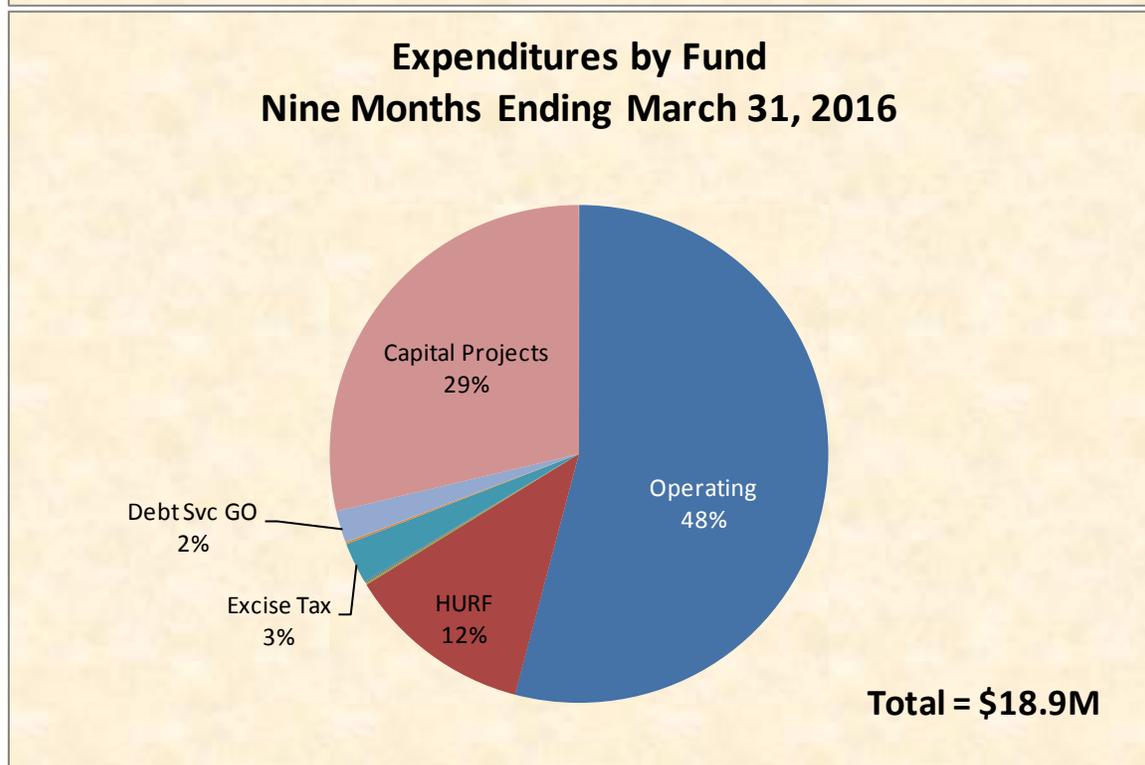
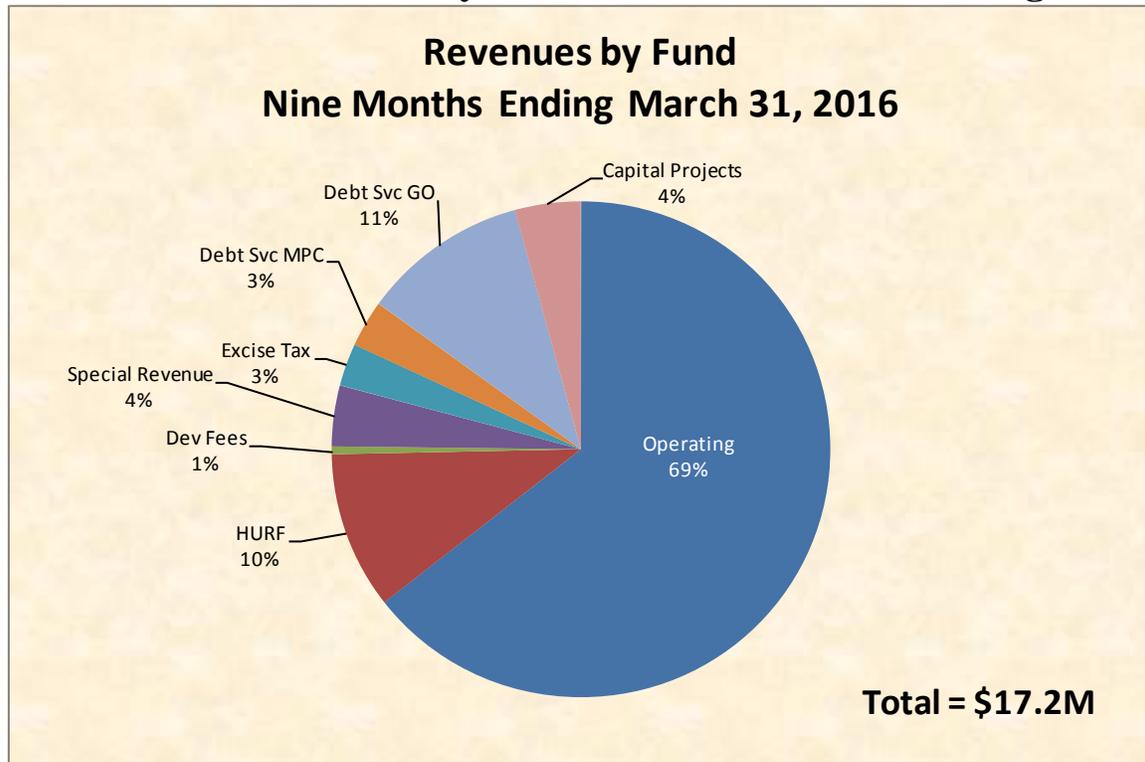


