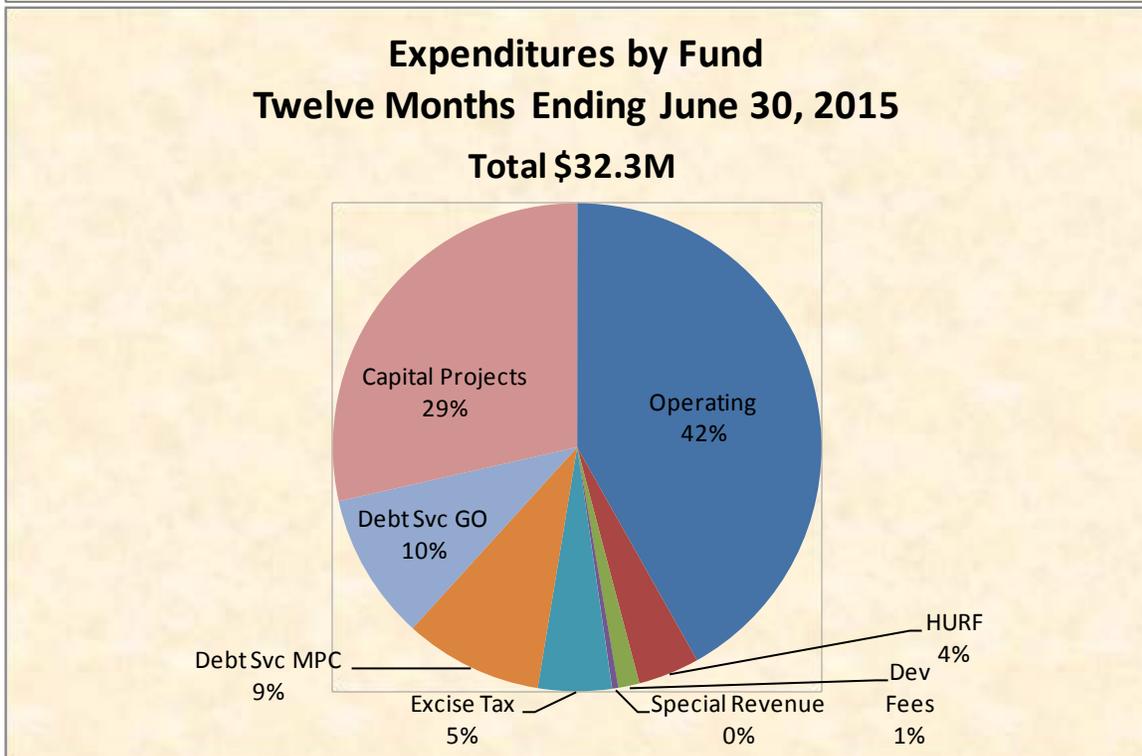
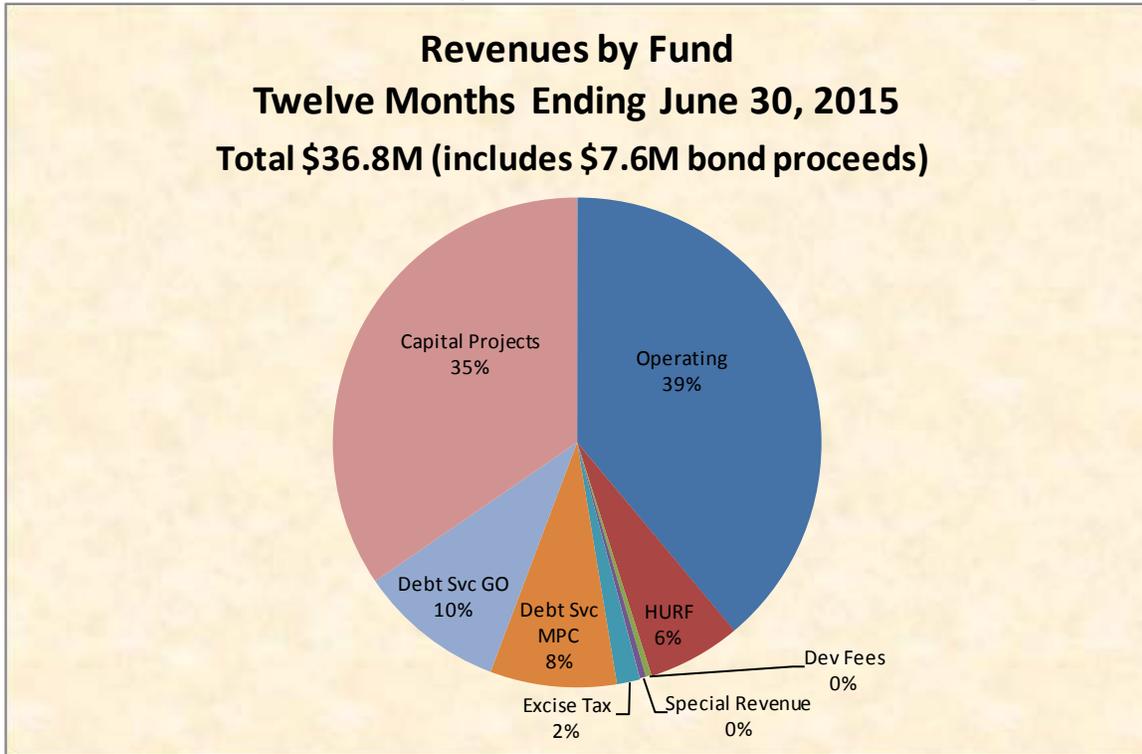


