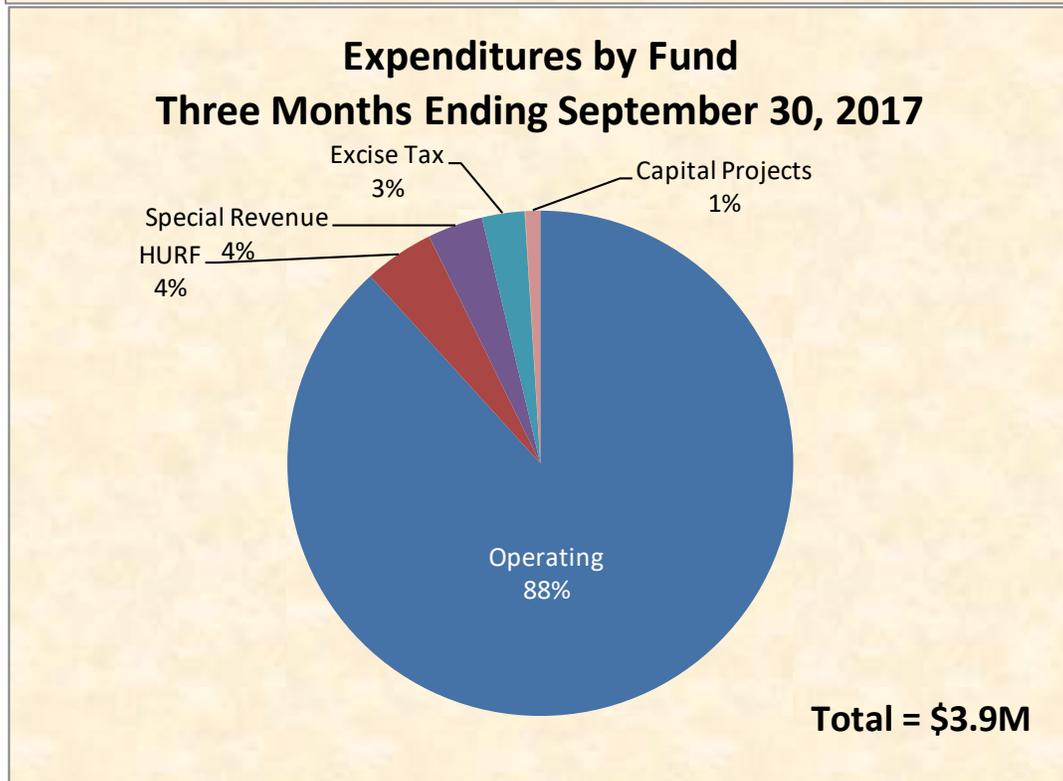
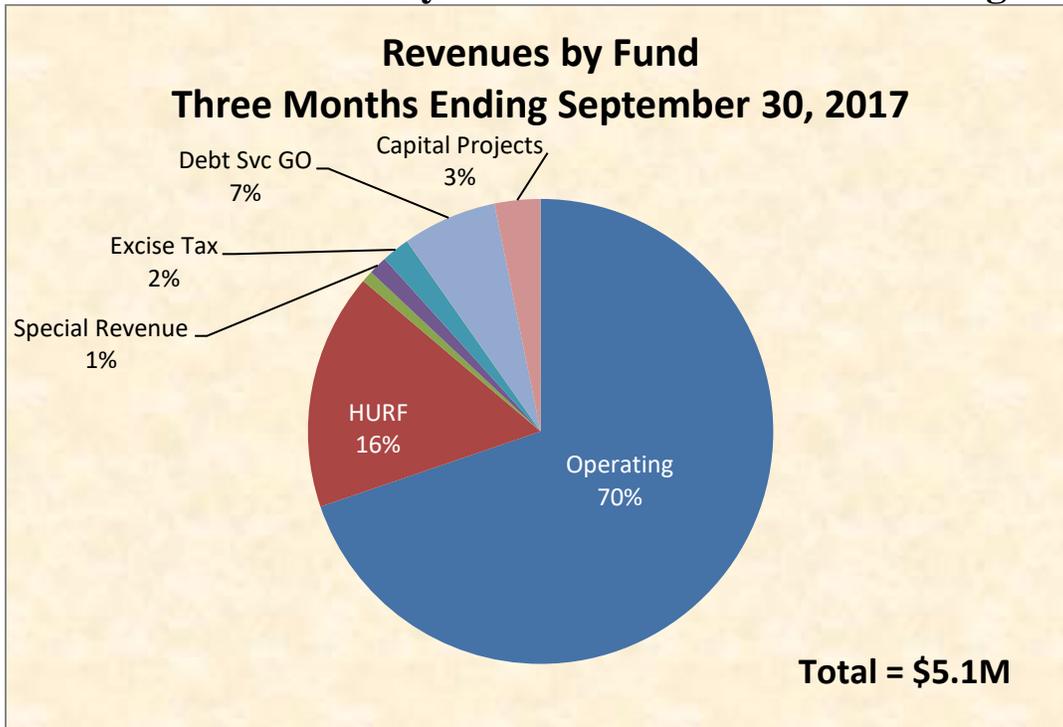


