

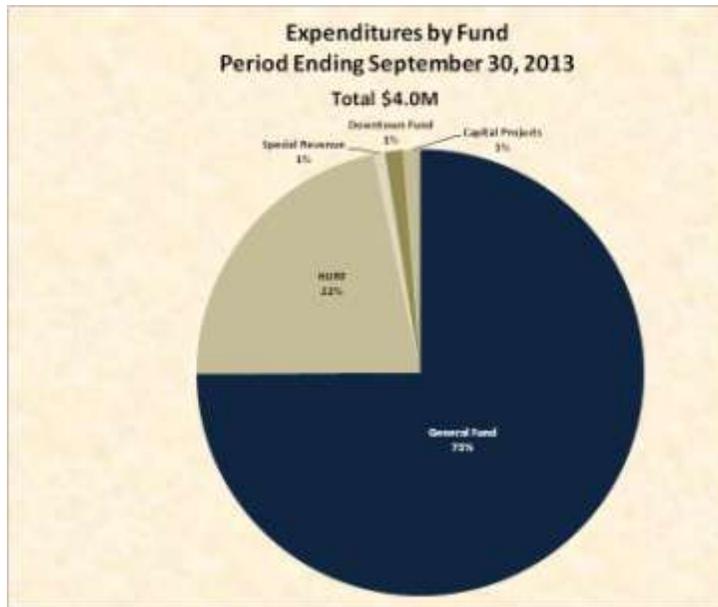
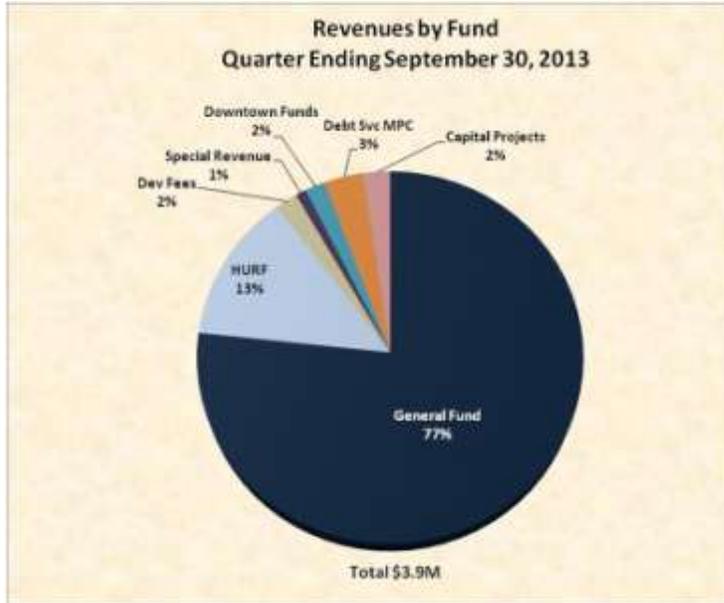


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**DECEMBER 2013**





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

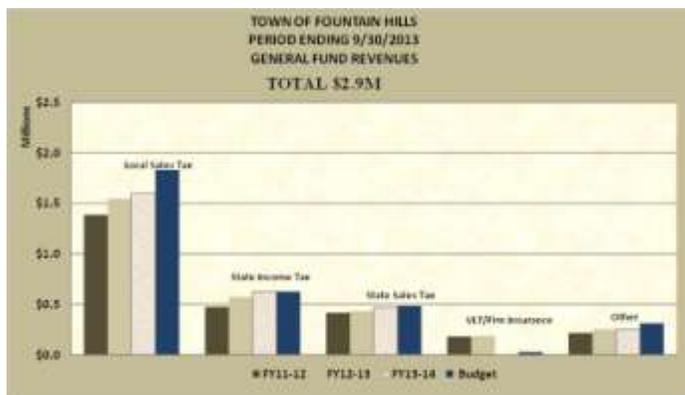




## General Fund Revenues

For the three month fiscal period ending September 30, 2013, total General Fund revenues were received at 90.0% of budgeted amounts and \$46,262 lower than the same time period last fiscal year (an decrease of 1.5%). The decrease is primarily due to the reallocation of vehicle license tax beginning this fiscal year to Streets fund for pavement management. Categories where revenues are higher than the previous year are the State income tax (up 9.2%) and State sales tax (up 8%) revenues. Total General Fund revenues for this fiscal period are \$2,965,294.

