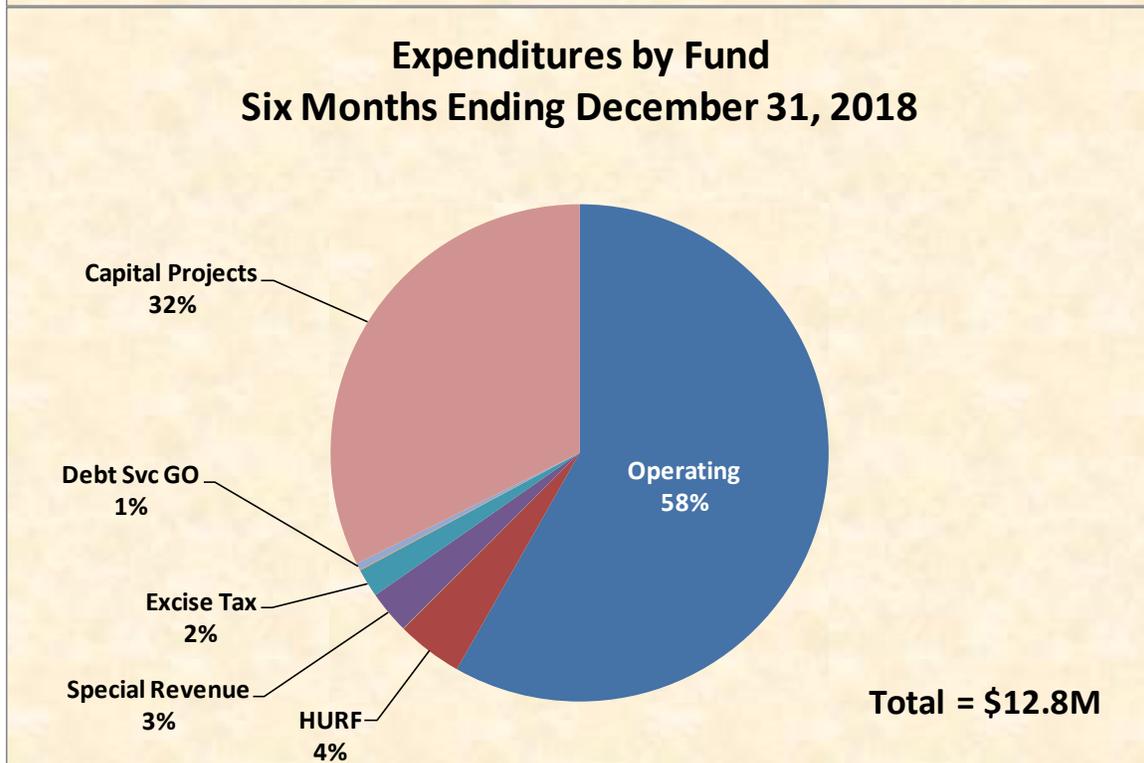
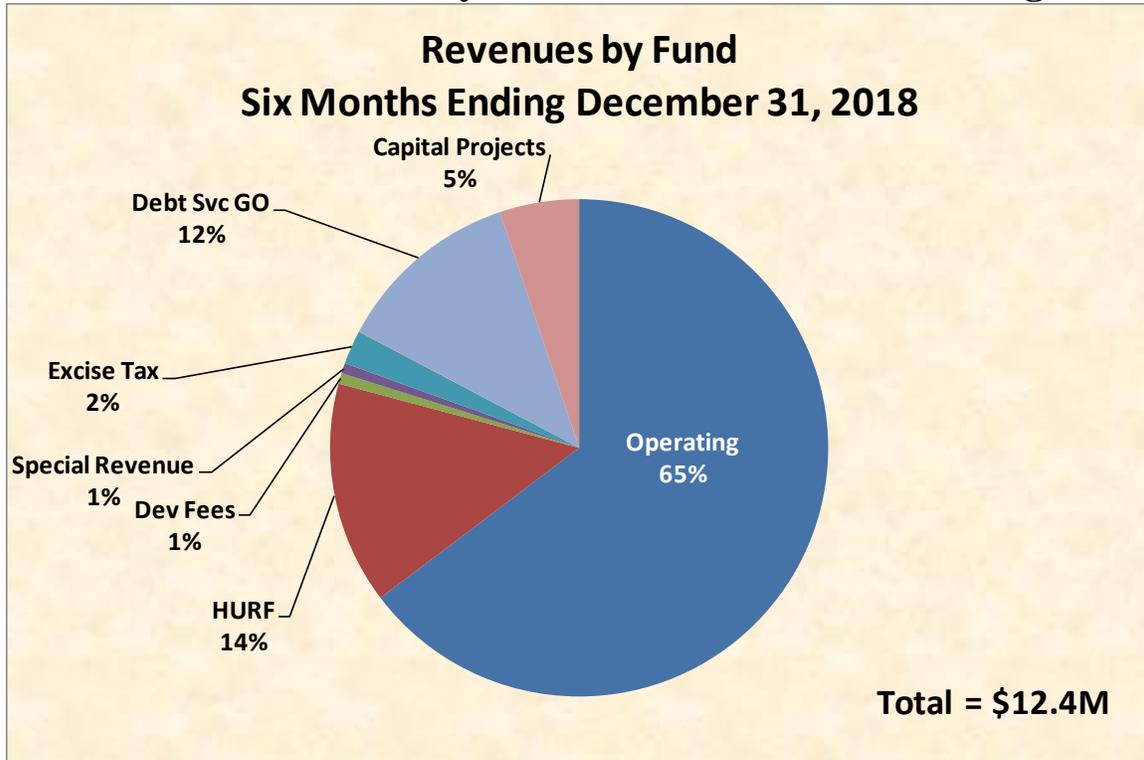


