

TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
QUARTER ENDED SEPTEMBER 30, 2019





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

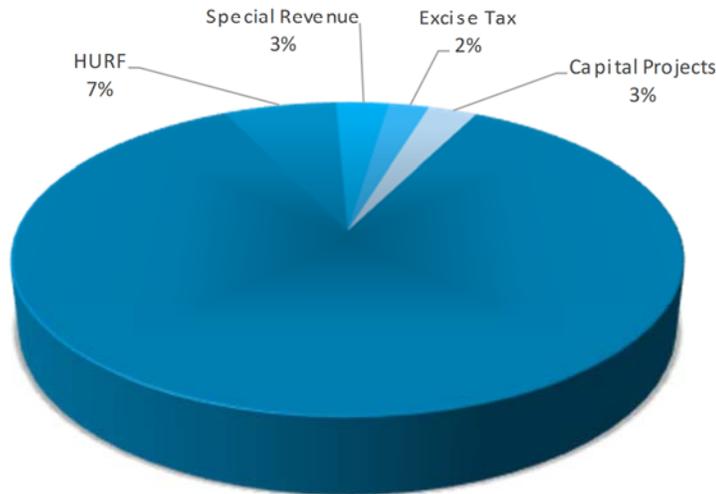
Revenues by Fund Three Months Ended September 30



Total = \$6.0M

■ Operating ■ Streets ■ Dev Fees ■ Special Revenue ■ Excise Tax ■ Debt Svc MPC ■ Debt Svc GO ■ Capital Projects

Expenditures by Fund Three Months Ended September 30



Total = \$4.9M

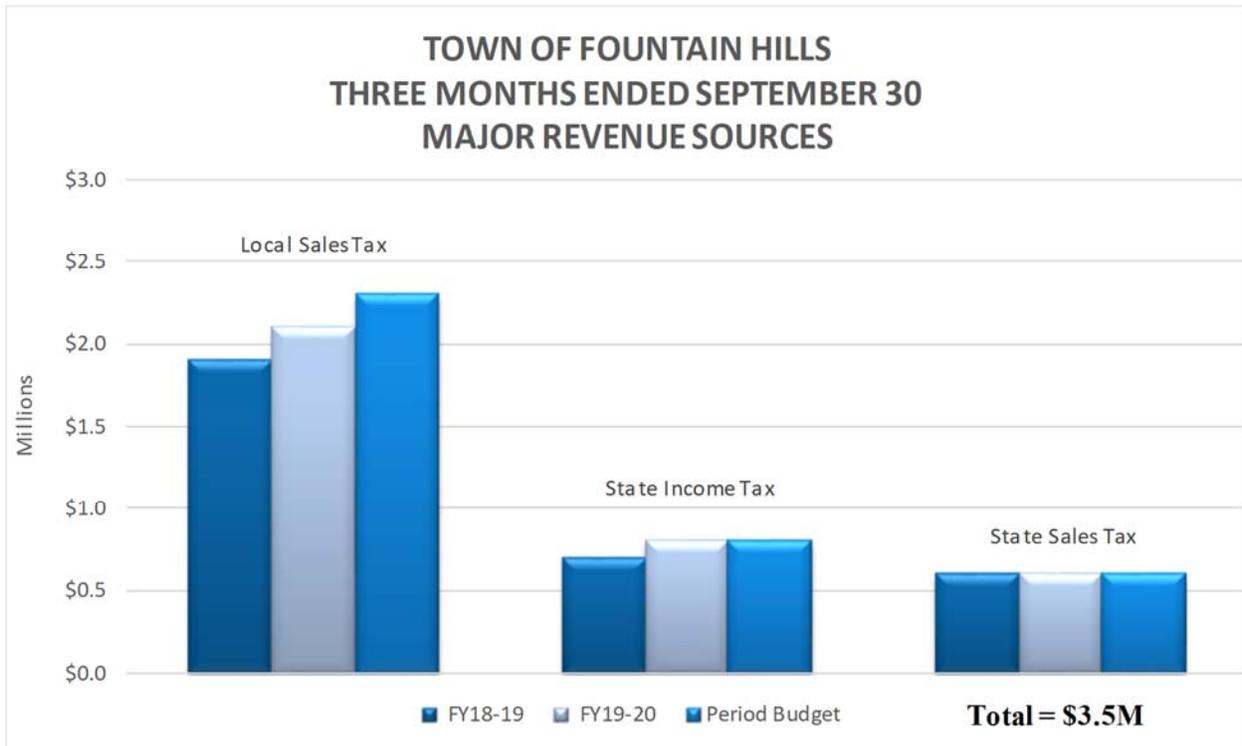
■ Operating ■ HURF ■ Dev Fees ■ Special Revenue ■ Excise Tax ■ Debt Svc MPC ■ Debt Svc GO ■ Capital Projects



