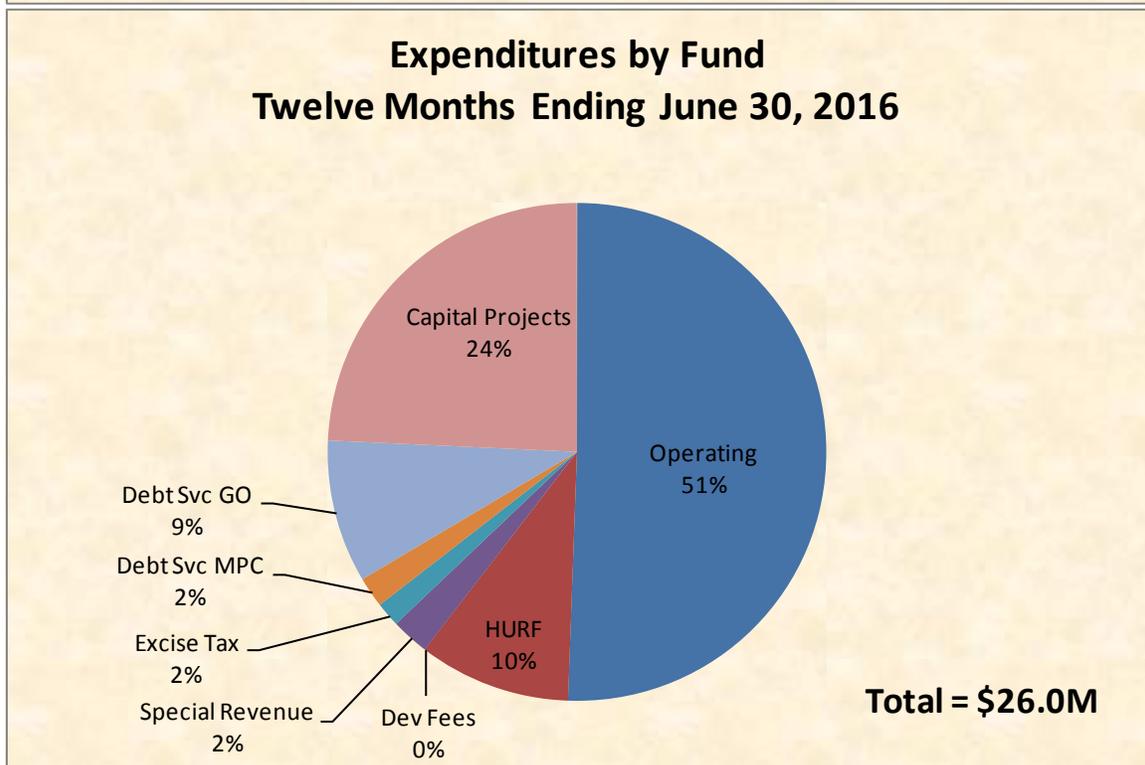
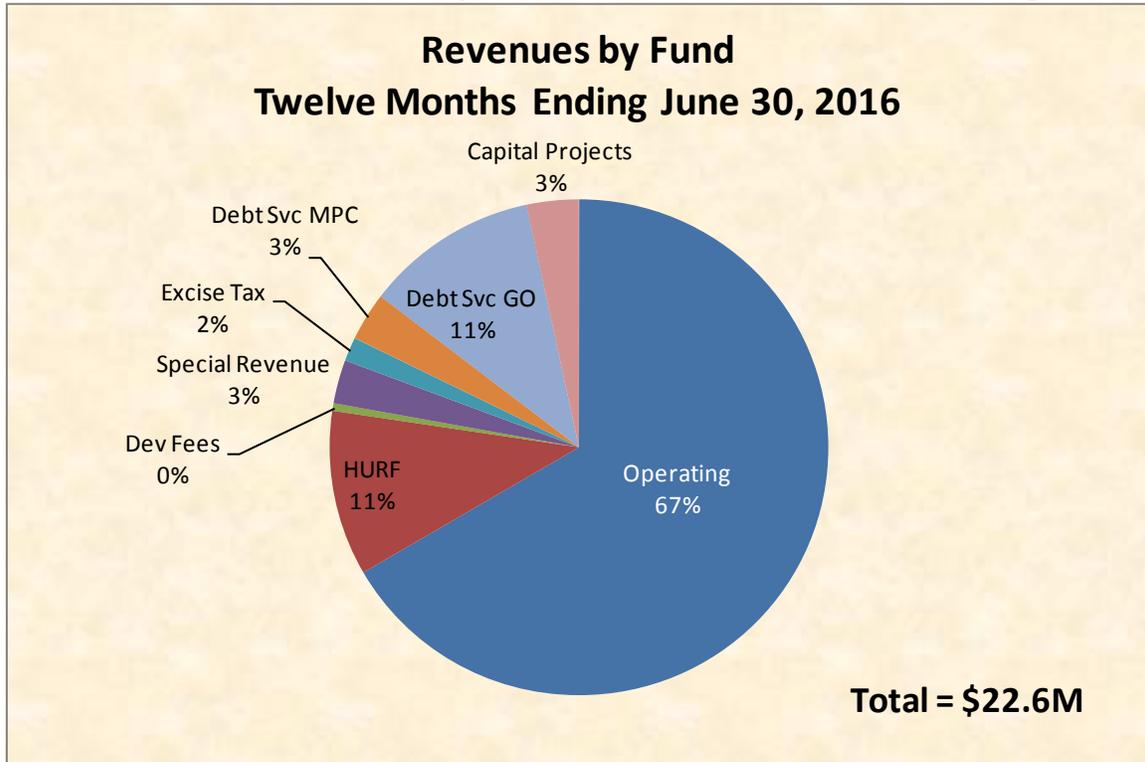