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
NINE MONTHS ENDING MARCH 31, 2016





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

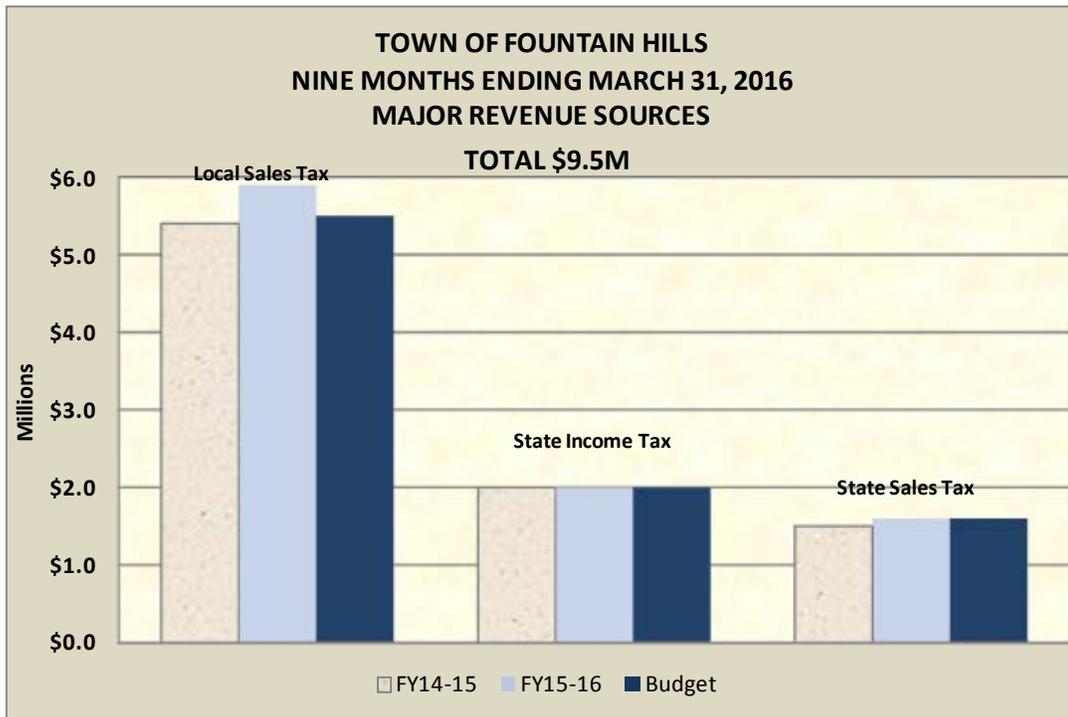




Operating Fund Revenues

For the nine month period ending March 31, 2016, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 104.6% of budgeted amounts and \$664,070 higher than the same time period last fiscal year (an increase of 6.3%). Categories where revenues are higher than the previous year are the local sales tax (up 7.6%), State sales tax (up 4.4%) as well as Licenses & Permits (up 10.4%). Total Operating Fund revenues for this fiscal period are \$11,136,648.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Operating Fund	\$10,472,578	\$11,136,648	104.6%	\$14,194,983



The three major revenues in the chart above represent 85.0% 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 (7.6% 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 4.4% higher and income taxes are 0.5% lower than last year as projected; vehicle license taxes are 8.6% 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 103.7% 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 \$3,607,454 which is only \$56,017 or 1.6% 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.