

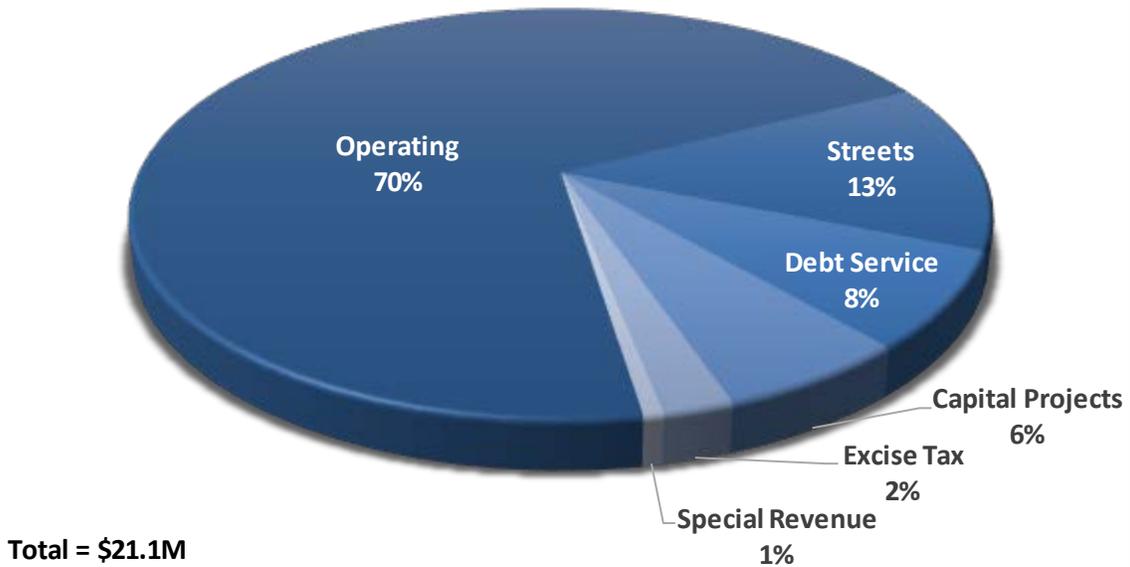
TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
QUARTER ENDED MARCH 31, 2020



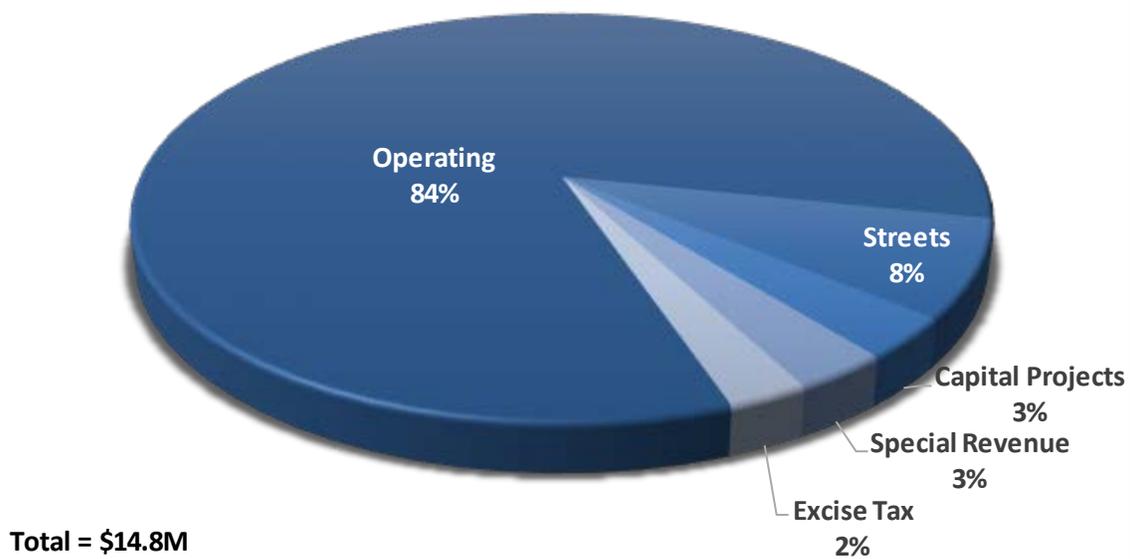


Where does the money come from and where does it go?