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**TWELVE MONTHS ENDING JUNE 30, 2015**





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

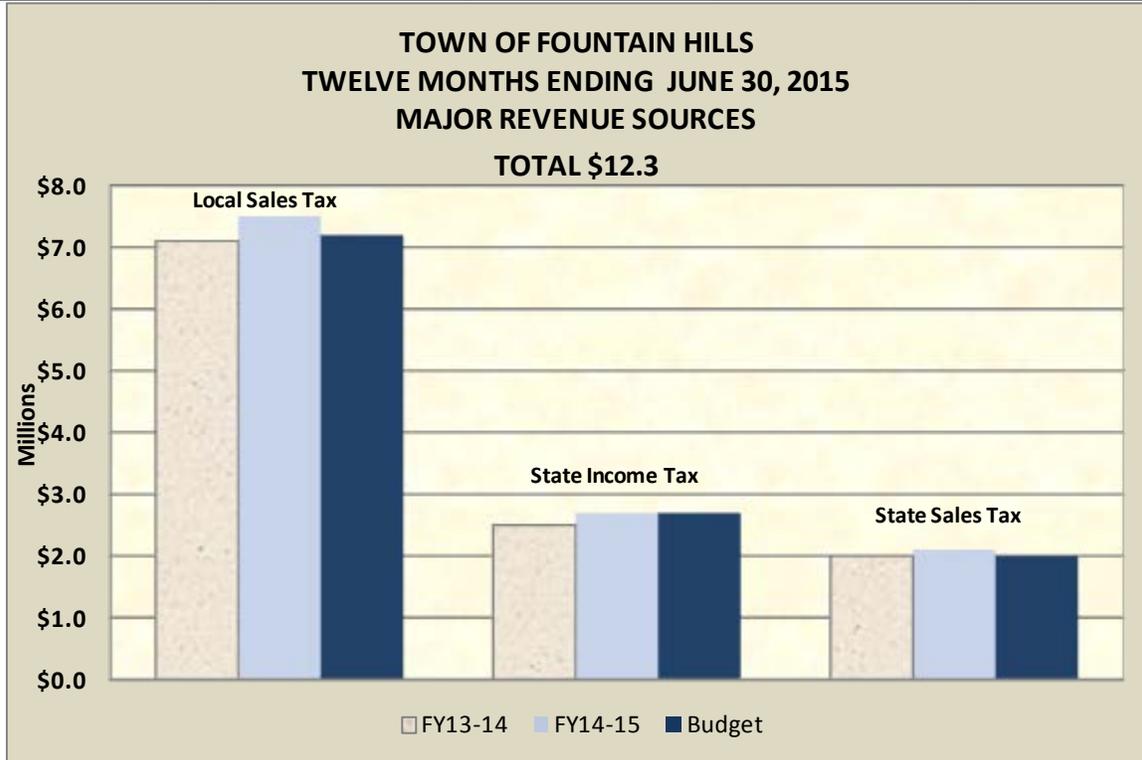




## **Operating Fund Revenues**

For the twelve month period ending June 30, 2015, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 103.0% of budgeted amounts and \$888,445 higher than the same time period last fiscal year (an increase of 6.6%). Categories where revenues are higher than the previous year are the local sales tax (up 5.7%), State sales tax (up 5.0%), State income tax (up 8.6%) as well as licenses & permits (up 29.7%). Total Operating Fund revenues for this fiscal period are \$14,342,414.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Operating Fund	\$13,453,969	\$14,342,414	103.0%	\$13,925,003



The three major revenues in the chart above represent 85.6% 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 back to FY09 levels (5.7% 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 5.0% higher and State income taxes are 8.6% higher than last year. Overall, these major revenue sources are at 102.6% of the budget for the fiscal year.



