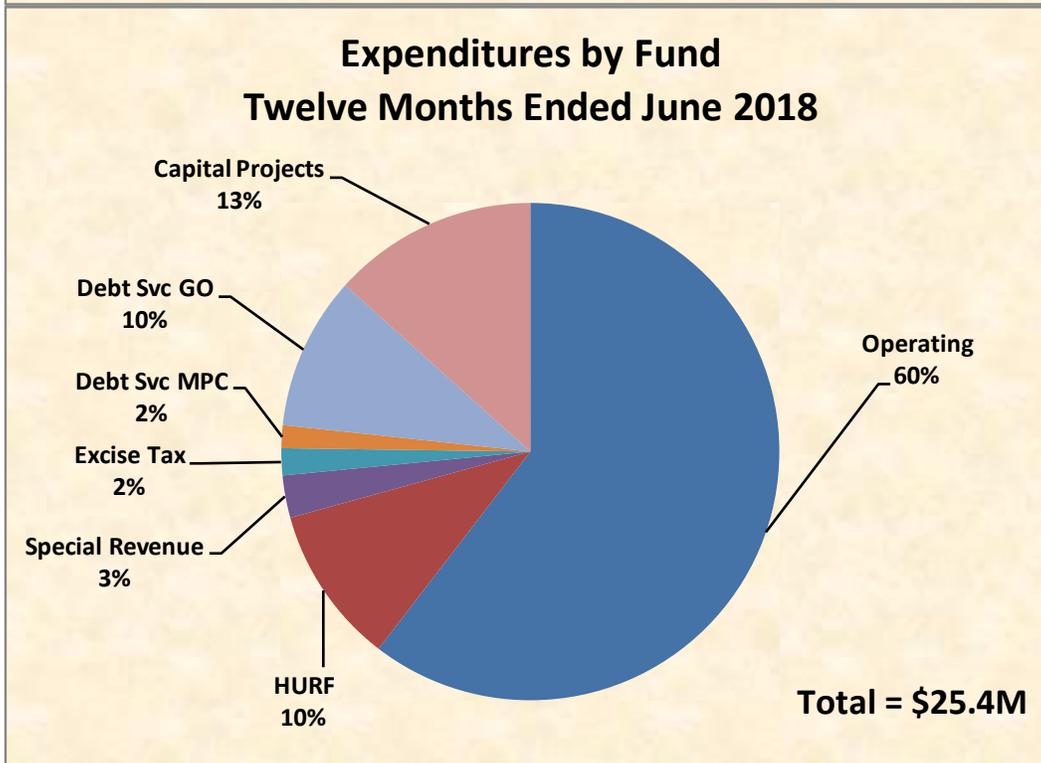
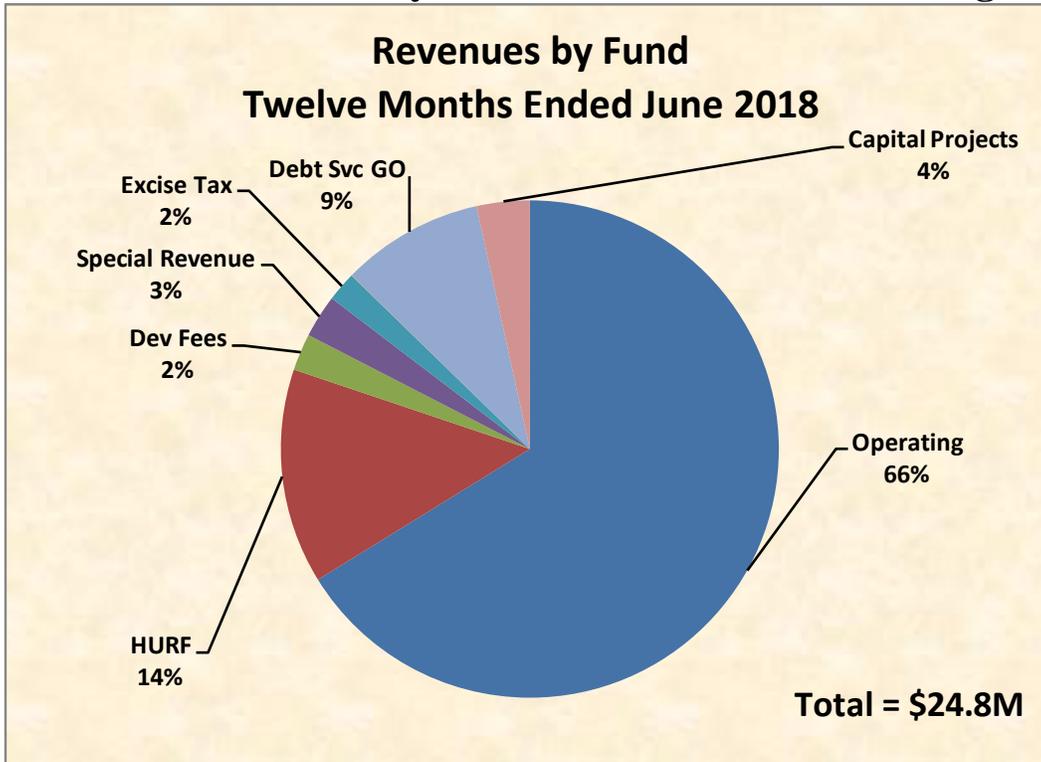


