
Town of Fountain Hills, AZ

FY17-18 PROPOSED BUDGET IN BRIEF

The Budget in Brief provides an overview of the Town's Operating Budget and Capital Projects. To view all of the Town's financial documents, visit the following web site:

<http://www.fh.az.gov/financial-reports>





FY17-18 PROPOSED BUDGET IN BRIEF

Budget Development This Budget in Brief is a condensed version of the Town of Fountain Hills’ proposed Operating Budget for the 2017-18 fiscal year, which runs from July 1, 2017 to June 30, 2018. The Budget represents priorities set by the Town Council, as well as the strategic plan adopted by the Council.

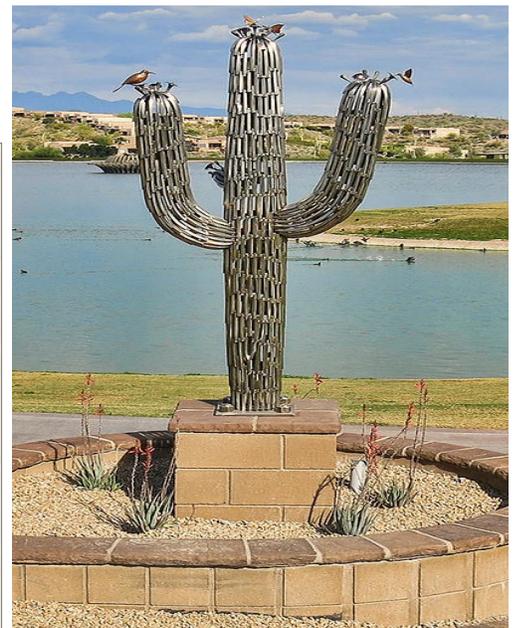
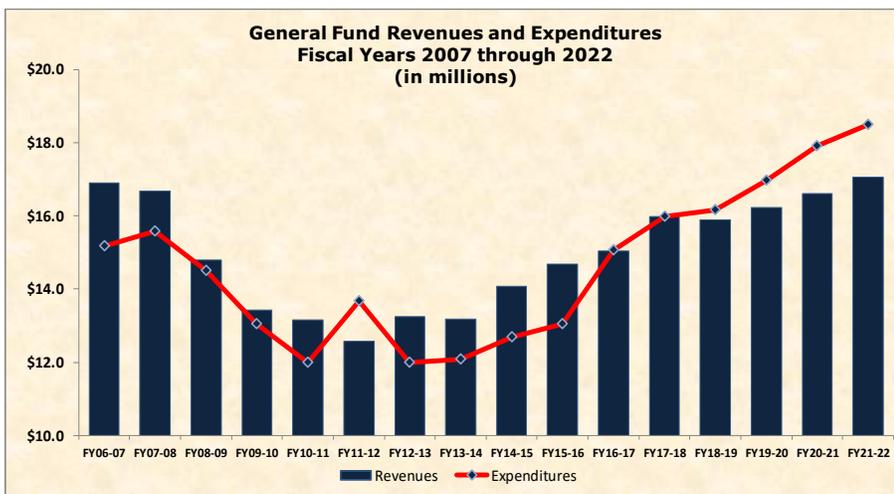
Budget Challenges During the recession, economic conditions presented significant fiscal challenges for local governmental agencies. However, the continuing general improvement in the economy as a whole has had positive effects on the Town, including some new large scale developments locating to or expanding in the Town. While the economic improvements have resulted in modest increases in revenues, the Town revenues are currently unable to keep up with relatively modest increases to our overall general fund budget. Unfortunately, the slow economic recovery has also impacted the Town’s ability to provide an asphalt replacement/maintenance schedule as desired. The Mayor and Council are committed to finding and implementing measures to increase our revenues.