### State Shared Revenues

State Shared Revenues include 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 \$4,777,674 which is \$313,484 or 7.0% 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.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
State Income Tax	\$2,506,685	\$2,722,433	100.0%	\$2,722,248
State Sales Tax	1,957,505	2,055,241	100.3%	2,048,760

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

The fiscal year to date revenue for this category totals \$8,968,970 (including all funds), which is 105.9% of projections. Compared to the same time period as last year, the total revenues are 6.9% 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 \$3,889,874 which is 98.8% of projections; compared to last fiscal year, revenues increased by 6.5%.

**Restaurants/Bars:** Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$695,041, which is 98.9% of projections; compared to last fiscal year, revenues are up by 6.0% and higher than any other previous year.

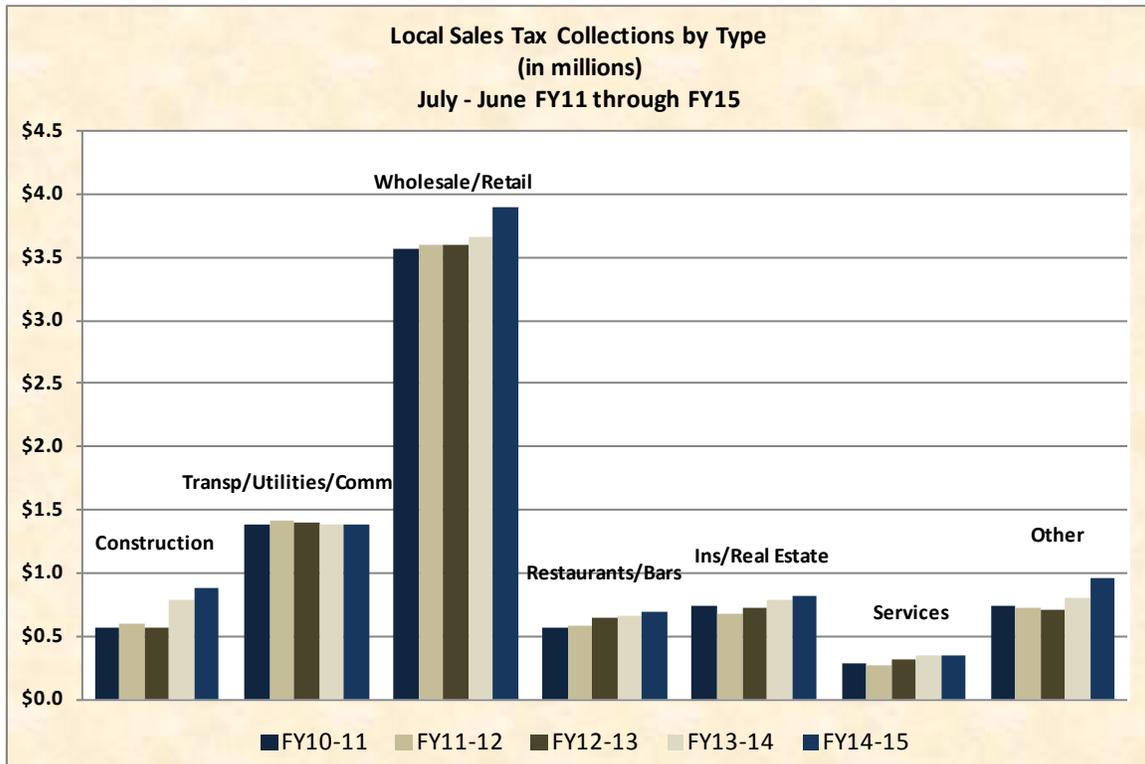
**Communications/Utilities/Transportation:** Utilities, such as Chaparral City Water, cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,383,464, which is 95.5% of what was anticipated; compared 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 \$888,311, which is 134.4% of what was budgeted; compared to last fiscal