Operating Funds Revenue

For the period ended September 30, 2019, total revenue received in the Operating Funds (General Fund, Public Art Fund, Internal Service Fund, Vehicle Replacement Fund) was 95.0% of budgeted amounts and \$550,694 higher than the same time period last fiscal year (an increase of 15.1%). Categories where revenue was higher than the previous year are Local Sales Tax (up 7.2%), State Sales Tax (up 6.1%), State Income Tax (up 8.5%) as well as Investment Earnings (up 17.7%). Total revenue collected by the Operating Funds for the period was \$4,192,387.

FUND	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget	% Incr/(Decr) from Prior Year
Operating Funds	\$ 3,641,693	\$ 4,192,387	\$ 4,413,064	95.0%	15.1%



The three major revenues in the chart above represent 83.8% 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 (7.2% 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 6.1% higher, and State income taxes are 8.5% higher than last year. Overall, these major revenue sources are at 93.9% of the budget for the period.



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 \$1,429,762, which is \$99,456 or 7.5% 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 FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget	% Incr/(Decr) from Prior Year
State Sales Tax	586,071	621,967	645,844	96.3%	6.1%
State Income Tax	744,235	807,795	813,438	99.3%	8.5%

Local Sales Tax (2.6%) – All Funds

The fiscal year-to-date revenue for this category totals \$2,572,776 (including all funds), which is 93.6% of projections. Compared to the same time period as last year, the total revenues (all funds) are 3.9% 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 \$1,222,088, which is 88.3% of projections; compared to last fiscal year, revenues increased by 11%.

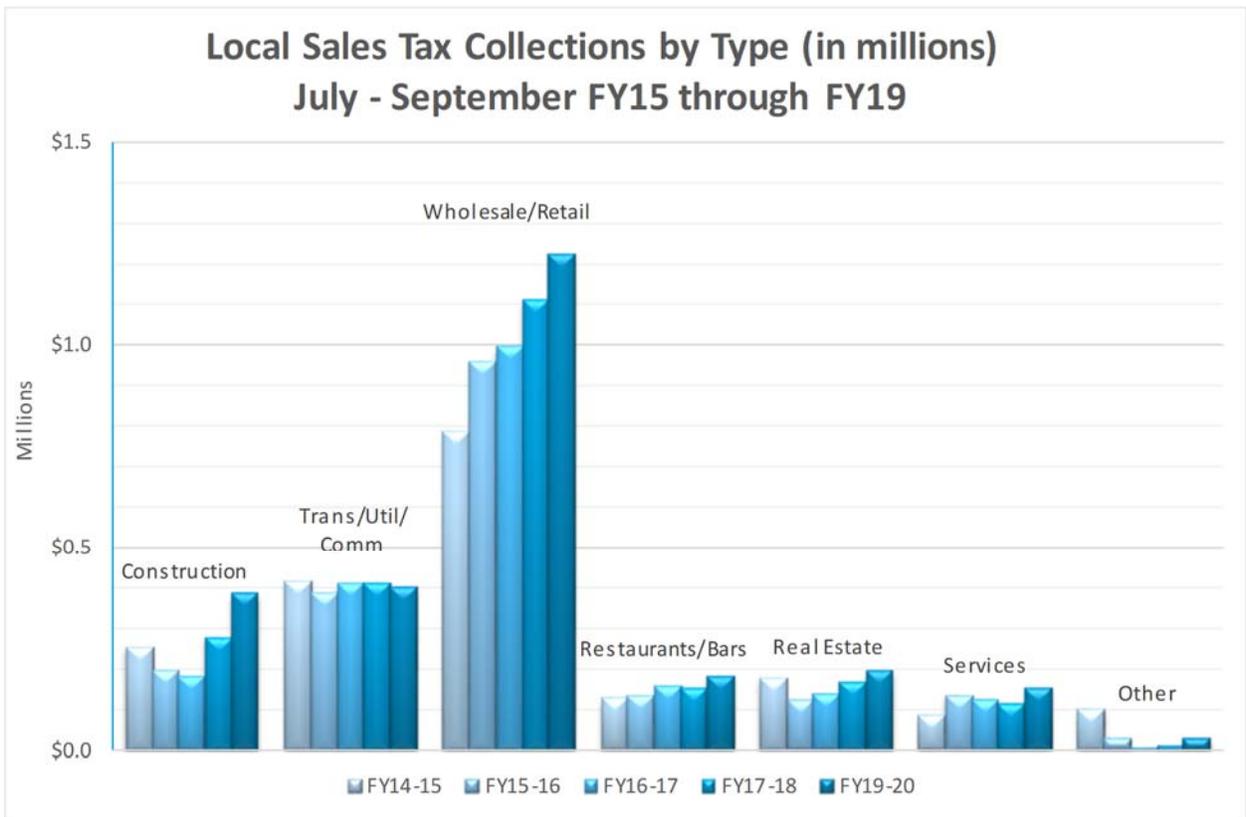
Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$183,557, which is 80.8% of projections; compared to last fiscal year, revenues are up by 7.5%.