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
State Income Tax	\$2,041,824	\$2,030,755	100.0%	\$2,707,673
State Sales Tax	1,509,613	1,576,699	97.9%	2,148,444

Local Sales Tax (2.6%)

The fiscal YTD revenue for this category totals \$6,849,545 (including all funds), which is 105.6% of projections. Compared to the same time period as last year, the total revenues are 5.1% 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 \$3,001,660 which is 98.3% of projections; compared to last fiscal year, revenues increased by 5.0%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$513,411, which is 95.5% of projections; compared to last fiscal year, revenues are up by 5.2% and higher than any other previous year.

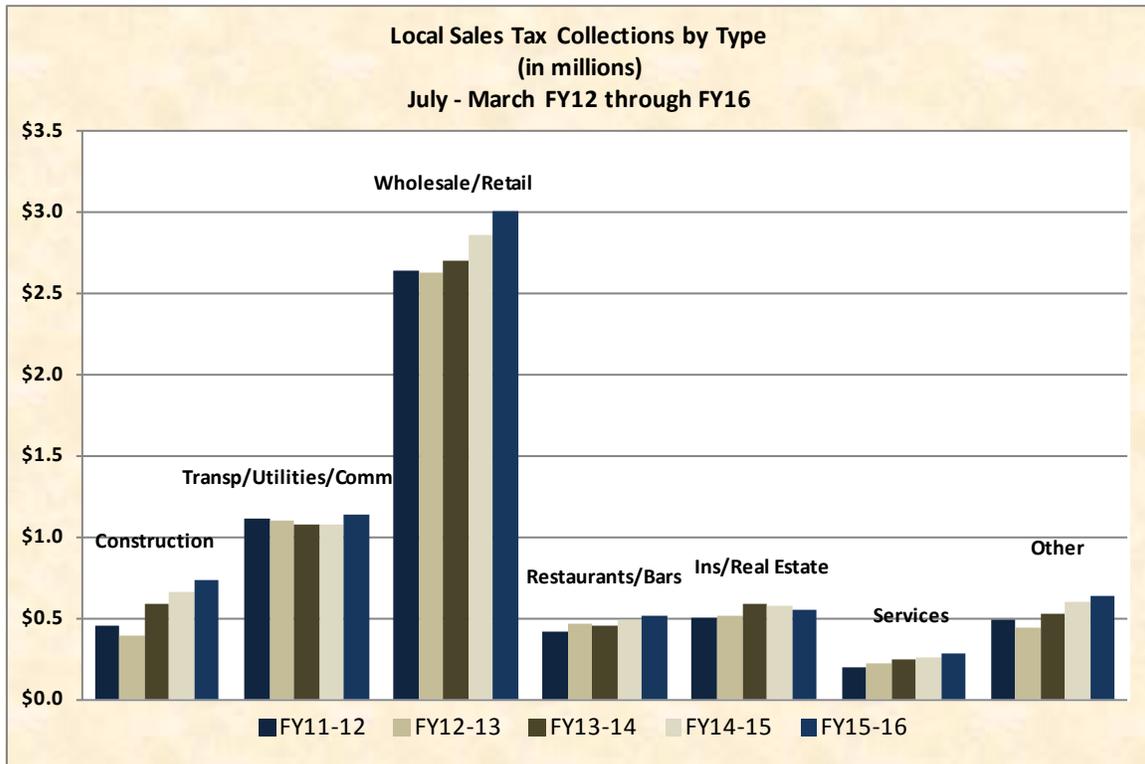
Communications/Utilities/Transportation: Utilities, such as Chaparral City Water, cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,139,476, which is 105.5% of what was anticipated; compared to last fiscal year, revenues are up by 5.5%.