year, revenues are up 13.4%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Local Sales Tax	\$8,389,449	\$8,968,970	105.9%	\$8,470,980



Local sales tax makes up 52.3% of Operating Fund revenues; for the period ending June 30, 2015, collections were \$9.0M for all funds (\$7.5M in the Operating Fund). Retail and restaurant/bar activities represent 51.1% of total collections; telecommunications and utilities represent another 15.4%. Construction revenues collected this fiscal period total \$888,311, which is a 13.4% increase over last fiscal year. Retail sales tax collections increased 6.5% over the same period last year; restaurant/bar collections are up 6.0% 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 \$171,307 or 58.4% of the annual budget. New housing permits issued for the fiscal period are 36 single family, 10 multi-family and 3 commercial.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Building Permit Fees	\$137,133	\$171,307	58.4%	\$390,900

**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 \$167,491 which is \$13,467 (8.7%) more than last year’s same fiscal period and 111.7% of the budgeted amount.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Court Fines & Fees	\$154,024	\$167,491	111.7%	\$150,011

**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 \$169,638 or 111.4% of the fiscal period budget.

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>Year End Estimate</b>
Business License Fees	\$103,640	\$128,377	153.8%	\$111,305
Animal License Fees	44,426	41,261	134.2%	41,006



## **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, Community Services, Municipal Court, Town Council and Administration functions. At the end of the year, 98.2% of the annual budget has been expended.

<b>FY14-15 Expenditures by Category - Operating Funds</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Wages and Benefits	\$ 3,110,483	\$ 3,177,350	97.2%	\$ 3,269,862
Supplies and Services	554,613	454,848	82.3%	552,855
Contractual Services	7,253,031	7,733,650	97.9%	7,901,667
Maintenance/Utilities	1,045,226	1,160,117	89.8%	1,292,555
Capital Expenditures	684,148	43,080	257.2%	16,752
Internal Transfers/Contingency	611,594	944,182	129.1%	731,237
<b>Grand Total all Categories</b>	<b>\$ 13,259,095</b>	<b>\$ 13,513,227</b>	<b>98.2%</b>	<b>\$ 13,764,928</b>

- Wages and benefits represent one fourth (23.5%) of the total Operating Fund budget and accounts for all staff with the exception of streets' employees who are funded through a separate Highway User Revenue Fund (HURF).
- Supplies and Services represents 3.4% of the total Operating Fund budget and includes items such as dues and memberships, education and training, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 57.2% 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 represent 8.6% of the Operating Fund budget and include facility maintenance and utilities.
- Capital Expenditures are only 0.3% of the Operating Fund and include those purchases of small items that do not meet the Town's capitalization threshold.
- Internal Transfers/Contingency 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 charges to the Operating Fund budget by department and transfers to provide monies for future scheduled replacement of vehicles and equipment. Also includes contingency funding.