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**TWELVE MONTHS ENDED JUNE 2018**





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

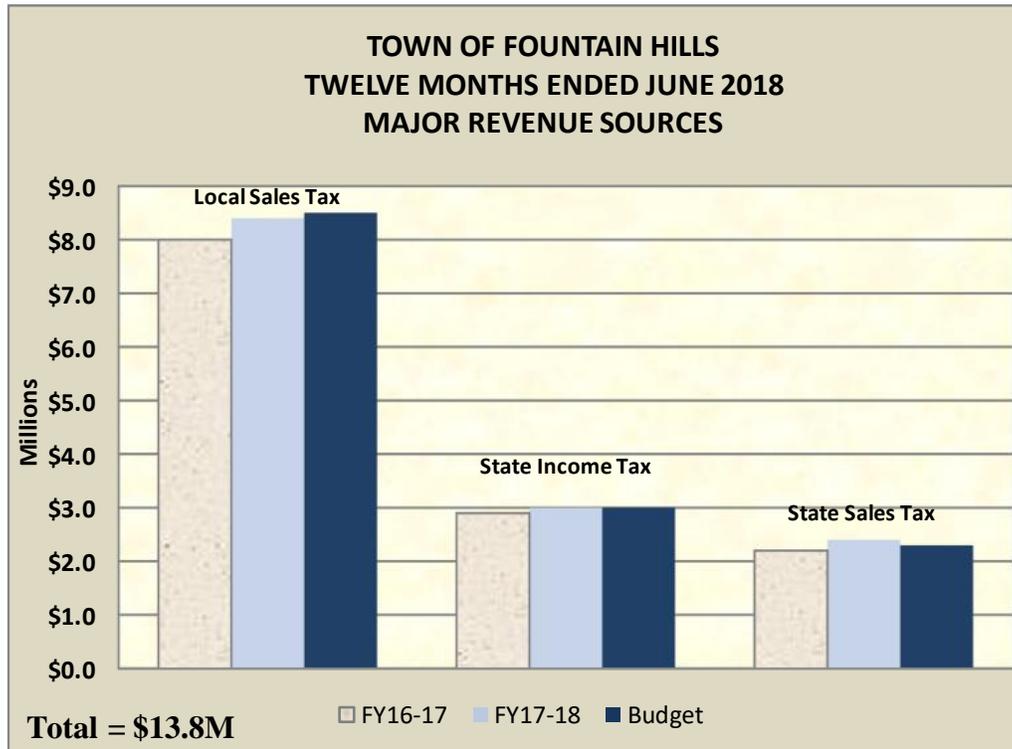




## **Operating Fund Revenues**

For the fiscal YTD period ended June 30, 2018, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 94.4% of budgeted amounts and \$1,112,613 higher than the same time period last fiscal year (an increase of 7.3%). Categories where revenues are higher than the previous year are the local sales tax (up 5.6%), State sales tax (up 7.3%), State income tax (up 3.7%), licenses & permits (up 32.0%) as well as charges for services (up 29.2%). Total Operating Fund revenues for this fiscal period are \$16,392,689.