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
SIX MONTHS ENDING DECEMBER 31, 2018





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

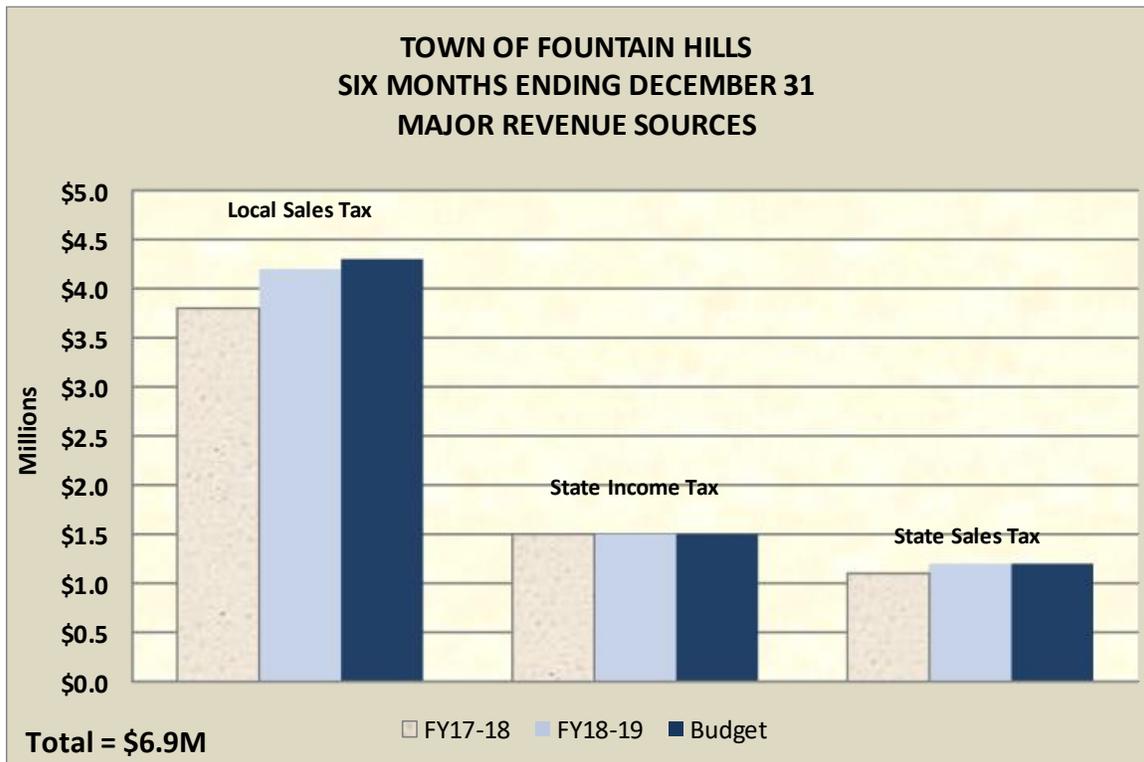




Operating Fund Revenues

For the fiscal YTD period ending December 31, 2018, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 97.2% of budgeted amounts and \$355,770 higher than the same time period last fiscal year (an increase of 4.6%). Categories where revenues are higher than the previous year are the local sales tax (up 9.4%) and State sales tax (up 6.0%). Total Operating Fund revenues for this fiscal period are \$8,047,294.