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 \$402,388, which is 125.9% of what was anticipated; compared to last fiscal year, revenues are down by 2.3%.

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 \$385,485, which is 120.4% of what was budgeted; compared to last fiscal year, revenues are down 24.4%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.



Local Sales Tax Revenues - Three Months Ended September - All Funds					
CATEGORY	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget	% Incr/(Decr) from Prior Year
Construction	\$ 510,124	\$ 385,485	\$ 320,147	120.4%	(24.4%)
Transportation/Utilities	\$ 411,748	402,388	319,549	125.9%	(2.3%)
Wholesale/Retail	\$ 1,100,569	1,222,088	1,384,162	88.3%	11.0%
Restaurant/Bars	\$ 170,766	183,557	227,213	80.8%	7.5%
Real Estate	\$ 172,652	197,771	163,383	121.0%	14.5%
Services	\$ 115,919	151,274	249,499	60.6%	30.5%
Misc.	\$ 2,594	30,213	85,000	35.5%	1064.7%
Grand Total All Funds	\$ 2,484,372	\$ 2,572,776	\$ 2,748,953	93.6%	3.6%



Local sales tax makes up 49.6% of Operating Fund revenues; for the period ended September 30, 2019, collections were \$2.6M for all funds (\$2.1M in the Operating Fund). Retail and restaurant/bar activities represent 54.6% of total collections; telecommunications and utilities represent another 15.6%; and construction revenues contribute 15% of the total collected.



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 \$50,716 or 84.3% of the YTD budget. New housing permits issued for the fiscal period are 7 single family, 10 multi-family and zero commercial permits.

Operating Funds Revenue Report - Fiscal YTD Ended June 2019				
	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget
Building Permit Fees	\$ 73,319	\$ 50,716	\$ 60,147	84.3%

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 \$63,093, which is \$32,307 (104.9%) more than last year's same fiscal period and 141.0% of the budgeted amount.

Operating Funds Revenue Report - Fiscal YTD Ended June 2019				
	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget
Court Fines & Fees	30,786	63,093	44,750	141.0%

License Revenue

Revenues in this category are composed primarily of business licenses. Current fiscal revenues for these two categories total \$26,750 or 75.5% of the fiscal period budget.

Operating Funds Revenue Report - Fiscal YTD Ended June 2019				
	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget
Business License Fees	26,387	26,750	35,424	75.5%



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 this fiscal period, 94.6% of the YTD budget was expended.

Expenditures by Category - YTD Ending September 30 - Operating Funds				
	YTD FY18-19	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Wages and Benefits	\$ 892,989	\$ 1,040,348	98.2%	\$ 1,059,670
Supplies and Services	199,621	243,257	142.5%	170,688
Contractual Services	2,435,380	2,678,172	101.8%	2,629,725
Maintenance/Utilities	212,018	203,390	74.4%	273,386
Capital Expenditures	-	39,093	37.6%	104,037
Internal Transfers/Contingency	(192)	(225)	(0.1%)	207,474
Grand Total all Categories	\$ 3,739,816	\$ 4,204,035	94.6%	\$ 4,444,980

- Wages and benefits represent 24.7% of the total Operating Fund budget and accounts for all staff with the exception of streets employees who are funded through the Streets (HURF) Fund. The Tourism Coordinator, Economic Development employees, as well as the Environmental Coordinator, are also funded with sources outside of the Operating Fund.
- Supplies and Services represents 5.8% 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 63.8% 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 represents 4.8% 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. Other 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 are also included.