<b>FUND</b>	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>YTD FY17-18 Budget</b>	<b>% YTD FY17-18 Budget</b>	<b>Incr/(Decr) from Prior Year</b>
Operating Funds	\$ 15,280,075	\$ 16,392,689	\$ 17,363,195	94.4%	7.3%



The three major revenues in the chart above represent 84.2% 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 (5.6% 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 7.3% higher and State income taxes are 3.7% higher than last year. Overall, these major revenue sources are at 100.4% 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 State income tax funds are distributed from tax collections 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 \$5,384,831, which is \$268,917 or 5.3% higher than the same period last year – the increase in revenue was anticipated based on projections by the Arizona League of Cities and Towns.

	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>YTD FY17-18 Budget</b>	<b>% YTD FY17-18 Budget</b>	<b>Incr/(Decr) from Prior Year</b>
State Sales Tax	2,192,044	2,352,502	2,271,564	103.6%	7.3%
State Income Tax	2,923,870	3,032,329	2,999,604	101.1%	3.7%

## **Local Sales Tax (2.6%) – All Funds**

The fiscal YTD revenue for this category totals \$10,311,582 (including all funds), which is 103.1% of projections. Compared to the same period as last year, the total revenues (all funds) are 9.0% 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 \$5,235,992, which is 101.5% of projections; compared to last fiscal year, revenues increased by 5.1%.

**Restaurants/Bars:** Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$829,857, which is 91.4% of projections; compared to last fiscal year, revenues are up by 2.2%.

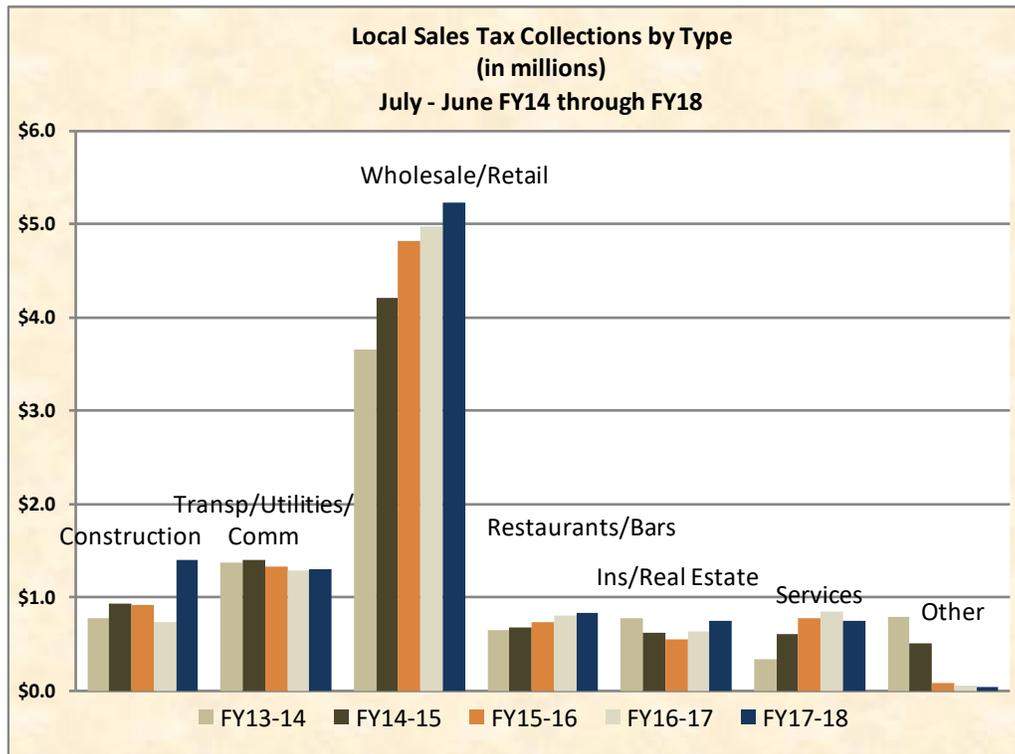
**Communications/Utilities/Transportation:** Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,309,928, which is 94.4% of what was anticipated; compared to last fiscal year, revenues are up by 1.7%.