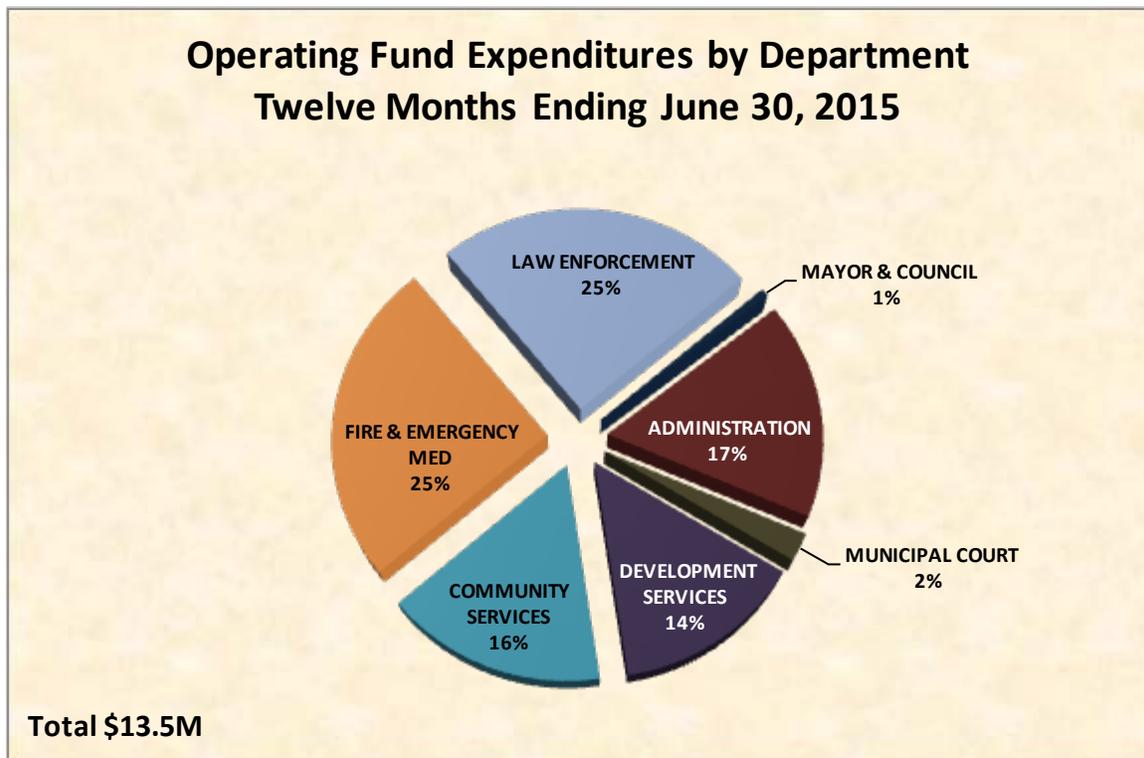
## Department summary

	YTD FY13-14	YTD FY14-15	FY14-15 Budget	% YTD FY14-15 Budget	% Incr/(Decr) from Prior Year
Mayor & Council	\$ 76,799	\$ 82,680	\$ 80,318	102.9%	7.7%
Administration	2,573,365	2,286,394	2,176,690	105.0%	(11.2%)
Municipal Court	292,490	297,656	275,165	108.2%	1.8%
Development Services	1,744,052	1,890,142	2,022,506	93.5%	8.4%
Community Services	2,122,094	2,187,475	2,383,520	91.8%	3.1%
Fire & Emergency Medical	3,385,588	3,415,299	3,447,099	99.1%	0.9%
Law Enforcement	3,064,707	3,353,581	3,379,630	99.2%	9.4%
Grand Total	\$ 13,259,095	\$ 13,513,227	\$ 13,764,928	98.2%	1.9%

- The Mayor & Council and Municipal Court budgets represent a total 0.6% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 16.5% of the Operating Fund budget. The Department is responsible for business recruitment and retention, 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.
- Development Services (14.0% of Operating 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 (16.3% 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 25.4% 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 24.9% 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
- Development Fees





### Highway User Revenue Fund (HURF) – Streets

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
State Shared Revenues	\$2,069,038	\$2,251,680	145.7%	\$2,061,094
In Lieu Fees	22,156	3,022	33.6%	12,000
Transfers	994,000	562	0.0%	0
Miscellaneous & Other	10,557	11,917	211.9%	7,500
<b>Grand Total HURF</b>	<b>\$3,095,751</b>	<b>\$2,267,181</b>	<b>109.0%</b>	<b>\$2,080,594</b>