FUND	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior
Operating Funds	\$ 7,691,526	\$ 8,047,294	\$ 8,278,054	97.2%	4.6%



The three major revenues in the chart above represent 85.5% 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 (9.4% 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 6.0% higher but State income taxes are 1.8% lower than last year. Overall, these major revenue sources are at 97.4% 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 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 \$2,674,313 which is \$39,209 or 1.5% 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 FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior
State Sales Tax	1,118,940	1,185,824	1,214,908	97.6%	6.0%
State Income Tax	1,516,164	1,488,489	1,502,716	99.1%	(1.8%)

Local Sales Tax (2.6%) – All Funds

The fiscal YTD revenue for this category totals \$5,371,472 (including all funds), which is 103.8% of projections. Compared to the same time period as last year, the total revenues (all funds) are 14.0% 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 \$2,437,428 which is 91.3% of projections; compared to last fiscal year, revenues increased by 4.2%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$369,095, which is 81.7% of projections; compared to last fiscal year, revenues are up by 5.3%.

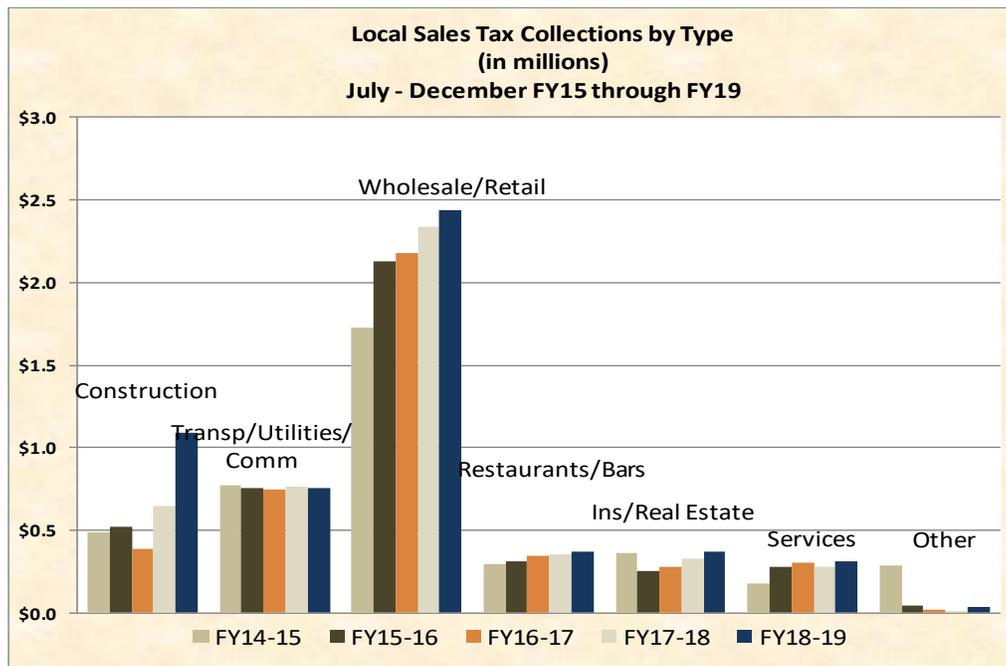
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$755,090, which is 97.8% of what was anticipated; compared to last fiscal year, revenues are down by 0.8%.