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 \$735,933, which is 147.8% of what was budgeted; compared to last fiscal



year, revenues are up 10.9%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Local Sales Tax	\$6,518,422	\$6,849,545	105.6%	\$8,647,150



Local sales tax makes up 52.6% of Operating Fund revenues; for the period ending March 31, 2016, collections were \$6.8M for all funds (\$5.9M in the Operating Fund). Retail and restaurant/bar activities represent 51.3% of total collections; telecommunications and utilities represent another 16.6%. Construction revenues collected this fiscal period total \$735,933, which is a 10.9% increase over last fiscal year. Wholesale/retail sales tax collections increased 5.0% over the same period last year; restaurant/bar collections are up 5.2% 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 \$82,449 or 42.6% of the period budget. New housing permits issued for the fiscal period are 29 single family, 2 multi-family and 1 commercial.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Building Permit Fees	\$121,694	\$82,449	42.6%	\$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 \$144,451 which is \$19,756 (15.8%) more than last year’s same fiscal period and 131.0% of the budgeted amount.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Court Fines & Fees	\$124,695	\$144,451	131.0%	\$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 \$138,795 or 122.2% of the fiscal period budget.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Business License Fees	\$100,834	\$110,055	133.9%	\$109,575
Animal License Fees	30,215	28,740	91.6%	41,832



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 third quarter, 97.4% of the period budget has been expended.

FY15-16 Expenditures by Category - YTD Ending March 31 - Operating Funds				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 2,317,654	\$ 2,355,613	96.9%	\$ 3,241,546
Supplies and Services	370,370	344,767	86.7%	530,221
Contractual Services	5,819,010	6,324,996	98.9%	8,524,114
Maintenance/Utilities	822,571	652,486	83.3%	1,044,350
Capital Expenditures	23,586	84,687	246.7%	45,775
Internal Transfers/Contingency	919,303	474,442	100.7%	628,420
Grand Total all Categories	\$ 10,272,494	\$ 10,236,991	97.4%	\$ 14,014,426

- Salaries and benefits represent one fourth (23.0%) 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 3.4% 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 61.8% 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 Transfers are charged to the Operating Fund budget by department and transferred to provide monies for future scheduled replacement of vehicles and equipment. Also 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.