	FY2012-13 Actual	FY2013-14 Actual	YTD to Budget	Year End Estimate
General Fund	\$3,011,556	\$2,965,294	90.0%	\$13,183,057



The three major revenues in the chart on the left represent 95% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections have increased back to FY2009 levels (3.7% over the same period last year). This includes construction activity of which 50% is transferred to the Capital Project Fund. State sales tax is 8% higher and income taxes are 9.2% higher than last year as projected; vehicle license taxes are 10% higher compared to last year (this revenue source is derived from vehicle registrations and is now included in the Streets fund). Overall, General Fund revenues are at 90% for the fiscal year.

## State Shared Revenues

State Shared Revenues represent a distribution of the State income and 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 \$1,095,959 which is \$87,973 or 9% 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.

	FY2012-13 Actual	FY2013-14 Actual	YTD to Budget	Year End Estimate
State Income Tax	\$574,301	\$627,427	100%	\$2,259,840
State Sales Tax	\$433,675	\$462,868	96.8%	\$1,880,400

## Local Sales Tax (2.6%)

The fiscal quarter revenue for this category total \$1,886,936 (including all funds), which is 102.1% of projections. Compared to the same time period as last year the total revenues are 8% higher.

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



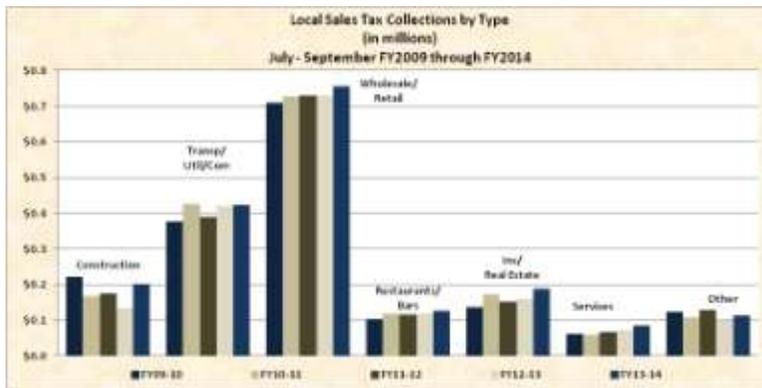
one fiscal year to another. The revenues for this category total \$754,734 which is 83% of projections; compared to last fiscal year revenues increased by 3.4%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$124,618, which is 77% of projections; compared to last fiscal year revenues are up by 5.8% and higher than any other previous year .

Communication/Utilities/Transportation: Utilities such as Chaparral City Water, cellular telephone companies and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$423,573, which is 117% of what was anticipated; compared to last fiscal year revenues are up by 0.6%.

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 \$200,014, which is 171% of what was budgeted; compared to last fiscal year revenues are up 33%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	<b>FY2012-13 Actual</b>	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
Local Sales Tax	\$1,728,723	\$1,684,605	94.8%	\$7,965,810



Local sales tax makes up 57% of General Fund revenues; for the period ending September 30, 2013 collections were \$1.9M for all funds (\$1.7M in the General Fund). Retail and restaurant/bar activities represent 49% of total collections; telecommunications and utilities represent another 24%. Construction revenues collected this fiscal period total \$200K, which is a 34% increase over last fiscal year. Retail sales tax collections increased 3% over the same period last year; restaurant/bar collections are up 6% from 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 \$11,841 or 56% of the period budget. New housing permits issued for the fiscal period are 10 single family, 0 multi family and 0 commercial.