**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 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 \$1,408,332, which is 191.3% of what was budgeted; compared to last fiscal year, revenues are up



92.9%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Twelve Months Ended June 2018 - Local Sales Tax Revenues					
CATEGORY	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget	% Incr/(Decr) from Prior Year
Grand Total All Funds	\$ 9,355,614	\$ 10,311,582	\$ 10,003,680	103.1%	10.2%



Local sales tax makes up 51.3% of Operating Fund revenues; for the period ended June 30, 2018, collections were \$10.3M for all funds (\$8.4M in the Operating Fund). Retail and restaurant/bar activities represent 58.8% of total collections; telecommunications and utilities represent another 12.7%. Construction revenues collected this fiscal period total \$1,408,332, which is a 92.9% increase from last fiscal year. Wholesale/retail sales tax collections increased 5.1% from the same period last year; restaurant/bar collections were up 2.2% compared to 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 \$251,517 or 55.8% of the YTD budget. New housing permits issued for the fiscal period are 50 single family, 31 multi-family and 1 commercial.

	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>YTD FY17-18 Budget</b>	<b>% YTD FY17-18 Budget</b>
Building Permit Fees	\$212,413	\$251,517	\$450,619	55.8%

### **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 \$115,589, which is \$57,454 (27.2%), less than last year's same fiscal period and 76.9% of the budgeted amount.

	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>YTD FY17-18 Budget</b>	<b>% YTD FY17-18 Budget</b>
Court Fines & Fees	\$211,190	\$153,736	\$200,000	76.9%

### **License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Animal licensing was transferred back to Maricopa County effective June 1. Current fiscal revenues for these two categories total \$169,455 or 98.0% of the fiscal period budget.

	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>YTD FY17-18 Budget</b>	<b>% YTD FY17-18 Budget</b>
Business License Fees	\$134,864	\$133,280	\$133,280	101.7%
Animal License Fees	39,163	36,175	41,932	96.5%



## **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, Public Works, Community Services, Court, Council and Administration functions. At the end of the year, 88.8% of the YTD budget has been expended.

Expenditures by Category - YTD Ended June 2018				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Wages and Benefits	\$ 3,263,402	\$ 3,520,930	99.2%	\$ 3,548,411
Supplies and Services	525,032	576,918	81.2%	710,177
Contractual Services	8,768,326	8,986,441	85.7%	10,490,357
Maintenance/Utilities	1,073,727	889,582	82.4%	1,079,444
Capital Expenditures	217,264	1,025,633	95.1%	1,079,045
Internal Transfers/Contingency	280,155	356,269	94.7%	376,085
<b>TOTAL</b>	<b>\$ 14,127,906</b>	<b>\$ 15,355,773</b>	<b>88.8%</b>	<b>\$ 17,283,519</b>

- Wages and benefits represent one-fifth (22.9%) of the total Operating Fund budget and accounts for all staff with the exception of streets employees (funded through a separate Highway User Revenue Fund), Economic Development staff, and the Tourism Coordinator.
- Supplies and Services represents 3.8% of the total Operating Fund budget and includes items such as facility maintenance, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual Services represent 58.5% 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 5.8% 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 Ended June 2018				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Mayor & Council	\$ 71,213	\$ 77,779	95.0%	\$ 81,849
Administration	1,975,179	2,351,294	90.3%	2,603,146
General Government	417,746	1,213,041	88.4%	1,372,879
Municipal Court	300,515	321,152	94.5%	339,913
Public Works	689,356	650,837	77.8%	836,595
Development Services	790,733	875,515	46.3%	1,890,482
Community Services	2,323,617	2,207,085	91.2%	2,421,196
Fire & Emergency Medical Services	3,674,953	3,866,395	99.6%	3,881,833
Law Enforcement	3,884,593	3,792,675	98.4%	3,855,626
<b>TOTAL</b>	<b>\$ 14,127,905</b>	<b>\$ 15,355,773</b>	<b>88.8%</b>	<b>\$ 17,283,519</b>