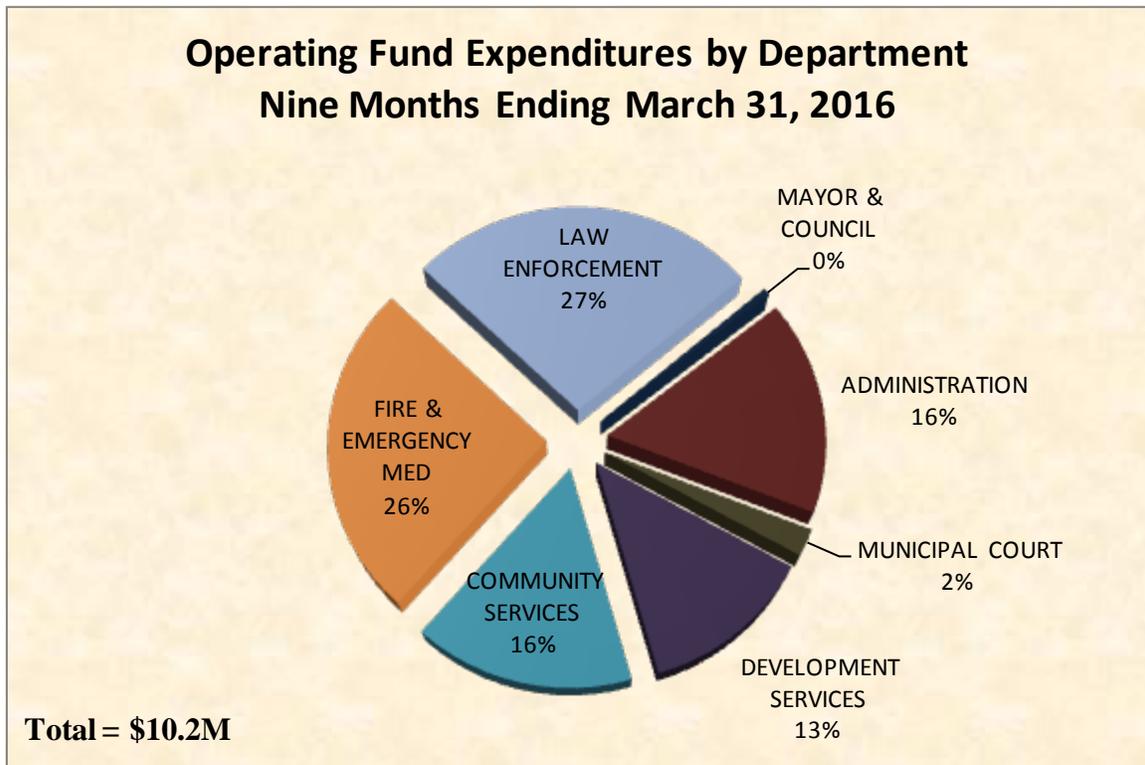
Department summary

Expenditures by Department - YTD Ending March 31				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Mayor & Council	\$ 63,689	\$ 54,704	91.1%	\$ 80,084
Administration	1,824,374	1,686,473	95.5%	2,353,870
Municipal Court	213,659	214,412	103.2%	277,107
Development Services	1,380,314	1,289,303	93.7%	1,835,524
Community Services	1,714,435	1,629,672	95.2%	2,282,074
Fire & Emergency Medical	2,579,771	2,619,344	99.7%	3,501,797
Law Enforcement	2,496,252	2,743,083	99.3%	3,683,970
TOTAL	\$ 10,272,494	\$ 10,236,991	97.4%	\$ 14,014,426

- 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 16.5% 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 (12.6% 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 (15.9% 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 25.6% 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 26.8% 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

HURF Revenues by Program - YTD Ending March 31				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
State Shared Revenues	\$ 1,632,691	\$ 1,740,166	101.2%	\$ 2,292,162
In Lieu Fees	3,022	18,060	200.7%	12,000
Transfers	562	-	0.0%	-
Miscellaneous & Other	8,991	7,281	154.1%	6,300
Grand Total HURF	\$ 1,645,266	\$ 1,765,507	101.9%	\$ 2,310,462

This fund supports most of the Town’s street and traffic operations and is managed by the Development Services Department. More revenues were received than budgeted; however, expenditures still exceeded the anticipated resources. The fund is primarily supported by the State Highway User Revenue Fund (59.6%), Vehicle License Taxes (39.0%) 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 \$18,060 for 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 March 31				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Administration	\$ 109,025	\$ 196,535	118.6%	\$ 220,860
Adopt A Street	2,377	2,350	74.1%	4,227
Legal Services	22,716	21,942	91.0%	32,136
Open Space	170,845	211,742	80.6%	350,309
Pavement Maintenance	227,939	1,603,742	121.4%	1,761,276
Street Signs	52,428	58,187	81.6%	95,098
Street Sweeping	65,544	-	0.0%	-
Traffic Signals	84,407	114,285	54.8%	278,145
Vehicle Maintenance	57,669	73,101	91.9%	106,070
Grand Total HURF	\$ 792,950	\$ 2,281,884	106.8%	\$ 2,848,121

- 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 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 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 vehicles and heavy equipment.