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
TWELVE MONTHS ENDING JUNE 30, 2016





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

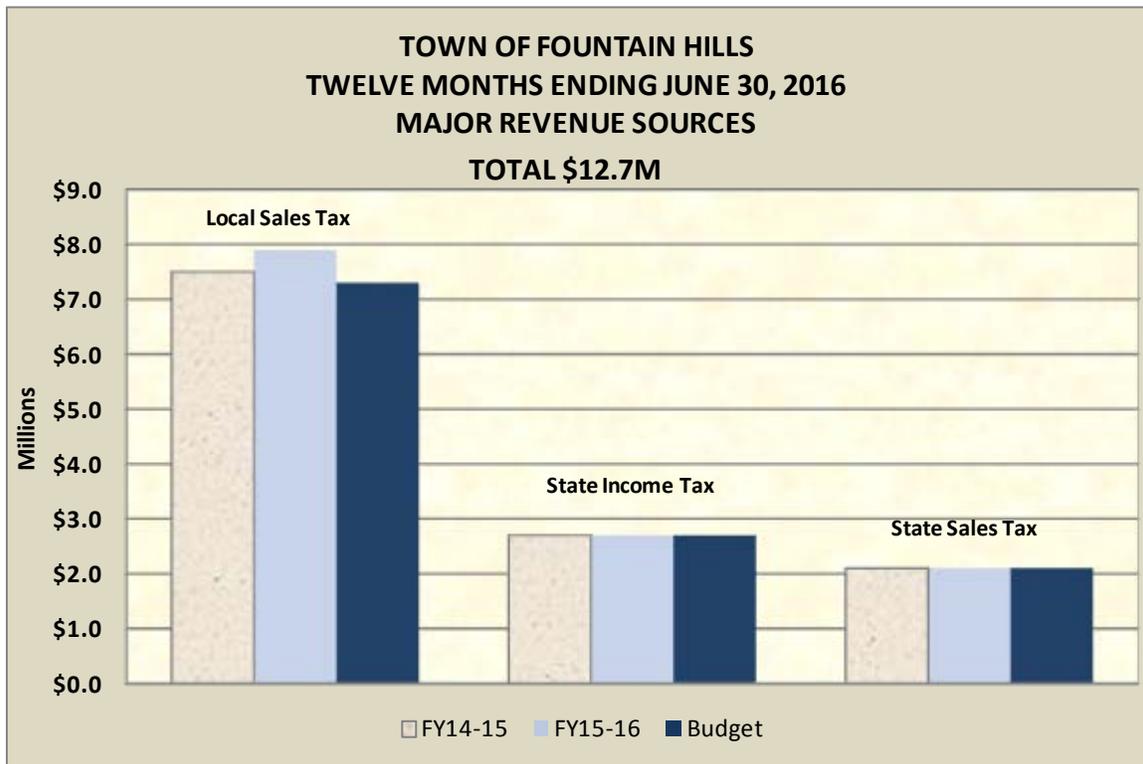




Operating Fund Revenues

For the twelve month period ending June 30, 2016, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 106.0% of budgeted amounts and \$856,944 higher than the same time period last fiscal year (an increase of 4.9%). Categories where revenues are higher than the previous year are the local sales tax (up 4.9%), State sales tax (up 3.7%), licenses & permits (up 10.2%) as well as investment earnings (up 215.9%). Total Operating Fund revenues for this fiscal period are \$15,049,927.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Operating Fund	\$14,342,441	\$15,049,927	106.0%	\$14,192,983



The three major revenues in the chart above represent 84.4% 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 (4.9% 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 3.7% higher and income taxes are 0.5% lower than last year as projected; vehicle license