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
THREE MONTHS ENDING SEPTEMBER 30,
2017





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

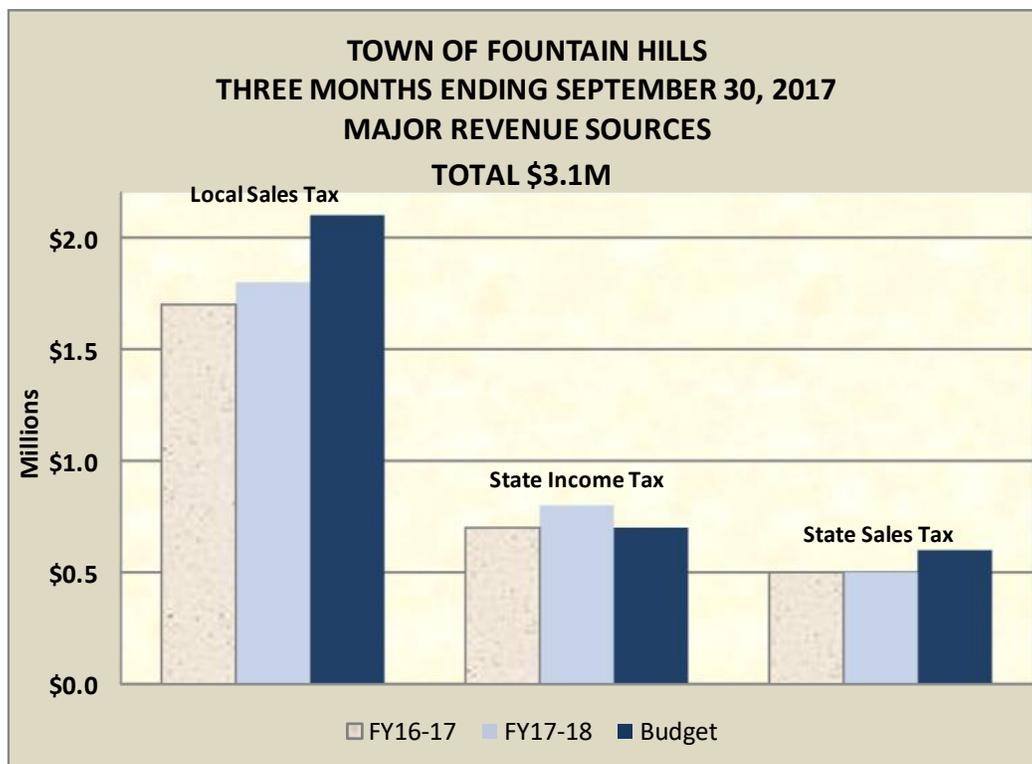




Operating Fund Revenues

For the fiscal YTD period ending September 30, 2017, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 82.7% of budgeted amounts and \$288,058 higher than the same time period last fiscal year (an increase of 8.7%). Categories where revenues are higher than the previous year are the local sales tax (up 6.2%), State sales tax (up 5.7%), State income tax (up 3.6%), licenses & permits (up 76.8%) as well as other (up 55.3%). Total Operating Fund revenues for this fiscal period are \$3,586,051.