Department Summary

Operating Funds Expenditure Report - YTD Ending September 30				
	YTD FY18-19	YTD FY19-20	Period Budget	% YTD FY19-20 Budget
Mayor & Council	\$ 16,724	\$ 18,979	\$ 24,636	77.0%
Administration	637,350	627,707	512,742	122.4%
General Government	133,384	280,043	287,442	97.4%
Municipal Court	81,328	85,979	99,319	86.6%
Public Works	189,125	255,858	360,169	71.0%
Development Services	178,106	192,099	275,073	69.8%
Community Services	520,518	604,438	683,795	88.4%
Fire & Emergency Medical	944,044	949,629	1,005,325	94.5%
Law Enforcement	1,039,238	1,189,303	1,196,480	99.4%
Grand Total	\$ 3,739,817	\$ 4,204,035	\$ 4,444,981	94.6%

- The Mayor & Council budget represents a total 0.5% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Economic Development, Information Technology and Customer Service and represents 14.9% of the Operating Fund expenditures. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business and 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 includes costs that are common to the Town as a whole. It represents 6.7% of the Operating Fund expenditures. This department includes the cost of the annual debt service payment transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- Municipal Court represents all the costs of the operations of the court and is 2.0% of the Operating Fund budget.
- Public Works, representing 6.1% 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, representing 4.6% of Operating Fund expenditures, includes programs such as building safety. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services, representing 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), volunteer program, 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 22.6% of the Operating Fund expenditures 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 28.3% of the Operating Fund expenditures 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 (HURF)
- Excise Tax (Downtown Strategy, Economic Development and Tourism)
- Special Revenue (Grants)
- Capital Projects (Capital Projects and Facilities Replacement)
- Development Fees





Streets (HURF)

Revenues - YTD Ending September 30 - Streets Fund				
	YTD FY18-19	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Sales Tax	\$ 191,105	\$ 197,912	96.6%	\$ 204,920
State Shared Revenues	674,797	806,135	131.5%	613,056
In Lieu Fees	-	-	0.0%	50,000
Miscellaneous & Other	16,703	14,843	107.9%	13,750
Grand Total HURF	\$ 882,605	\$ 1,018,890	115.6%	\$ 881,726

This fund supports most of the Town’s street and traffic operations and is managed by the Public Works Department. The fund is primarily supported by the State Highway User Revenue Fund (60.0%), Vehicle License Taxes (19.2%) and from a portion of the dedicated sales tax (19.4%). 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.

Expenditures by Program - YTD Ending September 30 - Streets Fund				
	YTD FY18-19	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Administration	\$ 139,035	\$ 127,836	96.6%	\$ 132,339
Open Space	86,675	80,551	78.7%	\$ 102,359
Pavement Maintenance	39,664	70,696	7.0%	\$ 1,009,213
Street Signs	13,712	23,141	60.4%	\$ 38,305
Vehicle Maintenance	10,238	14,978	91.9%	\$ 16,299
Grand Total Streets Fund	\$ 289,324	\$ 317,202	24.4%	\$ 1,298,515

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, legal costs, insurance, fuel, utilities, etc.
- Open Space program includes maintenance of the medians; the largest component of this category is the contract for landscaping and water usage.
- Pavement Maintenance program includes personnel costs related to road repair and maintenance, such as pot holes and curb replacement.
- Street Signs program includes personnel and maintenance costs for the Town’s street signs.
- 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 - YTD Ending September 30 - All Funds				
	YTD FY18-19	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Revenues	\$ 121,682	\$ 125,014	99.7%	\$ 125,380
Grand Total Excise Tax Funds	\$ 121,682	\$ 125,014	99.7%	\$ 125,380

These funds are separate funds from the Town’s Operating Funds and they support the Town’s downtown strategy and 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 (0.1% 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.

Expenditures by Category - YTD Ending September 30 - Excise Tax Funds				
	YTD FY18-19	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Wages and Benefits	\$ 53,747	\$ 63,891	79.1%	\$ 80,724
Supplies and Services	3,910	9,908	107.7%	9,197
Contractual Services	73,370	38,725	70.0%	55,285
Maintenance/Utilities	1,199	136	113.3%	120
Internal Transfers	296	490	116.4%	421
Grand Total all Categories	\$ 132,522	\$ 113,150	77.6%	\$ 145,747

- Wages and benefits, which represent 56.5% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 8.8% of the total Excise Tax expenditures 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 34.2% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (0.1% 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. During this fiscal period, there have been seventeen (17) permit applications including development fees.