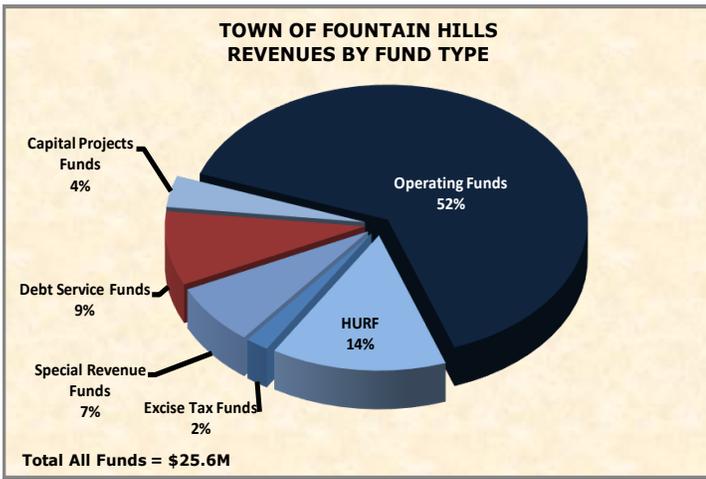
Budget Outlook Fiscal strength and long-term financial stability are key components of the Town’s Budget and Fiscal Policy. The FY17-18 Operating Budget underscores the Town Council’s commitment to continue to make cost containment a high priority. In order to balance the budget, not only for the upcoming fiscal year but for the foreseeable future, the Town Manager, Council and staff are working together to develop a sustainable plan that incorporates the citizens’ strategic plan and the Council goals.

Upcoming Priorities One of the largest priorities for the upcoming year will be working with the State Land Trust on



developing the 1,300 acres of property in the Northeast part of town. The development of this area will bring 4,000–5,000 new residents. This development is a huge priority of the Mayor and Council, and represents our opportunity to have affordable housing to attract families to Fountain Hills. The Public Works Department was recreated for FY16-17 to be used to help implement a Facilities Replacement strategy for addressing our aging infrastructure, as well as overseeing the Capital Improvement Program, Pavement Management Program, and the next street reconstruction bond package.





Town-Wide Revenue Sources

Total revenues for all funds are estimated at \$25.6M. Two major projects currently in progress will be carried forward into this year—the completion of the the Adero Canyon trailhead and the relocation of Fire Station #2.

The Operating Funds portion represents approximately 52% of the total resources. The Streets (HURF) fund represents 14% while the Excise Tax funds represent only 2% of the total. Special Revenue (grants), Capital Projects, Transfers In, and Debt Service represent the remaining amounts.

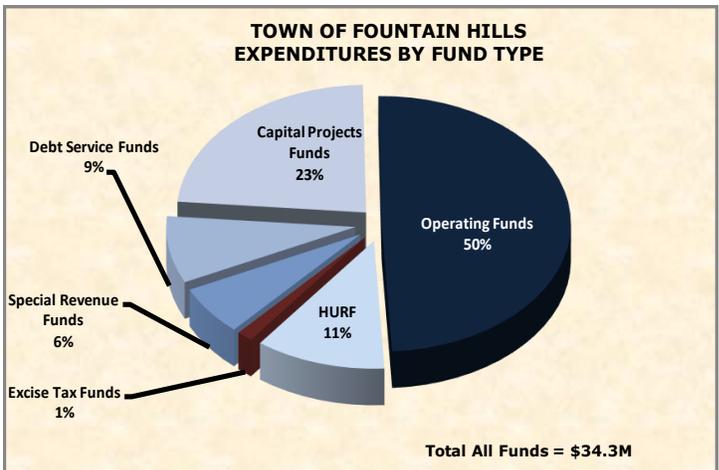
Developing the proposed budget, therefore, required making choices to achieve a budget that balances the available resources with the Council goals, while maintaining a level of service to support a high quality of life in Fountain Hills.