FUND	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Operating Funds	\$ 3,297,994	\$ 3,586,052	\$ 4,337,049	82.7%



The three major revenues in the chart above represent 87.9% 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 (6.2% 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 5.7% higher and State income taxes are 3.6% higher than last year. Overall, these major revenue sources are at 91.7% of the budget for the fiscal year.



State Shared Revenues

State Shared Revenues include a distribution of the State income and State 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 \$1,310,120 which is \$56,517 or 4.5% 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.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
State Sales Tax	\$ 522,168	\$ 552,038	\$ 567,891	97.2%
State Income Tax	731,435	758,082	749,901	101.1%

Local Sales Tax (2.6%)

The fiscal YTD revenue for this category totals \$2,238,107 (including all funds), which is 89.5% of projections. Compared to the same time period as last year, the total revenues (all funds) are 14.5% higher. It must be pointed out that the Department of Revenue has changed its reporting method on a monthly basis beginning in June 2016. Consequently, amounts prior to February 2015 are not comparable to current amounts.

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 \$1,290,280 which is 85.8% of projections; compared to last fiscal year, revenues increased by 15.9%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$150,804, which is 66.4% of projections; compared to last fiscal year, revenues are level.

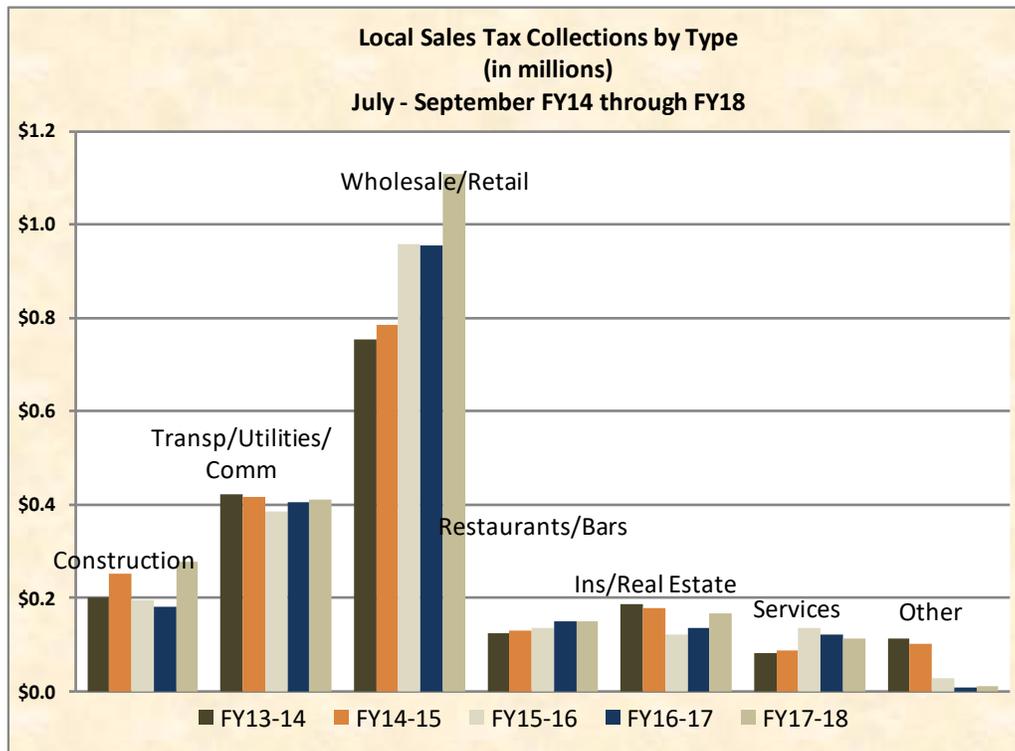
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$410,207, which is 118.2% of what was anticipated; compared to last fiscal year, revenues are up by 1.2%.