Revenues by Fund
Period Ended March 31, 2020



Expenses by Fund
Period Ended March 31, 2020

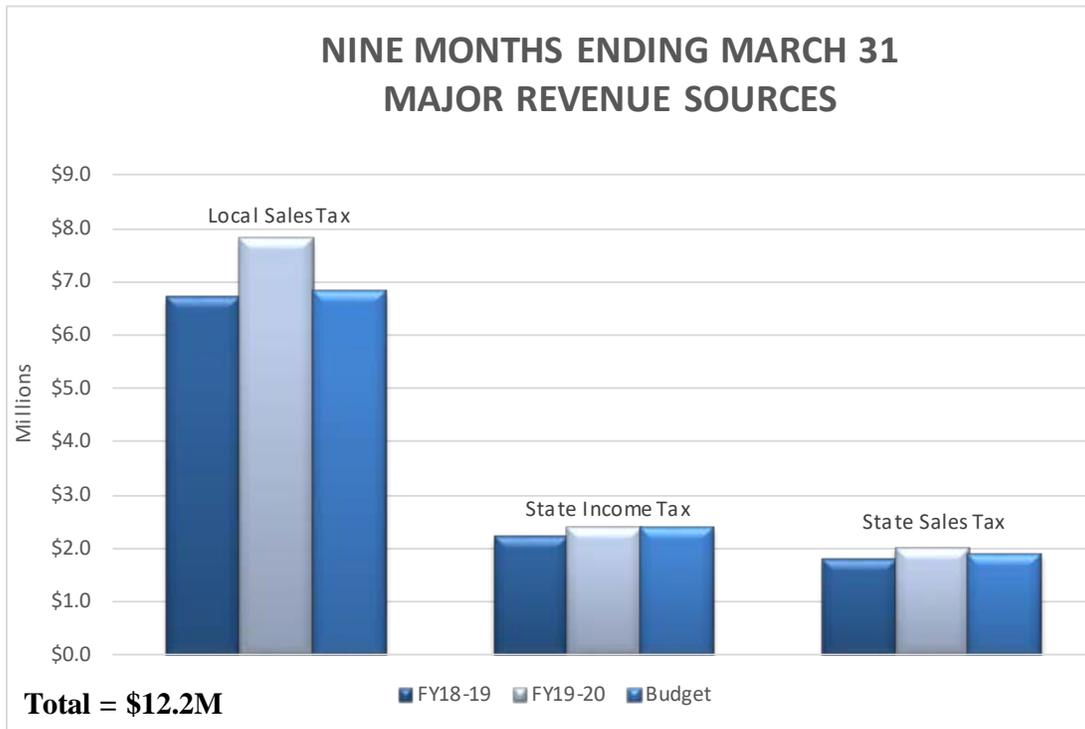




Operating Funds Revenue

For the period ended March 31, 2020, total revenue received in the Operating Funds (General Fund, Public Art Fund, Internal Service Fund, Vehicle Replacement Fund) was 110.9% of budgeted amounts and \$1,463,382 higher than the same time period last fiscal year (an increase of 11.1%). Categories where revenue was higher than the previous year are Local Sales Tax (up 16.5%), State Sales Tax (up 8.3%), State Income Tax (up 8.5%), Leases & Rents (up 6.2%), Charges for Services (up 30.4%), Fines & Forfeitures (up 150.6%), as well as Investment Earnings (up 91%). Total revenue collected by the Operating Funds for the period was \$14,687,244.