Long-Term Concerns and Issues

The primary long-term issues that the Town of Fountain Hills is facing are:

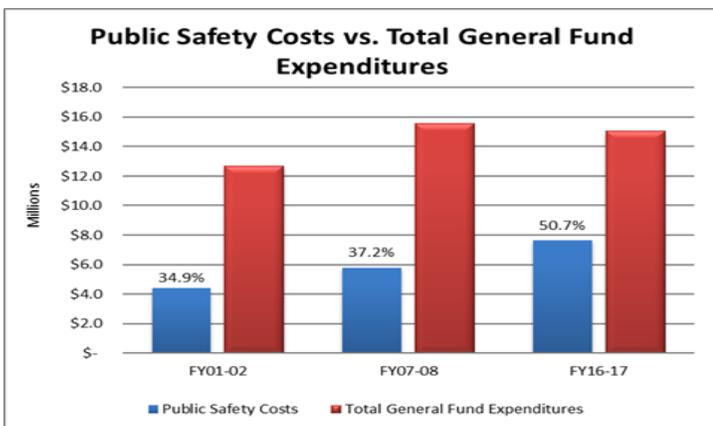
- Aging infrastructure
- Decreased proportionate share of State Shared revenues due to increased population of surrounding communities
- Lack of sustainable or diversified revenue base
- Dependence upon State Shared revenues
- Potential state legislation impacting revenues, e.g. sweeping of State Shared revenues or unfunded mandates
- Retaining adequate staffing levels to maintain current service levels
- Public Safety costs as an increasing proportion of total expenditures.

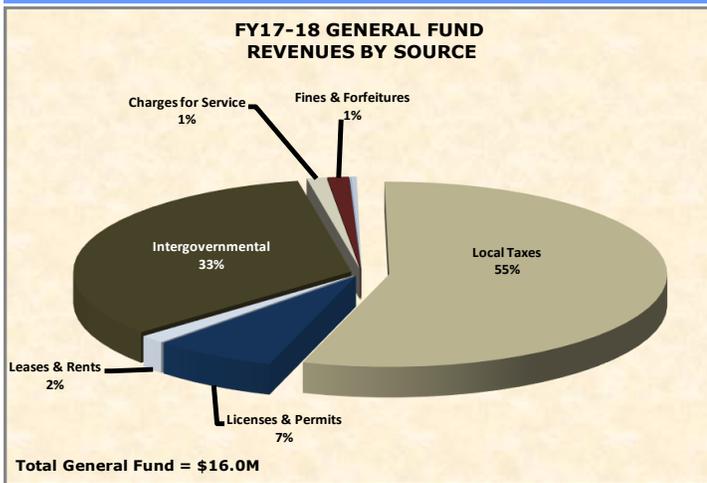
The chart below demonstrates the proportion of total Town expenditures relative to public safety costs. (Note: Town General Fund expenditures peaked in FY08-09.)



The 2016 Fountain Hills Strategic Plan contains a number of actions and performance measures tied to the following strategic priorities:

- Goal #1: Maximize Economic Development Opportunities in Fountain Hills
- Goal #2: Ensure that Infrastructure and Physical Environment in Fountain Hills are Well-Maintained and Safe
- Goal #3: Attract Families and Working Professionals to Fountain Hills
- Goal #4: Ensure that Fountain Hills Finances are Stable and Sustainable
- Goal #5: Focus on Strengthening the Community and Improving the Town's Quality of Life





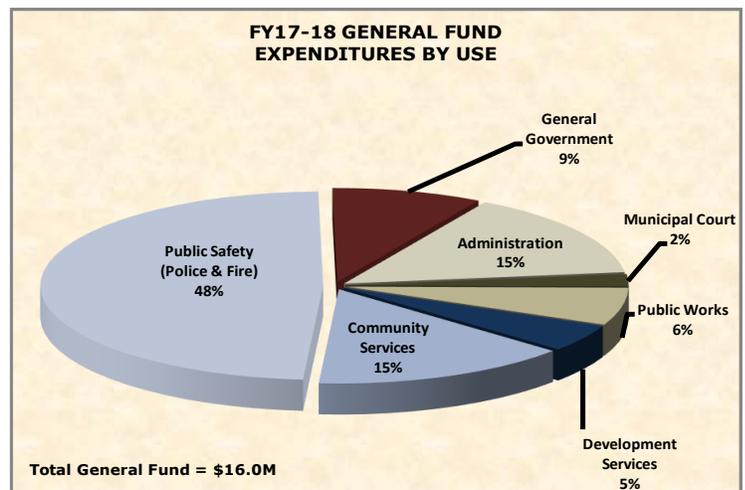
Town-Wide Expenditure Uses

The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Revenues from the local sales taxes and State Shared revenues provide the major resources to fund programs and services delivered by the Town – 88%. The remainder is derived from permits, licenses, fees and charges for services at 12%.