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 \$277,199, which is 150.6% of what was budgeted; compared to last fiscal year, revenues are up 53.7%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Local Sales Tax	\$ 1,733,592	\$ 1,841,265	\$ 2,120,322	86.8%



Local sales tax makes up 51.3% of Operating Fund revenues; for the period ending September 30, 2017, collections were \$2.2M for all funds (\$1.8M in the Operating Fund). Retail and restaurant/bar activities represent 56.2% of total collections; telecommunications and utilities represent another 18.3%. Construction revenues collected this fiscal period total \$277,199, which is a 53.7% increase from last fiscal year. Wholesale/retail sales tax collections increased 15.9% from the same period last year; restaurant/bar collections are level with 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 \$48,990 or 43.5% of the period budget. New housing permits issued for the fiscal period are 16 single family, 4 multi-family and 0 commercial.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Building Permit Fees	\$42,112	\$48,990	\$112,655	43.5%

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 \$40,942 which is \$247 (0.6%) less than last year's same fiscal period and 81.9% of the budgeted amount.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Court Fines & Fees	\$41,189	\$40,942	\$50,000	81.9%

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 \$31,284 or 72.4% of the fiscal period budget.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Business License Fees	\$20,740	\$22,668	\$32,769	69.2%
Animal License Fees	8,770	8,617	10,458	82.4%



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 first quarter, 91.9% of the period budget has been expended.

Expenditures by Category - YTD Ending September 30				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Wages and Benefits	\$ 687,896	\$ 729,836	82.3%	\$ 3,548,411
Supplies and Services	189,069	183,807	105.8%	694,880
Contractual Services	2,329,825	2,286,038	89.4%	10,233,585
Maintenance/Utilities	317,155	225,408	84.7%	1,064,264
Capital Expenditures	-	12,935	5.9%	879,045
Internal Transfers/Contingency	16,177	34,970	9.5%	1,475,609
TOTAL	\$ 3,540,122	\$ 3,472,994	77.6%	\$ 17,895,794

- Wages and benefits represent one fifth (21.0%) 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) and the Tourism Coordinator.
- Supplies and Services, including Utilities represents 5.3% 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 65.8% 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.
- Maintenance/Utilities account for the charges associated with maintenance of facilities as well as utilities and represent 6.5% of the total expenditures.
- 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