This fund supports most of the Town’s street and traffic operations and is managed by the Development Services Department. Revenues were received more than budgeted. The fund is primarily supported by the State Highway User Revenue Fund (61.4%), Vehicle License Taxes (37.9%) 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 and has recovered \$3,022 in lieu fees. 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 - Year Ending June 30, 2015</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Administration	\$ 336,496	\$ 149,690	116.9%	\$ 170,717
Adopt A Street	3,585	3,220	89.4%	4,804
Legal Services	25,698	28,689	159.4%	24,000
Open Space	241,291	261,749	126.5%	275,863
Pavement Maintenance	2,205,886	504,599	45.1%	1,493,249
Street Signs	82,757	83,824	128.8%	86,798
Street Sweeping	74,772	87,908	126.6%	92,563
Traffic Signals	103,333	111,358	97.7%	152,034
Vehicle Maintenance	72,493	79,818	122.1%	87,175
<b>Grand Total HURF</b>	<b>\$ 3,146,311</b>	<b>\$ 1,310,855</b>	<b>73.2%</b>	<b>\$ 2,387,203</b>

- The Administration program for the Streets division includes activities that are not directly related to a program (for example, 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. A major expenditure for pavement maintenance has been deferred until the next fiscal year to allow funds to accumulate.
- Street Signs program includes personnel and maintenance costs for the Town's 8,500 street signs.
- Street Sweeping program's major expenditure is the contract costs for street sweeping. Arterial streets are swept every three 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 40 vehicles and heavy equipment.



**Excise Tax - All Funds (Downtown Strategy, Economic Development, Tourism)**

	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Revenues	\$334,578	\$567,365	116.5%	\$486,940

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 FY13-14, 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 focus is for infrastructure improvements and development; Economic Development 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 - Year Ending June 30, 2015</b>				
	<b>YTD FY13-14</b>	<b>YTD FY14-15</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Wages and Benefits	\$ 41,076	\$ 126,906	149.6%	\$ 113,130
Supplies and Services	10,947	22,667	26.9%	112,290
Contractual Services	124,690	138,009	132.5%	138,875
Maintenance/Utilities	562	8,887	1316.6%	900
Internal Transfers	243,035	1,277,159	90.3%	1,886,000
<b>Grand Total all Categories</b>	<b>\$ 420,310</b>	<b>\$ 1,573,628</b>	<b>93.2%</b>	<b>\$ 2,251,195</b>

- Wages and benefits, which represent 8.1% of the total Excise Tax operating budget, replaced contractual services after the hiring of the Town’s Economic Development Specialist and Tourism Coordinator.
- Supplies and Services represents 1.4% 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 represent 8.8% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities include sign repair and replacement in addition to telecommunication charges.
- Internal Transfers reflect the expenditures in the Capital Projects Fund for the Avenue of the Fountains median project. This project has been completed.



## 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 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 this fiscal year, there have been forty eight (48) permit applications including development fees.

<b>FY14-15 Revenues by Category - Development Fees</b>				
	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Law Enforcement	\$ 3,164	\$ 730	1460.0%	\$ 100
Fire/Emergency	9,259	20,549	823.6%	4,990
Streets	228,411	33,804	0.0%	-
Parks/Rec	93,636	68,685	1831.6%	7,500
Open Space	11,622	13,240	0.0%	-
Library/Museum	2,915	487	0.0%	-
General Government	928	-	0.0%	-
<b>Grand Total All Funds</b>	<b>\$ 349,935</b>	<b>\$ 137,495</b>	<b>2184.2%</b>	<b>\$ 12,590</b>

<b>FY14-15 Expenditures by Category - Development Fees</b>				
	<b>FY13-14 Actual</b>	<b>FY14-15 Actual</b>	<b>% YTD FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Law Enforcement	\$ 2,306	\$ -	0.0%	\$ 203,000
Fire/Emergency	2,306	-	0.0%	47,000
Streets	11,813	407,921	200.0%	407,921
Parks/Rec	9,217	-	0.0%	-
Open Space	9,769	535	0.0%	-
Library/Museum	2,306	43,445	204.4%	42,500
<b>Grand Total All Funds</b>	<b>\$ 37,717</b>	<b>\$ 451,901</b>	<b>129.0%</b>	<b>\$ 700,421</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 fiscal year ending June 30, 2015.