- The Mayor & Council budget represents a total 0.5% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Volunteer Program, Information Technology and Customer Service and represents 15.3% of the Operating Fund budget. The Department is responsible for 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 (7.9%).
- Municipal Court represents all the costs of the operations of the court (2.1%).
- Public Works (4.2% of Operating Fund expenditures) was broken out from Development Services in the prior years. This department includes public works, open space maintenance, engineering, stormwater management, and facilities maintenance.
- Development Services (5.7% of Operating Fund expenditures) includes programs such as building safety, and traffic and capital projects. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services (14.4% 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 25.2% 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 24.7% 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

<b>HURF Revenues - Fiscal YTD Ended June 2018</b>				
	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Sales Tax	\$ 719,662	\$ 793,198	103.1%	\$ 769,512
State Shared Revenues	2,480,304	2,605,350	101.5%	2,566,773
In Lieu Fees	178,768	20,145	7.7%	262,000
Miscellaneous & Other	10,409	42,170	154.2%	27,340
<b>Grand Total HURF</b>	<b>\$ 3,389,143</b>	<b>\$ 3,460,863</b>	<b>95.5%</b>	<b>\$ 3,625,625</b>

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 (46.0%), Vehicle License Taxes (29.2%) and from a portion of the dedicated sales tax (22.9%). 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 \$20,145 for 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.

<b>HURF Expenditures by Program - Fiscal YTD Ended June 2018</b>				
	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Administration	\$ 290,357	\$ 314,509	77.4%	\$ 406,425
Adopt A Street	-	-	0.0%	1,005
Legal Services	-	-	0.0%	-
Open Space	383,541	255,891	68.3%	374,582
Pavement Maintenance	2,052,176	1,748,607	65.4%	2,674,440
Street Signs	66,091	46,003	57.4%	80,139
Traffic Signals	110,664	188,049	87.4%	215,074
Vehicle Maintenance	59,486	58,888	76.4%	77,049
<b>Grand Total HURF</b>	<b>\$ 2,962,315</b>	<b>\$ 2,611,947</b>	<b>68.2%</b>	<b>\$ 3,828,714</b>

- 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 potholes and curb replacement.
- Street Signs program includes personnel and maintenance costs for the Town's street signs.
- 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)**

<b>Excise Tax Revenues - All Funds - Fiscal YTD Ended June 2018</b>				
	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Revenues	\$ 433,496	\$ 477,242	99.2%	\$ 481,044
Grand Total Excise Tax Fur	\$ 433,496	\$ 477,242	99.2%	\$ 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.

<b>Excise Tax Funds Expenditures by Category - Fiscal YTD Ended June 2018</b>				
	<b>YTD FY16-17</b>	<b>YTD FY17-18</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Wages and Benefits	\$ 169,095	\$ 169,885	73.2%	\$ 232,119
Supplies and Services	38,673	31,496	78.8%	39,970
Contractual Services	152,968	228,103	97.6%	233,819
Maintenance/Utilities	2,849	13,488	57.6%	23,409
Internal Transfers	2,925	2,917	76.8%	3,800
Grand Total all Categories	\$ 366,510	\$ 445,889	83.6%	\$ 533,117

- Wages and benefits, which represent 38.1% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 7.1% 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 51.2% of the budget and include contracts for downtown holiday lighting and planned professional services for marketing strategies.
- Maintenance/Utilities (3.0% of the total) 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. Revenue from permit activity over the same 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 eighty-two (82) permit applications including development fees.