	<b>FY2012-13 Actual</b>	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
Building Permit Fees	\$11,841	\$25,368	34%	\$299,020

### **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 \$173,024 which is \$30,326 (15%) less than last year's same fiscal period and 42% less than budgeted.



	<b>FY2012-13 Actual</b>	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
Court Fines & Fees	\$51,375	\$45,872	75%	\$246,420

### **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 \$32,683 or 84% of the fiscal period budget.

	<b>FY2012-13 Actual</b>	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
Business License Fees	\$20,071	\$21,696	80%	\$108,960
Animal License Fees	\$10,681	\$10,987	93%	\$47,365

### **General Fund Expenditures**

The General 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 Administrative functions. At the end of the first quarter 93.9% of the period budget has been expended.

<b>FY2013-14 Expenditures by Category - General Fund</b>				
	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>FY2013-14 Budget</b>	<b>% of Budget</b>
Salaries and Benefits	\$782,113	\$767,080	\$802,754	95.6%
Supplies and Services	\$324,240	\$411,305	\$434,676	94.6%
Contractual Services	\$1,844,984	\$1,875,073	\$1,893,293	99.0%
Internal Services	\$14,929	\$15,513	\$30,588	50.7%
Other	\$43,024	\$18,134	\$126,201	14.4%
<b>Grand Total all Categories</b>	<b>\$3,009,289</b>	<b>\$3,087,106</b>	<b>\$3,287,513</b>	<b>93.9%</b>

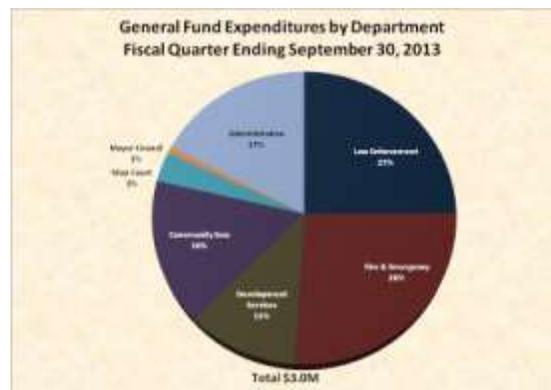
- ◆ Salaries and benefits represent one fourth (24%) of the total General Fund operating budget and accounts for all staff with the exception streets employees who are funded through a separate Highway User Revenue Fund (HURF)
- ◆ Contractual services represents 58% of the General Fund budget and includes 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.
- ◆ Services, Supplies and Utilities represents 13% of the total General Fund operating 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.
- ◆ Internal Services Charges are charged to the General Fund operating budget by department and transferred to other funds to provide funds for future scheduled replacement of vehicles and equipment.
- ◆ Other includes transfers that are made at the end of the fiscal year from the General Fund (Community Center) to the Debt Service Fund for the annual bond repayment due in June (\$193,500 annually) as well as contingency and other minor expenditures.



**Department summary:**

<b>General Fund Monthly Expenditure Report - Quarter Ended September 30, 2013</b>					
	<b>1 Qtr FY2012-13</b>	<b>1 Qtr FY2013-14</b>	<b>1 Qtr Budget</b>	<b>% of Budget</b>	<b>+ / (-) from Prior Year</b>
Mayor & Council	\$20,698	\$21,517	\$19,413	110.8%	4.0%
Administration	\$582,154	\$536,220	\$528,118	101.5%	-7.9%
Municipal Court	\$95,415	\$101,613	\$90,002	112.9%	6.5%
Development Services	\$339,801	\$354,633	\$460,710	77.0%	4.4%
Community Services	\$473,165	\$499,579	\$556,116	89.8%	5.6%
Fire & Emergency	\$781,194	\$804,117	\$852,823	94.3%	2.9%
Law Enforcement	\$716,862	\$769,427	\$780,331	98.6%	7.3%
Period Total	\$3,009,289	\$3,087,106	\$3,287,513	93.9%	2.6%