taxes are 8.0% 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 104.4% 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 \$4,839,157 which is only \$61,483 or 1.3% 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	\$2,722,433	\$2,707,673	100.0%	\$2,707,673
State Sales Tax	2,055,241	2,131,484	99.2%	2,148,444

Local Sales Tax (2.6%)

The fiscal YTD revenue for this category totals \$9,214,115 (including all funds), which is 106.6% of projections. Compared to the same time period as last year, the total revenues are 2.7% 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 \$4,116,630 which is 101.1% of projections; compared to last fiscal year, revenues increased by 5.8%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$709,787, which is 99.0% of projections; compared to last fiscal year, revenues are up by 2.1% and higher than any other previous year.

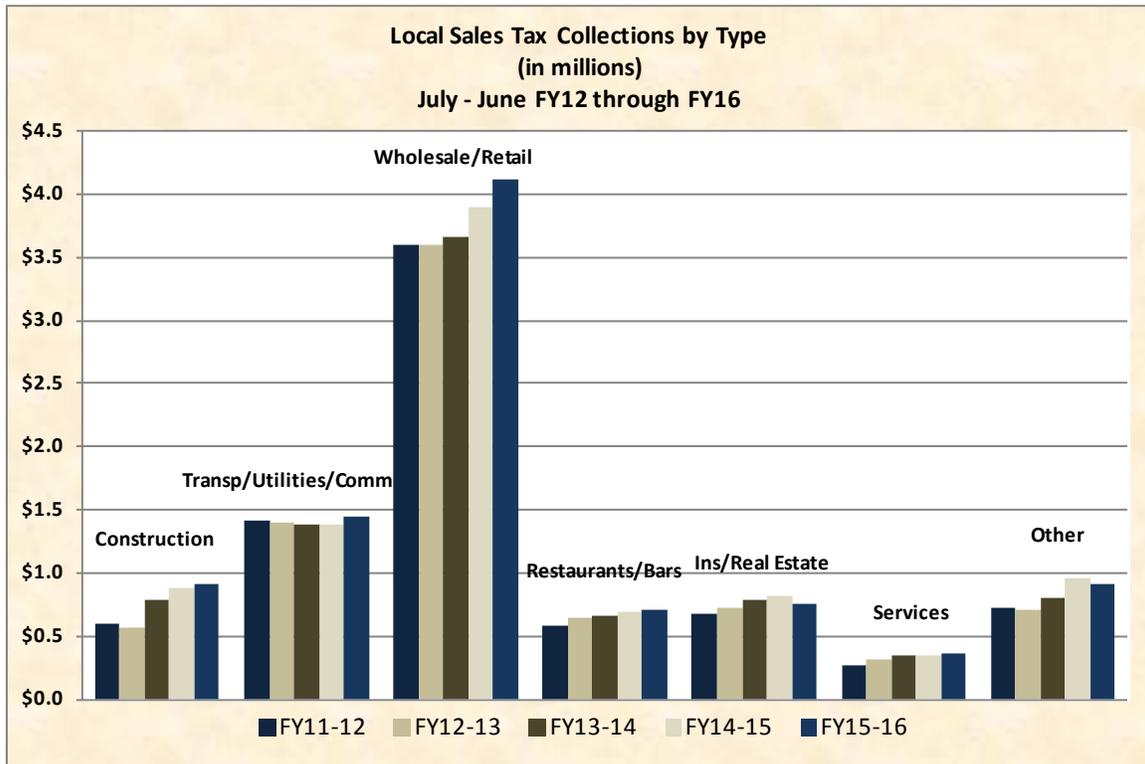
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,438,191, which is 99.8% of what was anticipated; compared to last fiscal year, revenues are up by 4.0%.