Current Year Revenues - Period Ended March 31 - All Funds				
FUND	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Operating Funds	\$ 13,223,862	\$ 14,687,244	\$ 13,239,191	110.9%



The three major revenues in the chart above represent 83.3% 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 (16.5% 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 8.3% higher, and State income taxes are 8.5% higher than last year. Overall, these major revenue sources are at 109.0% of the budget for the period.



State Shared Revenues

State Shared Revenues include a distribution of the State income tax, State sales tax, and vehicle license tax returned to the Town based on its population in relation to the total population of all incorporated cities and towns. The income tax funds are distributed from tax collections from two years prior to the fiscal year in which the Town receives the funds. Sales taxes are distributed to cities and towns three months after the actual sales activity occurs. These revenues are distributed monthly through a distribution from the State Treasurer’s Office. The revenues from these categories total \$4,631,027, which is \$586,304 or 14.5% 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.

Operating Funds Revenue Report - Period Ended March 31				
FUND	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
State Sales Tax	1,811,979	1,962,480	1,937,533	101.3%
State Income Tax	2,232,744	2,423,386	2,440,313	99.3%
Vehicle License Tax	-	245,161	252,562	97.1%

Local Sales Tax (2.9%) – All Funds

The Local Sales Tax rate increased by 0.3% effective November 1, 2019. The fiscal year-to-date revenue for this category totals \$9,592,690 (including all funds), which is 119.5% of projections. Compared to the same time period as last year, the total revenues (all funds) are 14.1% higher.

Wholesale/Retail: A retail sales tax of 2.9% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The revenues for this category total \$4,945,010, which is 122.3% of projections; compared to last fiscal year, revenues increased by 24.5%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.9% in the Town. The revenues for this category total \$690,717, which is 104.1% of projections; compared to last fiscal year, revenues are up by 11.3%.

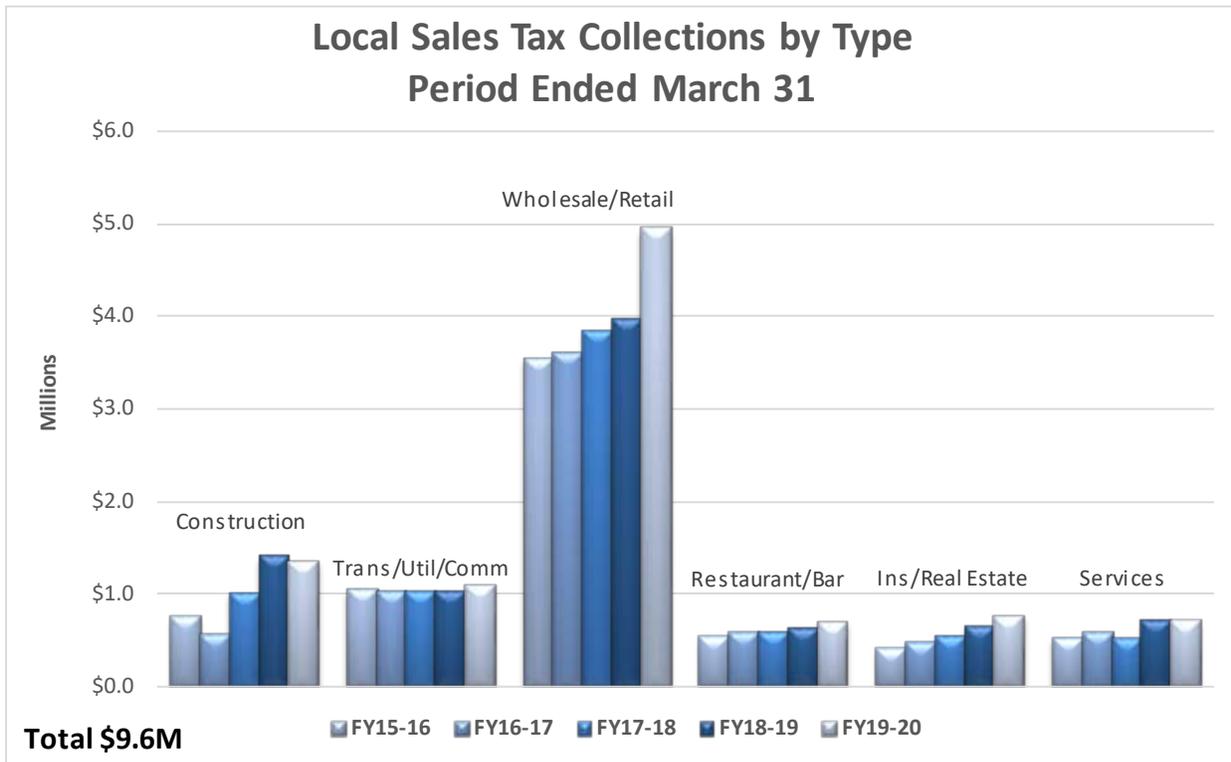
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.9% in the Town as well as cellular phone charges. The revenues for this category total \$1,095,507, which is 117.4% of what was anticipated; compared to last fiscal year, revenues are up by 6.7%.