- ◆ Law Enforcement represents 25% of the General Fund operating budget and includes the contract with Maricopa County Sheriff's Office as well as costs for jail incarcerate 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.
- ◆ Fire & Emergency Medical Services represents 26% of the General Fund operating 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.
- ◆ Development Services (12% of General Fund expenditures) includes programs such as public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Environmental, Facilities Maintenance, Building Safety, and Mapping & Graphics.
- ◆ Community Services (16% of General 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 (\$193,500) that is transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- ◆ Administrative Services includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 17% of the General Fund operating budget. The department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), provides customer service, managing audits, public meetings, Channel 11, Town website, elections, Town Attorney and Town Prosecutor, budget and financial reporting, etc.
- ◆ The Town Court and Mayor & Council budgets represent the balance of the General Fund operating expenditures (4%)





## **Other Funds:**

Streets

Excise Tax (Economic  
Development)

Special Revenue (Grants)

Development Fees

Capital Projects





## Highway User Revenue Fund (HURF) – Streets

	<b>FY2012-13 Actual</b>	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
Highway User Revenue (HURF)	\$284,271	\$295,240	93%	\$1,268,640
Vehicle License Fees	\$0	\$205,009	109%	\$749,700
In Lieu Fees	\$0	\$2,222	36%	\$25,000
Miscellaneous & Other	\$2,054	\$1,054	66%	\$8,464
<b>Total</b>	<b>\$286,110</b>	<b>\$503,524</b>	<b>40%</b>	<b>\$2,051,804</b>

This fund supports most of the Town's street and traffic operations and is managed by the Development Services Department. Revenues were received less than budgeted therefore expenditures did not exceed the available resources. The fund is primarily supported by the State Highway User Revenue Fund (62%), Vehicle License taxes (37%) and from payments for construction in the rights of way (in lieu payments). 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 which has recovered \$2,222 in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous and other.

<b>HURF Expenditures by Program - Fiscal Quarter Ending 9/30/2013</b>				
<b>Expenditures by Program</b>	<b>1 Qtr FY2012-13</b>	<b>1 Qtr FY2013-14</b>	<b>1 Qtr Budget</b>	<b>% of Budget</b>
Administration	\$49,488	\$53,846	\$97,513	55.2%
Adopt A Street	\$724	\$746	\$949	78.6%
Legal Services	\$6,611	\$3,517	\$5,400	65.1%
Open Space	\$64,034	\$50,340	\$68,137	73.9%
Pavement Management	\$32,716	\$688,290	\$306,249	224.7%
Street Signs	\$13,367	\$15,008	\$20,760	72.3%
Street Sweeping	\$36,657	\$18,684	\$20,442	91.4%
Traffic Signals	\$15,985	\$22,320	\$39,393	56.7%
Vehicle Maintenance	\$16,085	\$18,165	\$21,008	86.5%
<b>Grand Total HURF</b>	<b>\$235,667</b>	<b>\$870,916</b>	<b>\$579,851</b>	<b>150.2%</b>

- ◆ The Administrative program for the Streets division includes activities that are not directly related to a program, for example overhead items such as 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 Management program includes personnel costs related to road repair and maintenance, such as pot holes and curb replacement. A major expenditure for pavement management was the resurfacing of Zone 7 (Fountain Hills and Palisades Boulevards).
- ◆ Street Signs program includes personnel and maintenance costs for the Town's 6,800 street signs.
- ◆ Street Sweeping program major expenditures are for personnel costs and maintenance/fuel for operating the Town's two street sweepers. Arterial streets are swept every two weeks and residential streets every eight weeks.



- ◆ Traffic Signals program includes personnel and electric costs for the Town's 13 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 50 vehicles and heavy equipment.
- ◆ Total expenditures for streets were more than budgeted with the use of fund balance resources.