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 \$1,092,801, which is 236.8% of what was budgeted; compared to last fiscal year, revenues are up 69.6%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Six Months Ended December - Local Sales Tax Revenues					
CATEGORY	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	%Incr/(Decr) from Prior Year
Construction	\$ 644,221	\$ 1,092,801	\$ 461,465	236.8%	69.6%
Transportation/Utilities	761,246	755,090	772,400	97.8%	(0.8%)
Wholesale/Retail	2,339,134	2,437,428	2,671,058	91.3%	4.2%
Restaurant/Bars	350,595	369,095	451,730	81.7%	5.3%
Real Estate	327,551	372,504	366,133	101.7%	13.7%
Services	276,459	308,534	446,628	69.1%	11.6%
Misc.	10,706	36,020	5,000	720.4%	236.4%
Grand Total All Funds	\$ 4,709,912	\$ 5,371,472	\$ 5,174,414	103.8%	14.0%



Local sales tax makes up 52.3% of Operating Fund revenues; for the period ending December 31, 2018, collections were \$5.4M for all funds (\$4.2M in the Operating Fund). Retail and restaurant/bar activities represent 52.3% of total collections; telecommunications and utilities represent another 14.1%.



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 \$138,893 or 122.2% of the period budget. New housing permits issued for the fiscal period are 31 single family, 15 multi-family and 3 commercial.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Building Permit Fees	\$103,396	\$138,893	\$113,636	122.2%

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 \$57,939 which is \$22,210.17 (27.7%) less than last year's same fiscal period and 47.1% of the budgeted amount.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Court Fines & Fees	\$80,149	\$57,939	\$123,000	47.1%

License Revenue

Revenues in this category previously included both business and animal licensing activity with the majority of revenues coming from business licenses. Current fiscal revenues for just the business license category totals \$61,838 or 90.7% of the fiscal period budget. Animal Licensing was returned to Maricopa County effective July 1, 2018.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Business License Fees	\$59,690	\$61,838	\$68,183	90.7%
Animal License Fees	18,274	-0-	-0-	N/A



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 first quarter, 81.9% of the period budget has been expended.

Expenditures by Category - YTD Ending December 31				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 1,668,637	\$ 1,770,316	93.4%	\$ 3,791,824
Supplies and Services	313,478	296,544	94.7%	626,009
Contractual Services	4,629,232	4,735,892	93.2%	10,157,940
Maintenance/Utilities	435,127	407,338	72.1%	1,130,666
Capital Expenditures	29,980	2,095	8.9%	47,253
Internal Transfers/Contingency	249,473	239,750	77.5%	618,856
TOTAL	\$ 7,325,927	\$ 7,451,935	91.0%	\$ 16,372,548

- Wages and benefits represent one fifth (23.8%) of the total Operating Fund budget and account for all staff with the exception of Street employees who are funded through a separate Highway User Revenue Fund (HURF), the Tourism Coordinator and Economic Development employees as well as the Environmental Coordinator.
- Supplies and Services represents 4.0% of the total Operating Fund budget and includes items such as operating supplies, office supplies, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 63.6% 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 5.5% 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.