Construction Contracting: This revenue is generated from the 2.9% 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 \$1,355,805, which is 145.0% of what was budgeted; compared to last fiscal year, revenues are down 3.7%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Local Sales Tax Revenues - Period Ended March 31 - All Funds				
CATEGORY	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Construction	\$ 1,408,406	\$ 1,355,805	\$ 934,828	145.0%
Transportation/Utilities	1,026,770	1,095,507	\$ 933,083	117.4%
Wholesale/Retail	3,972,222	4,945,010	\$ 4,041,753	122.3%
Restaurant/Bars	620,764	690,717	\$ 663,461	104.1%
Real Estate	632,394	753,965	\$ 477,079	158.0%
Services	705,184	700,859	\$ 728,537	96.2%
Misc.	43,497	50,827	\$ 248,200	20.5%
Grand Total All Funds	\$ 8,409,237	\$ 9,592,690	\$ 8,026,941	119.5%



Local sales tax makes up 53.4% of Operating Fund revenues; for the period ended March 31, 2020, collections were \$9.6M for all funds (\$7.8M in the Operating Fund). Retail and restaurant/bar activities represent 51.6% of total collections; telecommunications and utilities represent another 11.4%; and construction revenues contribute 14.1% 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 \$164,859 or 91.4% of the YTD budget. New housing permits issued for the fiscal period are 21 single family, 26 multi-family and 1 commercial permit.

Operating Funds Revenue Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Building Permit Fees	188,702	164,859	\$ 180,441	91.4%

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 \$210,076, which is \$126,233 (150.6%) more than the same fiscal period from last year, and 156.5% of the budgeted amount.

Operating Funds Revenue Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Court Fines & Fees	83,843	210,076	134,250	156.5%

License Revenue

Revenues in this category are composed primarily of business licenses. Current fiscal revenues for this category total \$110,202 or 103.7% of the fiscal period budget.

Operating Funds Revenue Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Business License Fees	113,221	110,202	106,272	103.7%



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, 91.0% of the YTD budget was expended.

Expenditures by Category - Period Ended March 31 - Operating Funds				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Wages and Benefits	\$ 2,796,782	\$ 3,151,656	\$ 3,179,009	99.0%
Supplies and Services	419,655	461,688	\$ 515,812	90.0%
Contractual Services	6,961,383	7,528,671	\$ 7,913,401	95.0%
Maintenance/Utilities	575,661	640,391	\$ 818,435	78.0%
Capital Expenditures	2,095	311,915	\$ 698,362	45.0%
Internal Transfers/Contingency	239,552	247,160	\$ 383,921	64.0%
Grand Total all Categories	\$ 10,995,128	\$ 12,341,481	13,508,940	91.0%

- Wages and benefits represent 25.5% of the total Operating Funds 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 Funds.
- Supplies and Services represents 3.7% of the total Operating Funds 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 61.0% of the Operating Funds 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 5.2% of the total expenditures.
- Internal Transfers are charged to the Operating Funds budget by department and transferred to provide monies for future scheduled replacement of vehicles and equipment. Other transfers are made at the end of the fiscal year from the Operating Funds to the Debt Service Fund for annual bond payment due in June, as well as contingency and other minor expenditures, are also included.