<b>FY14-15 Capital Projects Fund Revenues</b>			
	<b>YTD FY14-15 Actual</b>	<b>% FY14-15 Budget</b>	<b>FY14-15 Budget</b>
Construction Sales Tax	\$ 444,155	136.8%	\$ 324,600
Developer Fee	200,000	100.0%	200,000
Bond Proceeds	7,907,086	96.4%	8,200,000
Grants	2,387,268	55.3%	4,314,000
Misc.	43,601	0.0%	-
Interest Income	51,587	260.5%	19,800
Transfers In	1,705,661	66.1%	2,578,693
<b>Grand Total CIP Fund</b>	<b>\$ 12,739,358</b>	<b>81.5%</b>	<b>\$ 15,637,093</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>FY14-15 Expenditures by Category - Capital Projects</b>			
	<b>YTD FY14-15 Actual</b>	<b>% FY14-15 Budget</b>	<b>FY14-15 Budget</b>
D6030 DRAINAGE-ASHBROOK WASH C	\$ 5,647	0.3%	\$ 1,640,000
D6047 MISC DRAINAGE IMPROVEMEN	9,530	19.1%	50,000
E8501 DOWNTOWN VISION PLAN-PHA	-	0.0%	100,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	200,000
E8504 AOTF MEDIAN & RIGHT-OF-W	1,096,658	71.9%	1,525,000
F4002 STREET MAINTENANCE FACIL	486	0.0%	-
F4005 FIRE STATION 2 RELOCATIO	11,711	0.5%	2,510,000
F4027 ASSISTANCE TO FIREFIGHTE	107,607	89.7%	120,000
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	100,000
P3011 FOUNTAIN PARK, PHASE VI	513,717	36.8%	1,394,750
P3022 FOUNTAIN LAKE WATER QUAL	-	0.0%	300,000
P3024 URBAN TRAIL IMPROVEMENTS	21,997	98.9%	22,250
S6003 UNPAVED ALLEY PAVING PRO	130,473	40.1%	325,000
S6005 SHEA BLVD WIDENING	3,832,685	87.9%	4,360,000
S6009 DOWNTOWN SIDEWALK PROGRA	-	0.0%	40,000
S6010 SAGUARO BLVD RECONSTRUCT	3,044,429	37.1%	8,200,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	296,000
S6054 HIGHWAY SAFETY IMPROVEME	-	0.0%	57,000
S6056 SHEA BLVD EB BIKE LANE &	-	0.0%	380,000
T5011 TS-PALISADES & SAGUARO	88,125	22.0%	400,000
CONTINGENCY	362,151	108.5%	333,852
<b>Grand Total Capital Projects</b>	<b>\$ 9,225,216</b>	<b>41.3%</b>	<b>\$ 22,353,852</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 Fund Balances June 30, 2015

	Rainy Day Fund	\$ 1,345,200	
	General Fund	7,120,134	
	Public Art Fund	10,080	
	Internal Service Fund	-	
	Vehicle Replacement Fund	457,309	
<b>Operating Funds</b>			<b>\$ 8,932,723</b>
<b>Highway User Revenue Fund (HURF)</b>		1,552,106	<b>1,552,106</b>
	Special Revenue Fund	361	
	Court Enhancement Fund	274,645	
	Cottonwoods Maintenance District Fund	11,389	
<b>Special Revenue Funds</b>			<b>286,395</b>
	Downtown Strategy Fund	965,964	
	Economic Development Fund	116,155	
	Tourism Fund	980	
<b>Excise Tax Funds</b>			<b>1,083,099</b>
	General Obligation Debt Service Fund	443,834	
	Eagle Mountain CFD Debt Service Fund	66,720	
	MPC Debt Service Fund	115,662	
<b>Debt Service</b>			<b>626,216</b>
	Capital Projects Fund	10,683,869	
	Facilities Replacement Fund	102,762	
<b>Capital Projects</b>			<b>10,786,631</b>
	Law Enforcement	203,484	
	Fire & Emergency	71,127	
	Streets	-	
	Parks & Recreation	200,964	
	Open Space	1,660,625	
	Library/Museum	-	
<b>Development Fees</b>			<b><u>2,136,200</u></b>
	<b>Grand Total</b>		<b><u>\$ 25,403,370</u></b>