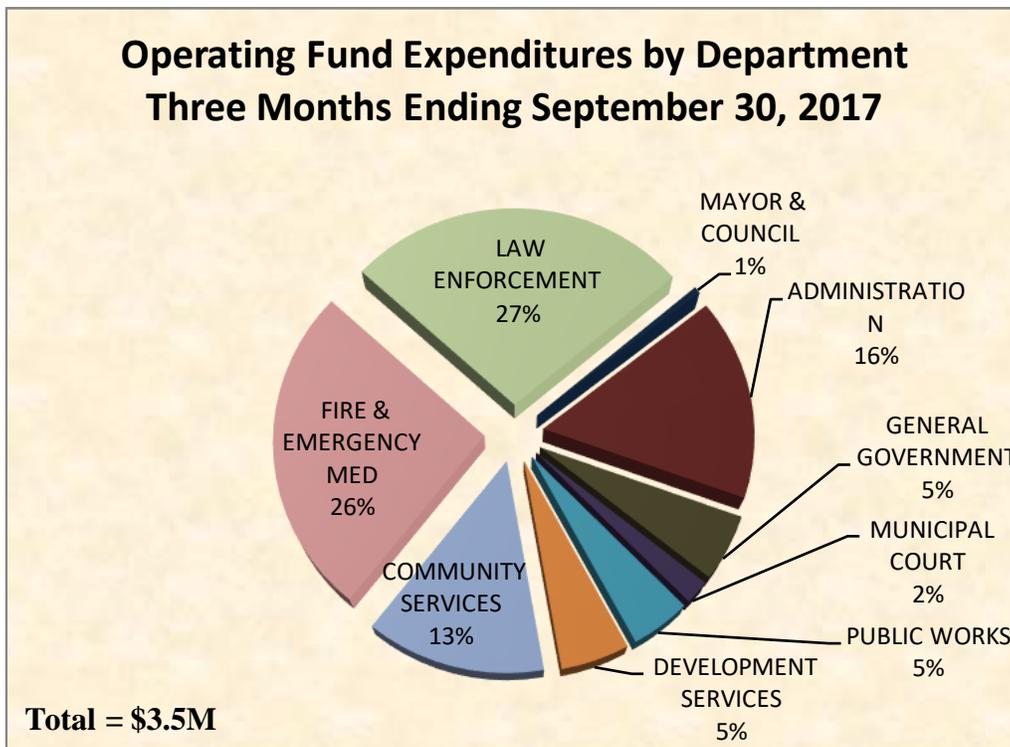
Expenditures by Department - YTD Ending September 30				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Mayor & Council	\$ 18,076	\$ 19,070	106.2%	\$ 71,849
Administration	605,655	556,478	92.5%	2,406,044
General Government	148,716	182,508	32.9%	2,221,057
Municipal Court	67,965	65,091	76.6%	339,913
Public Works	149,314	157,269	75.1%	837,495
Development Services	144,028	178,145	37.7%	1,890,482
Community Services	562,143	465,254	77.8%	2,391,496
Fire & Emergency Medical Services	876,777	905,571	93.3%	3,881,833
Law Enforcement	967,449	943,607	97.9%	3,855,626
TOTAL	\$ 3,540,123	\$ 3,472,993	77.6%	\$ 17,895,795

- 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 16.0% 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.
- General Government is a new department and will include costs that are common to the Town as a whole (5.3%).
- Municipal Court represents all the costs of the operations of the court (1.9%).
- Public Works (4.5% of Operating Fund expenditures) was broken out from Development Services in the prior years. This department includes public works, open space maintenance, stormwater management, and facilities maintenance.
- Development Services (5.1% of Operating Fund expenditures) includes programs such as engineering, building safety, and traffic and capital projects. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services (13.4% 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 26.1% 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 27.2% 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 (Capital Projects and Facilities Replacement)
- Development Fees





Highway User Revenue Fund (HURF) – Streets

HURF Revenues - YTD Ending September 30				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Sales Tax	\$ 154,687	\$ 172,162	89.5%	\$ 769,512
State Shared Revenues	577,558	668,005	104.1%	2,566,773
In Lieu Fees	10,298	-	0.0%	262,000
Miscellaneous & Other	2,063	5,386	78.8%	27,340
Grand Total HURF	\$ 744,606	\$ 845,553	93.3%	\$ 3,625,625

This fund supports most of the Town’s street and traffic operations and is managed by the Public Works Department. Less revenues were received than budgeted; however, expenditures did not exceed the anticipated resources. The fund is primarily supported by the State Highway User Revenue Fund (49.0%), Vehicle License Taxes (30.0%) and from a portion of the dedicated sales tax (20.4%). 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 not recovered any in lieu fees during the period. 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 FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Administration	\$ 82,700	\$ 53,477	13.7%	\$ 390,425
Adopt A Street	-	-	0.0%	1,005
Legal Services	-	-	0.0%	-
Open Space	56,372	54,323	14.0%	387,493
Pavement Maintenance	25,310	24,929	0.9%	2,684,440
Street Signs	9,046	8,680	10.8%	80,139
Street Sweeping	-	-	0.0%	-
Traffic Signals	22,970	21,567	10.5%	205,074
Vehicle Maintenance	12,387	13,412	17.4%	77,049
Grand Total HURF	\$ 208,785	\$ 176,388	4.6%	\$ 3,825,625



- 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.
- 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 September 30				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Revenues	\$ 85,713	\$ 100,668	83.7%	\$ 481,044
Grand Total Excise Tax Funds	\$ 85,713	\$ 100,668	83.7%	\$ 481,044