Department Summary

Operating Funds Expenditure Report - Period Ended March 31				
FUND	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Mayor & Council	\$ 59,399	\$ 54,698	\$ 73,908	74.0%
Administration	1,575,298	1,522,953	1,505,388	101.2%
General Government	221,621	563,268	1,010,077	55.8%
Municipal Court	244,922	274,682	297,957	92.2%
Public Works	628,834	877,963	1,080,507	81.3%
Development Services	577,562	599,848	825,218	72.7%
Community Services	1,612,150	1,851,963	2,110,471	87.8%
Fire & Emergency Medical	2,961,072	3,043,832	3,015,974	100.9%
Law Enforcement	3,114,271	3,552,276	3,589,440	99.0%
Grand Total	\$ 10,995,129	\$ 12,341,483	\$ 13,508,940	91.4%

- The Mayor & Council budget represents a total 0.4% of the Operating Funds expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Economic Development, Information Technology and Customer Service and represents 12.3% 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.
- General Government includes costs that are common to the Town as a whole. It represents 4.6% of the Operating Funds 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 2.2% of the Operating Funds budget.
- Public Works, representing 7.1% of Operating Funds 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 4.9% of Operating Funds 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 15.0% of Operating Funds 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 24.7% of the Operating Funds 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 28.8% of the Operating Funds 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)

Streets Fund Revenue Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Sales Tax	\$ 646,864	\$ 714,380	614,759	116.2%
State Shared Revenues	2,020,020	2,038,158	1,839,168	110.8%
In Lieu Fees	-	210	150,000	0.1%
Miscellaneous & Other	65,903	57,324	41,250	139.0%
Grand Total Streets	\$ 2,732,787	\$ 2,810,072	2,645,177	106.2%

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 (HURF) (52.2%), 70% of Vehicle License Taxes (20.4%), and from a portion of the dedicated sales tax (25.4%). 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.

Streets Fund Expenditure Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Administration	\$ 316,620	\$ 387,798	397,018	97.7%
Adopt A Street	\$ -	\$ -	-	0.0%
Open Space	\$ 212,878	\$ 274,826	322,784	85.1%
Pavement Maintenance	\$ 304,795	\$ 348,508	3,009,681	11.6%
Street Signs	\$ 53,843	\$ 80,174	114,915	69.8%
Vehicle Maintenance	\$ 30,610	\$ 38,610	51,147	75.5%
Grand Total HURF	\$ 918,746	\$ 1,129,916	3,895,545	29.0%

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, legal costs, insurance, fuel, and utilities.
- 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 Revenue Report - All Funds - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Revenues	\$ 409,145	\$ 465,108	376,139	123.7%
Grand Total Excise Tax Funds	\$ 409,145	\$ 465,108	376,139	123.7%

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 2.9%). 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 Expenditure Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Wages and Benefits	\$ 194,463	\$ 212,231	242,172	87.6%
Supplies and Services	23,240	28,080	27,590	101.8%
Contractual Services	191,484	136,413	165,854	82.2%
Maintenance/Utilities	1,491	377	8,360	4.5%
Internal Transfers	1,323	865	1,263	68.5%
Grand Total all Categories	\$ 412,001	\$ 377,966	\$ 445,239	84.9%

- Wages and benefits, which represent 56.2% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 7.4% 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 36.1% 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 forty-eight (48) permit applications including development fees.