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 \$918,150, which is 138.3% of what was budgeted; compared to last fiscal



year, revenues are up 3.4%. 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	\$8,968,970	\$9,214,115	106.6%	\$8,647,150



Local sales tax makes up 52.3% of Operating Fund revenues; for the period ending June 30, 2016, collections were \$9.2M for all funds (\$7.9M in the Operating Fund). Retail and restaurant/bar activities represent 52.4% of total collections; telecommunications and utilities represent another 15.6%. Construction revenues collected this fiscal period total \$918,150, which is a 3.4% increase over last fiscal year. Wholesale/retail sales tax collections increased 5.8% over the same period last year; restaurant/bar collections are up 2.1% 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 \$116,731 or 45.3% of the period budget. New housing permits issued for the fiscal period are 38 single family, 5 multi-family and 3 commercial.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Building Permit Fees	\$171,307	\$116,731	45.3%	\$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 \$185,279 which is \$17,788 (10.6%) more than last year’s same fiscal period and 126.0% of the budgeted amount.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Court Fines & Fees	\$167,491	\$185,279	126.0%	\$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 \$175,120 or 115.7% of the fiscal period budget.

	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	Year End Estimate
Business License Fees	\$128,377	\$134,873	123.1%	\$109,575
Animal License Fees	41,261	40,247	96.2%	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, 95.9% of the period budget has been expended.

Expenditures by Category - YTD Ending June 30				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 3,177,376	\$ 3,242,772	99.3%	\$ 3,266,546
Supplies and Services	454,848	428,243	82.8%	517,028
Contractual Services	7,731,650	8,278,013	97.2%	8,520,754
Maintenance/Utilities	1,160,117	894,424	78.4%	1,140,344
Capital Expenditures	43,080	88,644	247.8%	35,775
Internal Transfers/Contingency	210,410	211,574	94.1%	224,784
TOTAL	\$ 12,777,481	\$ 13,143,670	95.9%	\$ 13,705,231

- Salaries and benefits represent one fourth (24.7%) 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 3.3% 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 63.0% 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.