Revenues by Category - YTD Ending September 30 - Development Fees				
	FY18-19 Actual	FY19-20 Actual	% YTD FY19-20 Budget	FY19-20 Budget
Fire/Emergency	9,774	6,548	77.7%	33,723
Parks/Rec	34,168	25,916	75.4%	137,502
Open Space	1,947	-	0.0%	-
Grand Total All Funds	\$ 45,889	\$ 32,464	75.8%	\$ 171,225

Expenditures by Category - YTD Ending September 30 - Development Fees				
	FY18-19 Actual	FY19-20 Actual	% YTD FY19-20 Budget	FY19-20 Budget
Fire/Emergency	-	823	34.7%	9,500
Parks/Rec	-	3,567	35.2%	40,500
Open Space	59	-	0.0%	-
Grand Total All Funds	\$ 59	\$ 4,390	35.1%	\$ 50,000



Capital Projects Fund

Capital projects are funded with accumulated reserves that were surplus revenues in the Operating Funds 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 September 30, 2019.

Revenues - YTD Ending September 30 - Capital Projects			
	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
Construction Sales Tax	\$ 192,742	120.4%	\$ 160,073
Grants	-	0.0%	\$ 22,500
Donations	4,000	0.0%	\$ -
Interest Income	33,797	937.2%	\$ 3,606
Grand Total Capital Projects	\$ 230,539	123.8%	\$ 186,179

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 - YTD Ending September 30 - Capital Projects			
	YTD FY19-20	% YTD FY19-20 Budget	Period Budget
D6047 MISC DRAINAGE IMPROVEMEN	\$ -	0.0%	\$ 12,500
D6055 DRAINAGE-CIVIC CENTER IM	-	0.0%	\$ 12,500
D6056 DRAINAGE-EAGLE MOUNTAIN	1,050	5.6%	\$ 18,750
D6057 DRAINAGE-GE IMPOUNDMENT	12,045	9.6%	\$ 125,000
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	\$ 37,500
F4033 STREET YARD SIGN SHOP BU	-	0.0%	\$ 37,500
F4034 SOLAR POWER GENERATING S	-	0.0%	\$ 12,500
P3033 VIDEO SURVEILLANCE CAMER	-	0.0%	\$ 12,500
P3035 FOUR PEAKS PARK PLAYGROU	67,750	80.9%	\$ 83,750
S6003 UNPAVED ALLEY PAVING PRO	-	0.0%	\$ 63,750
S6015 FOUNTAIN HILLS BLVD WIDE	-	0.0%	\$ 25,000
S6051 AOTF/LA MONTANA IMPROVEM	15,250	10.2%	\$ 150,000
S6053 FOUNTAIN HILLS BLVD SHOU	30,422	317.1%	\$ 9,594
S6058 SHEA BLVD WIDENING	-	0.0%	\$ 32,500
S6061 SIDEWALK COMPLETION PROG	-	0.0%	\$ 50,000
S6062 AOTF/VERDE RIVER INTERSE	4,481	5.1%	\$ 87,500
CONTINGENCY	6,333	2.7%	233,954
Grand Total Capital Projects	\$ 137,331	13.7%	\$ 1,004,798



Fund Balances/Reserves

The Town maintains several funds, some of which are restricted for specific purposes; the Operating Funds are the Town's main operating funds and have 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, 2019

Operating Funds			
Rainy Day Fund	\$	2,915,640	
General Fund		3,370,919	
Public Art Fund		106,563	
Internal Service Fund		-	
Vehicle Replacement Fund		1,168,269	\$ 7,561,391
Special Revenue Funds			
Streets Fund (HURF)		3,123,787	
Special Revenue Fund		-	
Court Enhancement Fund		380,652	
Environmental Fund		767,997	
Cottonwoods Maintenance District Fund		19,634	4,292,070
Excise Tax Funds			
Downtown Strategy Fund		1,064,211	
Economic Development Fund		37,020	
Tourism Fund		133,691	1,234,922
Debt Service			
General Obligation Debt Service Fund		330,571	
Eagle Mountain CFD Debt Service Fund		74,990	
MPC Debt Service Fund		11,355	416,916
Capital Projects			
Capital Projects Fund		4,429,959	
Facilities Replacement Fund		1,495,231	5,925,190
Development Fees			
Fire & Emergency		279,861	
Parks & Recreation		738,927	
Open Space			1,018,788
Grand Total	\$		<u><u>20,449,277</u></u>