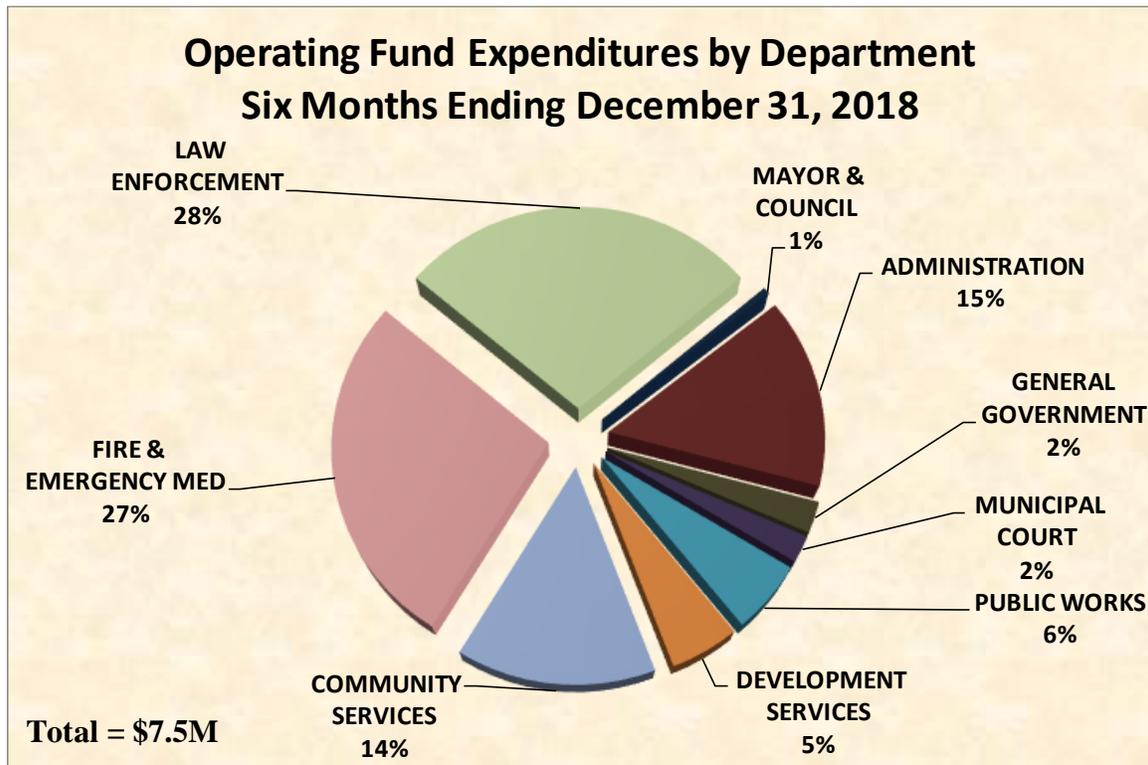
Department Summary

Expenditures by Department - YTD Ending December 31				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Mayor & Council	\$ 41,655	\$ 37,655	91.2%	\$ 82,592
Administration	1,170,887	1,098,589	90.1%	2,438,779
General Government	214,941	180,300	51.3%	703,579
Municipal Court	156,000	155,485	90.9%	342,028
Public Works	336,360	411,957	79.6%	1,035,577
Development Services	420,714	376,839	70.7%	1,065,398
Community Services	1,100,921	1,078,781	83.8%	2,574,880
Fire & Emergency Medical Services	1,975,781	2,039,610	104.1%	3,918,227
Law Enforcement	1,908,668	2,072,719	98.4%	4,211,488
TOTAL	\$ 7,325,927	\$ 7,451,935	91.0%	\$ 16,372,548

- 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, Information Technology and Customer Service and represents 14.7% of the Operating Fund budget. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, 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 (2.4%).
- Municipal Court represents all the costs of the operations of the court (2.1%).
- Public Works (5.5% of Operating Fund expenditures) was broken out from Development Services in the prior years. This department includes public works, engineering, 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 (14.5% of Operating Fund expenditures) includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), and 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.



- Fire & Emergency Medical Services represents 27.4% 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:

- Streets – (Highway User Revenue Fund)
- Excise Tax (Downtown Strategy, Economic Development and Tourism)
- Special Revenue (Grants)
- Capital Projects (Capital Projects and Facilities Replacement)
- Development Fees





Streets Division - Highway User Revenue Fund (HURF)

Streets Division Revenues - Fiscal YTD Ending December 31				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Sales Tax	\$ 362,300	\$ 413,190	103.8%	\$ 796,063
State Shared Revenues	1,282,734	1,348,100	102.9%	2,619,995
In Lieu Fees	-	-	0.0%	100,000
Miscellaneous & Other	15,038	38,744	282.8%	27,400
Grand Total HURF	\$ 1,660,072	\$ 1,800,034	101.6%	\$ 3,543,458

This fund supports most of the Town’s street and traffic operations and is managed by the Public Works Department. More 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 (45.8%), Vehicle License Taxes (29.1%) and from a portion of the dedicated sales tax (23.0%). 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.

Streets Division Expenditures by Program - Fiscal YTD Ending December 31				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Administration	\$ 151,857	\$ 236,162	92.9%	\$ 508,673
Open Space	134,267	146,700	73.5%	399,282
Pavement Maintenance	74,332	114,089	5.5%	4,112,534
Street Signs	34,328	31,243	93.5%	66,811
Traffic Signals	45,916	-	0.0%	-
Vehicle Maintenance	28,829	20,698	52.3%	79,196
Grand Total HURF	\$ 469,529	\$ 548,892	21.2%	\$ 5,166,496

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, legal services, adopt-a-street, insurance, fuel, utilities, etc.
- Open Space program includes maintenance of the medians; the largest components of this category are 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.
- Traffic Signals program includes contracted costs 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 - Fiscal YTD Ending December 31				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Revenues	\$ 238,059	\$ 274,230	113.6%	\$ 482,712
Grand Total Excise Tax Funds	\$ 238,059	\$ 274,230	113.6%	\$ 482,712