## Excise Tax Fund – Economic Development

Revenues	FY2012-13 Actual	FY2013-14 Actual	YTD to Budget	Year End Estimate
Downtown Strategy (40%)	\$70,787	\$33,373	117%	\$114,084
Economic Development (60%)	\$0	\$43,547	102%	\$171,119
<b>TOTAL</b>	<b>\$70,787</b>	<b>\$76,920</b>	<b>108%</b>	<b>\$285,203</b>

This is a separate operating fund from the General Fund and supports the Town’s downtown economic development and business retention programs. Beginning FY2013-14 this fund is separated into two separate functions supported by a portion of the local sales (excise) tax (.1% of the 2.6%). Downtown strategy focus is for infrastructure improvements and development; Economic Development focus is dedicated to Town-wide economic development and the Economic Development Plan implementation.

<b>Excise Tax Fund Expenditures by Program - Fiscal Quarter Ending 9/30/2013</b>				
Expenditures by Category	1 Qtr FY2012-13	1 Qtr FY2013-14	1 Qtr Budget	% of Budget
Salaries and Benefits	\$6,961	\$0	\$0	0.0%
Supplies and Services	\$1,106	\$35,655	\$23,143	154.1%
Contractual Services	\$21,956	\$14,220	\$48,156	29.5%
Internal/Transfers	\$3,240	\$0	\$460,000	0.0%
<b>Grand Total all Categories</b>	<b>\$33,263</b>	<b>\$49,875</b>	<b>\$531,300</b>	<b>9.4%</b>

- ◆ Salaries and benefits, which represent 0% of the total Economic Development operating budget were replaced with contractual services after the departure of the Town’s Economic Development Administrator.
- ◆ Contractual services and supplies represent 9% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- ◆ Internal/Transfers reflects the expenditures in the Capital Projects Fund for the Avenue of the Fountains median project. This project will be completed in FY2013-14.





## Development Fees

This is a restricted fund with revenues paid by developers at the time of new residential and commercial construction permits. The increase in permit activity has resulted in more development fees collected over the same time period as last year. The expenditures are related to the development fee study that the Town is required to have as a result of legislation enacted in FY10-11. The study is ongoing and will be presented to the public at a Public Hearing in February, 2014.

During the first three months of this fiscal year there have been ten (10) single family permit applications including development fees.

<b>FY2013-14 Revenues by Category - Development Fees</b>				
	<b>1 Qtr FY2012-13</b>	<b>1 Qtr FY2013-14</b>	<b>1 Qtr Budget</b>	<b>% of Budget</b>
Law Enforcement	\$401	\$1,025	\$3,965	25.8%
Fire	\$634	\$1,867	\$885	210.9%
Streets	\$16,863	\$50,542	\$23,701	213.3%
Parks	\$6,354	\$19,062	\$3,698	515.5%
Open Space (interest)	\$4,163	\$4,299	\$0	#DIV/0!
Library/Museum	\$251	\$715	\$435	164.3%
<b>Grand Total All Funds</b>	<b>\$28,666</b>	<b>\$77,509</b>	<b>\$32,683</b>	<b>237.2%</b>

<b>FY2013-14 Expenditures by Category - Development Fees</b>				
	<b>1 Qtr FY2012-13</b>	<b>1 Qtr FY2013-14</b>	<b>1 Qtr Budget</b>	<b>% of Budget</b>
Law Enforcement	\$140	\$573	\$1,250	45.8%
Fire	\$140	\$573	\$1,250	45.8%
Streets	\$634	\$2,962	\$5,000	59.2%
Parks	\$558	\$2,312	\$3,750	826.0%
Open Space	\$826	\$2,449	\$0	0.0%
Library/Museum	\$140	\$573	\$1,250	45.8%
<b>Grand Total All Funds</b>	<b>\$2,437</b>	<b>\$9,440</b>	<b>\$12,500</b>	<b>75.5%</b>



## Capital Projects Fund

Capital projects are funded with accumulated reserves that were surplus revenues in the General 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 fiscal period ending September 30, 2013.