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 September 30				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Wages and Benefits	\$ 35,942	\$ 35,541	15.3%	\$ 232,119
Supplies and Services	7,734	6,952	18.6%	37,470
Contractual Services	34,621	63,779	28.2%	226,019
Maintenance/Utilities	353	115	1.1%	10,498
Internal Transfers	1,123	810	21.3%	3,800
Grand Total all Categories	\$ 79,773	\$ 107,197	21.0%	\$ 509,906

- Wages and benefits, which represent 33.2% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 6.5% 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 59.5% 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 three months of this fiscal year, there have been twenty (20) permit applications including development fees.

Revenues by Category - YTD Ending September 30 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	3,698	6,067	67.4%	35,986
Parks/Rec	15,859	30,396	99.1%	122,714
Open Space	(430)	4,973	331.5%	6,000
Grand Total All Funds	\$ 19,127	\$ 41,436	100.6%	\$ 164,700

Expenditures by Category - YTD Ending September 30 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	-	-	0.0%	11,244
Parks/Rec	-	-	0.0%	48,756
Open Space	134	134	100.2%	535
Grand Total All Funds	\$ 134	\$ 134	0.9%	\$ 60,535



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 September 30, 2017.

FY17-18 Capital Projects Revenues - YTD Ending September 30			
	YTD FY17-18 Actual	% FY17-18 Budget	FY17-18 Budget
Construction Sales Tax	\$ 138,599	37.7%	\$ 368,124
Grants	-	0.0%	255,000
Misc.	25,672	16.3%	157,464
Interest Income	-	0.0%	-
Grand Total Capital Project	\$ 164,271	21.0%	\$ 780,588

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.

FY17-18 Expenditures by Category - YTD Ending September 30 - Capital Projects			
	YTD FY17-18 Actual	% FY17-18 Budget	FY17-18 Budget
D6047 MISC DRAINAGE IMPROVEMENTS	\$ -	0.0%	\$ 50,000
E8505 DOWNTOWN LIGHTING	-	0.0%	100,000
F4005 FIRE STATION 2 RELOCATION	188	0.0%	3,550,000
F4030 CHILLER INSTALLATION	16,392	32.8%	50,000
P3025 ADERO CANYON TRAILHEAD	5,222	0.2%	2,285,000
P3030 PLAZA FOUNTAINSIDE COURTYARD	-	0.0%	145,000
P3033 VIDEO SURVEILLANCE CAMERAS	-	0.0%	50,000
S6015 FOUNTAIN HILLS BLVD WIDENING	-	0.0%	100,000
S6053 FOUNTAIN HILLS BLVD SHOULDER	35	0.0%	550,000
S6059 WAYFINDING SIGNS	15	0.0%	100,000
CONTINGENCY	15,589	1.6%	978,590
Grand Total Capital Projects	\$ 37,441	0.5%	\$ 7,958,590



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, 2017

Operating Funds		
Rainy Day Fund	\$2,711,008	
General Fund	3,276,166	
Public Art Fund	35,776	
Internal Service Fund	706	
Vehicle Replacement Fund	688,169	\$ 6,711,825
Highway User Revenue Fund (HURF)	2,864,256	2,864,256
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	348,166	
Environmental Fund	580,032	
Cottonwoods Maintenance District	16,318	944,516
Excise Tax Funds		
Downtown Strategy Fund	952,746	
Economic Development Fund	16,654	
Tourism Fund	106,813	1,076,213
Debt Service		
General Obligation Debt Service Fund	549,456	
Eagle Mountain CFD Debt Service	94,643	
MPC Debt Service Fund	379,084	1,023,183
Capital Projects		
Capital Projects Fund	7,066,119	
Facilities Replacement Fund	1,507,540	8,573,659
Development Fees		
Fire & Emergency	80,686	
Parks & Recreation	234,045	
Open Space	1,669,818	1,984,549
Grand Total		<u>\$ 23,178,201</u>