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

Excise Tax Revenues - All Funds - YTD Ending March 31				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Revenues	\$ 471,250	\$ 475,907	109.5%	\$ 579,342

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’s focus is for infrastructure improvements and development; Economic Development’s 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 March 31				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 82,665	\$ 122,225	96.3%	\$ 169,218
Supplies and Services	18,021	21,246	78.5%	36,076
Contractual Services	117,015	153,689	106.0%	193,397
Maintenance/Utilities	803	5,863	15.3%	51,050
Internal Transfers	1,227,600	201,220	43.4%	617,826
Grand Total all Categories	\$ 1,446,104	\$ 504,243	63.0%	\$ 1,067,567

- Wages and benefits, which represent 24.2% of the total Excise Tax operating budget, is the second largest component of expenditures after contractual services.
- Supplies and Services represents 4.2% 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 30.5% 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 in FY 14-15 and the funding for the tourism program,



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 two (32) permit applications including development fees.

FY15-16 Revenues by Category - YTD Ending March 31 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ 730	\$ -	0.0%	\$ -
Fire/Emergency	16,933	29,839	149.7%	26,580
Streets	33,804	-	0.0%	-
Parks/Rec	53,039	41,820	71.4%	78,060
Open Space	11,122	15,023	333.8%	6,000
Library/Museum	487	-	0.0%	-
General Government	-	-	0.0%	-
Grand Total All Funds	\$ 116,115	\$ 86,682	104.5%	\$ 110,640

FY15-16 Expenditures by Category - YTD Ending March 31 - 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	403	404	100.7%	535
Library/Museum	-	-	0.0%	-
Grand Total All Funds	\$ 403	\$ 404	0.2%	\$ 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 year-to-date period ending March 31, 2016.

FY15-16 Capital Projects Fund Revenues - YTD Ending March 31			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
Construction Sales Tax	\$ 367,967	110.8%	\$ 332,035
Developer Fee	-	0.0%	-
Bond Proceeds	-	0.0%	-
Grants	64,615	3.6%	1,790,000
Misc.	119,407	77.5%	154,082
Interest Income	48,351	402.9%	12,000
Transfers In	59,137	7.9%	745,686
Grand Total CIP Fund	\$ 659,477	21.7%	\$ 3,033,803



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.

FY15-16 Expenditures by Category - YTD Ending March 31 - Capital Projects			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
D6030 DRAINAGE-ASHBROOK WASH C	\$ 565,695	26.4%	\$ 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	996	0.0%	3,650,000
P3011 FOUNTAIN PARK, PHASE VI	247,077	27.1%	911,000
P3022 FOUNTAIN LAKE WATER QUAL	13,600	6.8%	200,000
P3025 ADERO CANYON TRAILHEAD	2,394	9.7%	24,614
S6005 SHEA BLVD WIDENING	99,291	9.9%	1,000,000
S6010 SAGUARO BLVD RECONSTRUCT	4,192,017	83.8%	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	273,968	72.1%	380,000
CONTINGENCY	29,959	11.2%	267,271
Grand Total Capital Projects	\$ 5,424,997	37.7%	\$ 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) March 31, 2016

Operating Funds			
	Rainy Day Fund	\$ 2,624,843	
	General Fund	6,566,245	
	Public Art Fund	5,460	
	Internal Service Fund	(5,367)	
	Vehicle Replacement Fund	641,559	\$ 9,832,740
	Highway User Revenue Fund (HURF)	1,034,582	1,034,582
Special Revenue Funds			
	Special Revenue Fund	54,643	
	Court Enhancement Fund	290,616	
	Environmental Fund	335,758	
	Cottonwoods Maintenance District Fund	13,223	694,240
Excise Tax Funds			
	Downtown Strategy Fund	899,935	
	Economic Development Fund	109,940	
	Tourism Fund	41,840	1,051,715
Debt Service			
	General Obligation Debt Service Fund	1,793,573	
	Eagle Mountain CFD Debt Service Fund	346,389	
	MPC Debt Service Fund	624,755	2,764,717
Capital Projects			
	Capital Projects Fund	6,045,439	
	Facilities Replacement Fund	156,019	6,201,458
Development Fees			
	Law Enforcement	203,484	
	Fire & Emergency	100,966	
	Streets	-	
	Parks & Recreation	242,784	
	Open Space	1,675,244	
	Library/Museum	-	2,222,478
	Grand Total		\$ <u>23,801,930</u>