<b>FY2013-14 Capital Projects Fund Revenues</b>				
<b>Revenue</b>	<b>1 Qtr FY2012-13</b>	<b>1 Qtr FY2013-14</b>	<b>1 Qtr Budget</b>	<b>Year End Estimate</b>
Construction Sales Tax	\$66,428	\$100,007	\$30,000	\$120,000
Developer Fee	\$0	\$0	\$50,000	\$200,000
Bond Proceeds	\$0	\$0	\$2,050,000	\$8,200,000
Grants	\$12,337	\$0	\$969,500	\$3,878,000
Misc.	\$0	\$0	\$0	\$0
Interest Income	\$14,934	\$10,160	\$0	\$0
Transfers In	\$3,240	\$0	\$523,250	\$2,093,000
<b>Grand Total CIP Fund</b>	<b>\$96,940</b>	<b>\$110,167</b>	<b>\$3,622,750</b>	<b>\$14,491,000</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 anticipated fiscal year end expenditures. Some of the projects have not started yet and therefore have no expenditures.

<b>FY2012-13 Expenditures by Category - Capital Projects</b>				
	<b>FY2013-14 Actual</b>	<b>YTD to Budget</b>	<b>Annual Budget</b>	<b>Year End Estimate</b>
Contingency & Other	\$561	0.3%	\$190,080	\$190,080
Drainage - Ashbrook Wash	\$0	0.0%	\$76,000	\$76,000
Misc Drainage Improvements	\$0	0.0%	\$50,000	\$50,000
Downtown Vision Plan - Phase I	\$0	0.0%	\$100,000	\$100,000
Downtown Vision Plan - Phase II	\$0	0.0%	\$200,000	\$200,000
AOTF Median & ROW Improvements	\$0	0.0%	\$1,600,000	\$1,600,000
Street Maintenance Facility	\$0	0.0%	\$225,000	\$225,000
Fire Station 1 Renovation	\$0	0.0%	\$420,000	\$420,000
Portable Live Fire Training Unit	\$50,065	31.3%	\$160,000	\$160,000
Assistance to Firefighters Grant	\$0	0.0%	\$120,000	\$120,000
Fountain Park, Phase VI	\$0	0.0%	\$825,000	\$825,000
Fountain Lake Water Quality Impr	\$0	0.0%	\$300,000	\$300,000
Urban Trail Improvements	\$2,989	14.9%	\$20,000	\$20,000
Unpaved Alley Paving Projects	\$0	0.0%	\$325,000	\$325,000
Shea Blvd Widening	\$0	0.0%	\$3,903,000	\$3,903,000
Annual Pavement Management	\$0	0.0%	\$1,000,000	\$1,000,000
Downtown Sidewalk Program	\$0	0.0%	\$40,000	\$40,000
Saguaro Blvd Reconstruction	\$0	0.0%	\$8,200,000	\$8,200,000
Fountain Hills Blvd Shoulder	\$0	0.0%	\$336,000	\$336,000
Highway Safety Improvement Pr	\$5,250	9.2%	\$57,000	\$57,000
Shea Blvd EB Bike Lane	\$2,049	0.3%	\$651,000	\$651,000
TS- Palisades and Saguaro	\$0	0.0%	\$400,000	\$400,000
<b>Grand Total Capital Projects</b>	<b>\$60,914</b>	<b>0.3%</b>	<b>\$19,198,080</b>	<b>\$19,198,080</b>



## **Fund Balances/Reserves**

### Fiscal Quarter Fund Balances 30-Sep-13

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General Fund	\$5,677,000
HURF	\$273,601
Special Revenue Funds	\$248,031
Downtown Strategy Fund	\$2,194,099
Downtown Economic Development	\$5,679
Public Art	\$1,448
Development Fees:	
Law Enforcement	\$202,745
Fire & Emergency	\$45,320
Streets	\$207,146
Parks & Recreation	\$66,212
Open Space	\$1,649,523
Library/Museum	\$42,892
Debt Service	\$475,276
Capital Projects	\$9,032,140
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$579,907
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Total	<u>\$22,046,219</u>

The Town maintains several funds, some of which are restricted for specific purposes; the General 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 Fund is designated for downtown development.