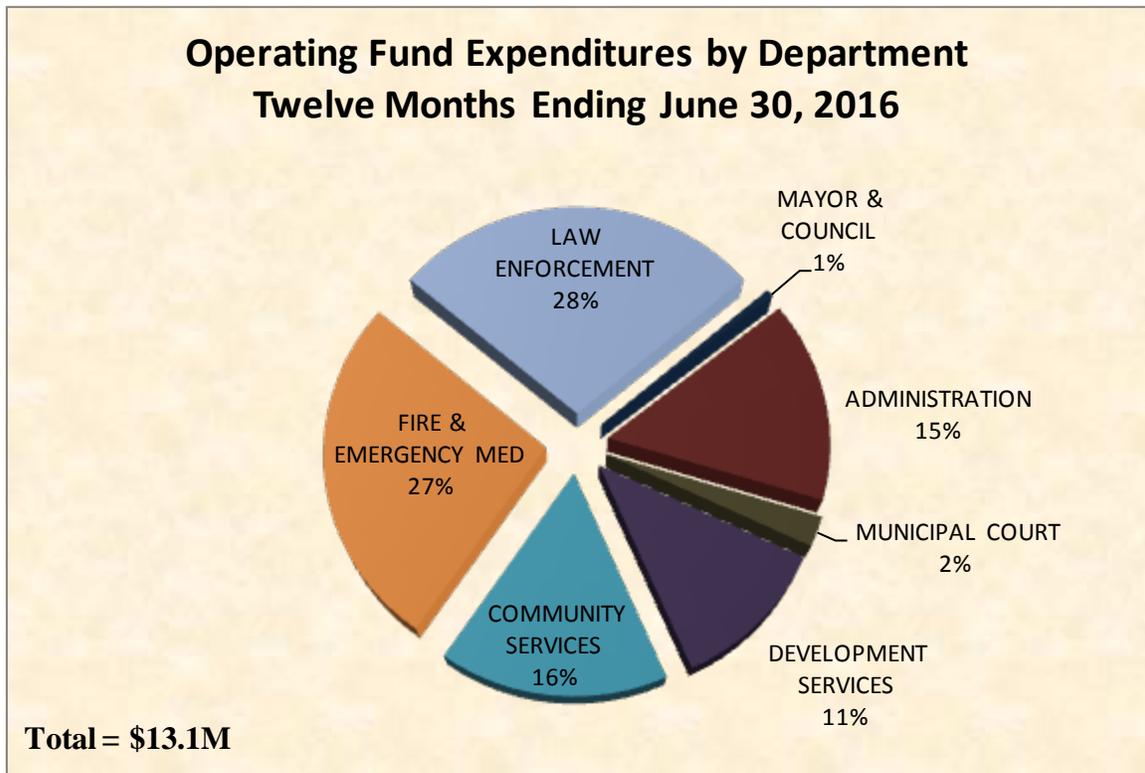
Department summary

Expenditures by Department - YTD Ending June 30				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Mayor & Council	\$ 82,680	\$ 72,094	90.0%	\$ 80,084
Administration	1,889,920	2,000,553	95.3%	2,100,078
Municipal Court	297,656	301,299	99.7%	302,107
Development Services	1,746,370	1,506,384	90.6%	1,662,250
Community Services	1,991,975	2,127,987	89.6%	2,374,946
Fire & Emergency Medical Services	3,415,299	3,481,017	99.4%	3,501,797
Law Enforcement	3,353,581	3,654,337	99.2%	3,683,970
TOTAL	\$ 12,777,481	\$ 13,143,671	95.9%	\$ 13,705,232

- 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, Administrative Services, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 15.2% 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 (11.5% 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 (16.2% 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 26.5% 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 27.8% 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 June 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
State Shared Revenues	\$ 2,251,680	\$ 2,378,871	103.8%	\$ 2,292,162
In Lieu Fees	3,022	18,985	158.2%	12,000
Miscellaneous & Other	11,917	25,172	399.6%	6,300
Grand Total HURF	\$ 2,266,619	\$ 2,423,028	104.9%	\$ 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 (59.9%), Vehicle License Taxes (38.3%) 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 \$18,985 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 June 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Administration	\$ 149,204	\$ 171,026	97.3%	\$ 175,860
Adopt A Street	3,220	3,164	74.9%	4,227
Legal Services	28,689	29,454	91.7%	32,136
Open Space	261,749	294,114	84.0%	350,309
Pavement Maintenance	504,599	1,639,467	93.1%	1,761,276
Street Signs	84,970	75,508	79.4%	95,098
Street Sweeping	87,908	-	0.0%	-
Traffic Signals	111,358	254,935	91.7%	278,145
Vehicle Maintenance	79,818	93,146	87.8%	106,070
Grand Total HURF	\$ 1,311,515	\$ 2,560,814	91.4%	\$ 2,803,121

- 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 is the cost of administering and maintaining the Adopt A Street program.