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 - Fiscal YTD Ending December 31				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 81,655	\$ 117,439	92.3%	\$ 254,403
Supplies and Services	14,985	14,050	73.0%	38,484
Contractual Services	116,597	102,680	85.5%	240,210
Maintenance/Utilities	6,684	1,371	26.1%	10,498
Internal Transfers	1,385	992	145.9%	1,360
Grand Total all Categories	\$ 221,306	\$ 236,532	86.8%	\$ 544,955

- Wages and benefits, which represent 49.7% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 5.9% of the total Excise Tax budget and includes items such as office supplies, program materials, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 43.4% of the budget and include contracts for downtown holiday lighting, advertising, and planned professional services for marketing strategies.
- Maintenance/Utilities include costs for lighting and sign repairs and is 0.6% of the total.
- Internal/Transfers reflect the expenditures in the Capital Projects Fund for minor costs and are 0.4% of the total.



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 of Park Place in the prior year.

During the six months of this fiscal year, there have been forty nine (49) permit applications including development fees.

Revenues by Category - YTD Ending December 31 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Fire/Emergency	116,044	17,760	105.9%	33,537
Parks/Rec	355,429	66,458	121.2%	109,704
Open Space	1,649	2,053	0.0%	-
Grand Total All Funds	\$ 473,122	\$ 86,271	120.5%	\$ 143,241

Expenditures by Category - YTD Ending December 31 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Fire/Emergency	-	831	14.8%	11,244
Parks/Rec	-	3,602	14.8%	48,756
Open Space	77,859	565,525	211411.2%	535
Grand Total All Funds	\$ 77,859	\$ 569,958	1883.1%	\$ 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 December 31, 2018.

Capital Projects Fund Revenues - Fiscal YTD Ending December 31			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
Construction Sales Tax	\$ 546,401	118.4%	\$ 461,465
Grants	-	0.0%	990,000
Misc.	3,800	0.0%	-
Interest Income	91,668	846.9%	10,824
Grand Total Capital Projects	\$ 641,869	43.9%	\$ 1,462,289

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.

Expenditures by Category - Fiscal YTD Ending December 31 - Capital Projects			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
D6047 MISC DRAINAGE IMPROVEMENT	\$ -	0.0%	\$ 50,000
D6055 DRAINAGE-CIVIC CENTER IMP	-	0.0%	-
F4005 FIRE STATION 2 RELOCATION	2,503,136	97.5%	2,566,330
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	-
P3025 ADERO CANYON TRAILHEAD	914,920	76.2%	1,200,000
P3033 VIDEO SURVEILLANCE CAMERA	506	4.0%	12,506
P3034 GEP CONCRETE REPLACEMENT	37,464	74.9%	50,000
P3035 FOUR PEAKS PARK PLAYGROUND	13,220	5.3%	250,000
P3037 GOLDEN EAGLE PARK RESTOR	177,427	43.8%	405,000
S6003 UNPAVED ALLEY PAVING PRO	-	0.0%	-
S6015 FOUNTAIN HILLS BLVD WIDE	46,243	46.2%	100,000
CONTINGENCY	38,425	3.8%	1,010,159
Grand Total Capital Projects	\$ 3,731,341	66.1%	\$ 5,643,995



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) December 31, 2018

Operating Funds		
Rainy Day Fund	\$ 2,915,640	
General Fund	1,017,482	
Public Art Fund	118,422	
Vehicle Replacement Fund	1,311,448	\$ 5,362,992
Highway User Revenue Fund (HURF)	4,495,148	4,495,148
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	371,726	
Environmental Fund	544,291	
Cottonwoods Maintenance District Fund	19,589	935,606
Excise Tax Funds		
Downtown Strategy Fund	992,542	
Economic Development Fund	32,557	
Tourism Fund	113,640	1,138,739
Debt Service		
General Obligation Debt Service Fund	1,260,559	
Eagle Mountain CFD Debt Service Fund	256,133	
MPC Debt Service Fund	384,012	1,900,704
Capital Projects		
Capital Projects Fund	4,618,888	
Facilities Replacement Fund	1,863,080	6,481,968
Development Fees		
Fire & Emergency	265,884	
Parks & Recreation	684,443	950,327
Grand Total		<u>\$ 21,265,484</u>