Development Fees Revenue Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Fire/Emergency	26,485	22,328	33,723	88%
Parks/Rec	104,240	77,084	137,502	75%
Open Space	2,053	-	-	0%
Grand Total All Funds	\$ 132,778	\$ 99,412	\$ 171,225	77%

Development Fees Expenditure Report - Period Ended March 31				
	YTD FY18-19	YTD FY19-20	Period Budget	% Period Budget
Fire/Emergency	4,243	1,723	9,500	24%
Parks/Rec	18,399	7,471	40,500	25%
Open Space	68	-	-	0%
Grand Total All Funds	\$ 22,710	\$ 9,194	\$ 50,000	25%



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 March 31, 2020.

Capital Projects Fund Revenue Report - Period Ended March 31			
	YTD FY19-20	Period Budget	% Period Budget
Construction Sales Tax	\$ 677,902	\$ 480,220	141%
Grants	15,000	67,500	22%
Misc.	424,585	-	0%
Interest Income	136,551	5,418	2520%
Grand Total Capital Projects	\$ 1,254,038	\$ 553,138	227%

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.

Capital Projects Fund Expenditure Report - Period Ended March 31			
	YTD FY19-20	Period Budget	% Period Budget
D6047 MISC DRAINAGE IMPROVEMEN	\$ 1,005	\$ 50,000	2%
D6055 DRAINAGE-CIVIC CENTER IM	-	50,000	0%
D6056 DRAINAGE-EAGLE MOUNTAIN	14,728	75,000	20%
D6057 DRAINAGE-GE IMPOUNDMENT	53,108	500,000	11%
F4029 CIVIC CENTER IMPROVEMENT	1,805	150,000	1%
F4033 STREET YARD SIGN SHOP BU	26,393	150,000	18%
F4034 SOLAR POWER GENERATING S	-	50,000	0%
P3033 VIDEO SURVEILLANCE CAMER	-	50,000	0%
P3035 FOUR PEAKS PARK PLAYGROU	189,521	335,000	57%
S6003 UNPAVED ALLEY PAVING PRO	6,050	255,000	2%
S6015 FOUNTAIN HILLS BLVD WIDE	-	100,000	0%
S6051 AOTF/LA MONTANA IMPROVEM	51,190	600,000	9%
S6053 FOUNTAIN HILLS BLVD SHOU	30,422	38,378	79%
S6058 SHEA BLVD WIDENING	-	130,000	0%
S6061 SIDEWALK COMPLETION PROG	4,510	200,000	2%
S6062 AOTF/VERDE RIVER INTERSE	4,481	110,000	4%
CONTINGENCY	89,532	935,816	10%
Grand Total Capital Projects	\$ 472,745	\$ 3,779,194	13%



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) March 31, 2020

Operating Funds			
	Rainy Day Fund	\$ 3,086,699	
	General Fund	4,430,743	
	Public Art Fund	162,885	
	Vehicle Replacement Fund	1,331,557	\$ 9,011,884
	Streets (HURF) Fund	4,175,033	4,175,033
	Special Revenue Funds		
	Special Revenue Fund	(94,900)	
	Court Enhancement Fund	397,789	
	Environmental Fund	780,893	
	Cottonwoods Maintenance District Fund	21,264	1,105,046
	Excise Tax Funds		
	Downtown Strategy Fund	1,054,113	
	Economic Development Fund	42,828	
	Tourism Fund	87,048	1,183,989
	Debt Service		
	General Obligation Debt Service Fund	1,356,017	
	Eagle Mountain CFD Debt Service Fund	327,468	
	MPC Debt Service Fund	313,765	1,997,250
	Capital Projects		
	Capital Projects Fund	5,088,775	
	Facilities Replacement Fund	1,928,648	7,017,423
	Development Fees		
	Fire & Emergency	294,740	
	Parks & Recreation	786,191	1,080,931
	Grand Total		\$ <u>25,571,556</u>