- Legal Services represent the allocated portion of the Town attorney 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 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 June 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Revenues	\$ 358,265	\$ 350,675	89.5%	\$ 391,942
Grand Total Excise Tax Funds	\$ 358,265	\$ 350,675	89.5%	\$ 391,942

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 June 30				
	YTD FY14-15	YTD FY15-16	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 126,906	\$ 169,325	100.1%	\$ 169,218
Supplies and Services	22,667	40,763	113.0%	36,076
Contractual Services	138,009	180,750	92.6%	195,097
Maintenance/Utilities	8,887	20,899	40.9%	51,050
Internal Transfers	4,016	4,467	258.8%	1,726
Grand Total all Categories	\$ 300,485	\$ 416,204	91.8%	\$ 453,167

- Wages and benefits, which represent 40.7% of the total Excise Tax operating budget, is the second largest component of expenditures after contractual services.
- Supplies and Services represents 9.8% 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 and supplies represent 43.4% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities include costs for lighting and sign repairs.
- Internal/Transfers reflect the expenditures in the Capital Projects Fund for minor costs.



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 twelve months of this fiscal year, there have been forty six (46) permit applications including development fees.

FY15-16 Revenues by Category - YTD Ending June 30 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ 730	\$ -	0.0%	\$ -
Fire/Emergency	20,549	33,237	125.0%	26,580
Streets	33,804	-	0.0%	-
Parks/Rec	68,651	56,370	72.2%	78,060
Open Space	13,240	23,786	396.4%	6,000
Library/Museum	487	-	0.0%	-
General Government	-	-	0.0%	-
Grand Total All Funds	\$ 137,461	\$ 113,393	102.5%	\$ 110,640

FY15-16 Expenditures by Category - YTD Ending June 30 - Development Fees				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	-	-	0.0%	-
Streets	-	-	0.0%	-
Parks/Rec	-	-	0.0%	-
Open Space	535	535	100.0%	535
Library/Museum	-	-	0.0%	-
Grand Total All Funds	\$ 535	\$ 535	100.0%	\$ 535



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 June 30, 2016.

FY15-16 Capital Projects Fund Revenues - YTD Ending June 30			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
Construction Sales Tax	\$ 459,075	138.3%	\$ 332,035
Developer Fee	-	0.0%	-
Bond Proceeds	-	0.0%	-
Grants	118,356	6.6%	1,790,000
Misc.	119,407	77.5%	154,082
Interest Income	69,578	579.8%	12,000
Grand Total CIP Fund	\$ 766,416	33.5%	\$ 2,288,117



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 June 30 - Capital Projects			
	YTD FY15-16 Actual	% FY15-16 Budget	FY15-16 Budget
D6030 DRAINAGE-ASHBROOK WASH C	\$ 1,187,102	55.3%	\$ 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	14,391	0.4%	3,650,000
P3011 FOUNTAIN PARK, PHASE VI	255,077	27.6%	923,500
P3022 FOUNTAIN LAKE WATER QUAL	21,185	10.6%	200,000
P3025 ADERO CANYON TRAILHEAD	24,329	98.8%	24,614
S6005 SHEA BLVD WIDENING	105,478	10.5%	1,000,000
S6010 SAGUARO BLVD RECONSTRUCT	4,343,500	86.9%	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	275,031	72.4%	380,000
CONTINGENCY	78,142	30.7%	254,771
Grand Total Capital Projects	\$ 6,304,235	43.8%	\$ 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) June 30, 2016

Operating Funds		
Rainy Day Fund	\$ 2,624,843	
General Fund	7,284,593	
Public Art Fund	2,673	
Internal Service Fund	-	
Vehicle Replacement Fund	645,747	\$ 10,557,856
Highway User Revenue Fund (HURF)	1,368,173	1,368,173
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	296,504	
Environmental Fund	209,579	
Cottonwoods Maintenance District Fund	14,144	520,227
Excise Tax Funds		
Downtown Strategy Fund	870,263	
Economic Development Fund	134,983	
Tourism Fund	140	1,005,386
Debt Service		
General Obligation Debt Service Fund	473,337	
Eagle Mountain CFD Debt Service Fund	76,738	
MPC Debt Service Fund	311,883	861,958
Capital Projects		
Capital Projects Fund	5,343,461	
Facilities Replacement Fund	108,472	5,451,933
Development Fees		
Law Enforcement	203,484	
Fire & Emergency	104,364	
Parks & Recreation	257,335	
Open Space	1,683,877	2,249,060
Grand Total		\$ 22,014,593