<b>Revenues by Category - YTD Ended June 2018 - Development Fees</b>				
	<b>FY16-17 Actual</b>	<b>FY17-18 Actual</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	22,078	174,335	484.5%	35,986
Parks/Rec	91,211	417,939	340.6%	122,714
Open Space	2,564	2,260	37.7%	6,000
<b>Grand Total All Funds</b>	<b>\$ 115,853</b>	<b>\$ 594,534</b>	<b>361.0%</b>	<b>\$ 164,700</b>

<b>Expenditures by Category - YTD Ended June 2018 - Development Fees</b>				
	<b>FY16-17 Actual</b>	<b>FY17-18 Actual</b>	<b>% YTD FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	-	-	0.0%	11,244
Parks/Rec	-	-	0.0%	48,756
Open Space	535	535	100.0%	535
<b>Grand Total All Funds</b>	<b>\$ 535</b>	<b>\$ 535</b>	<b>0.9%</b>	<b>\$ 60,535</b>



## **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 ended June 30, 2018.

<b>Capital Projects Fund Revenues - Fiscal YTD Ended June 2018</b>			
	<b>YTD FY17-18 Actual</b>	<b>% FY17-18 Budget</b>	<b>FY17-18 Budget</b>
Construction Sales Tax	\$ 704,166	191.3%	\$ 368,124
Grants	-	0.0%	255,000
Misc.	108,451	63.8%	170,000
Interest Income	39,831	533.6%	7,464
<b>Grand Total Capital Project</b>	<b>\$ 852,448</b>	<b>106.5%</b>	<b>\$ 800,588</b>

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.

<b>Expenditures by Category - Fiscal YTD Ended June 2018 - Capital Projects</b>			
	<b>YTD FY17-18 Actual</b>	<b>% FY17-18 Budget</b>	<b>FY17-18 Budget</b>
NO PROJECT	\$ 166,550	17.2%	\$ 968,350
D6047 MISC DRAINAGE IMPROVEME	-	0.0%	50,000
E8505 DOWNTOWN LIGHTING	-	0.0%	100,000
F4005 FIRE STATION 2 RELOCATI	1,837,138	44.3%	4,150,000
F4030 CHILLER INSTALLATION	16,392	32.8%	50,000
F4032 LIGHTING UPGRADES	9,090	88.8%	10,240
P3025 ADERO CANYON TRAILHEAD	1,103,232	48.3%	2,285,000
P3030 PLAZA FOUNTAIN SIDE COUR	-	0.0%	145,000
P3033 VIDEO SURVEILLANCE CAME	32,509	65.0%	50,000
S6015 FOUNTAIN HILLS BLVD WID	-	0.0%	100,000
S6053 FOUNTAIN HILLS BLVD SHO	175,431	31.9%	550,000
S6059 WAYFINDING SIGNS	49,099	49.1%	100,000
<b>Grand Total Capital Projects</b>	<b>\$ 3,389,441</b>	<b>39.6%</b>	<b>\$ 8,558,590</b>



## 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, 2018

<b>Operating Funds</b>		
Rainy Day Fund	\$2,807,648	
General Fund	3,572,485	
Public Art Fund	86,202	
Internal Service Fund	-	
Vehicle Replacement Fund	1,036,662	<b>\$ 7,502,997</b>
<b>Highway User Revenue Fund (HURF)</b>	3,044,006	<b>3,044,006</b>
<b>Special Revenue Funds</b>		
Special Revenue Fund	-	
Court Enhancement Fund	367,485	
Environmental Fund	623,328	
Cottonwoods Maintenance District	17,045	<b>1,007,858</b>
<b>Excise Tax Funds</b>		
Downtown Strategy Fund	959,920	
Economic Development Fund	137,030	
Tourism Fund	4,092	<b>1,101,042</b>
<b>Debt Service</b>		
General Obligation Debt Service Fu	58,282	
Eagle Mountain CFD Debt Service	12,400	
MPC Debt Service Fund	5,516	<b>76,198</b>
<b>Capital Projects</b>		
Capital Projects Fund	5,780,363	
Facilities Replacement Fund	1,378,443	<b>7,158,806</b>
<b>Development Fees</b>		
Fire & Emergency	248,955	
Parks & Recreation	621,587	
Open Space	563,472	<b>1,434,014</b>
<b>Grand Total</b>		<b><u>\$ 21,324,921</u></b>