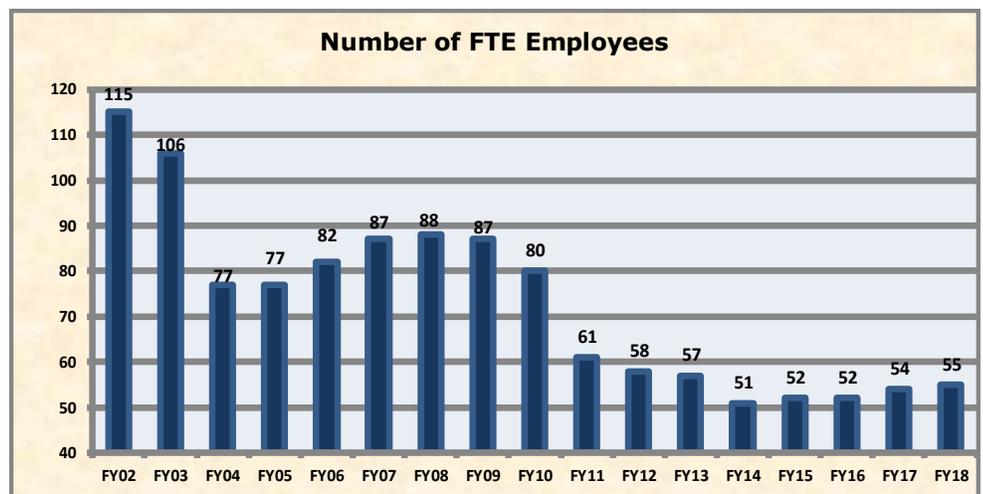
At the end of FY15-16, the Preserve portion of the MPC bonds were paid off. So in FY16-17, the Town redirected that portion (.2% of the local sales tax rate of 2.6%) to help fund the pavement maintenance program, roughly \$770,000 for FY17-18.

General Fund pays for:

Public Safety—Police and Fire	\$7.7M
Community Services—Parks, Recreation, Community Center, Seniors	\$2.4M
Public Works—Facilities	\$1.0M
Development Services—Building Safety, Planning, Code Enforcement, Engineering, GIS	\$0.8M
Administration, Town Council	\$2.4M
General Government	\$1.4M
Municipal Court	\$0.3M



Staffing Overview The FY17-18 budget provides funding for 55 full-time equivalent employees. This figure includes both full and part time positions. Staffing levels are carefully monitored in order to continue to provide existing service levels to the citizens of Fountain Hills, while minimizing budget impact.



Continued Challenges

The shortfall in the Town’s General Fund, as the main operating fund, is projected to increase over the next four years with no set plans for new revenue sources. The annexed parcel of 1,300 acres was previously projected to begin development in FY13-14; however, in March 2016, the land reverted back to the State due to the default of the purchaser. Fortunately, there are a few major developments currently underway which the Town has included in the projected revenues; new expenditure proposals must consider the resources to pay for the proposals. Although there is some new development over the next few years, the operating expenditures are anticipated to outpace the operating revenues and the citizens may be faced with making some tough choices about future levels of service in Fountain Hills.

Looking Forward

FISCAL YEAR (July to June)	STATE SHARED REVENUES	LOCAL REVENUES	TOTAL GF EXPEND.	SURPLUS/ (SHORTFALL)
2017-18	\$ 5,321,168	\$ 10,664,675	\$ 15,985,843	\$ -
2018-19	5,344,150	10,552,968	16,161,835	(264,717)
2019-20	5,367,595	10,864,758	16,958,178	(725,825)
2020-21	5,391,275	11,214,895	17,899,959	(1,293,789)
2021-22	5,415,192	11,631,983	18,481,455	(1,434,280)

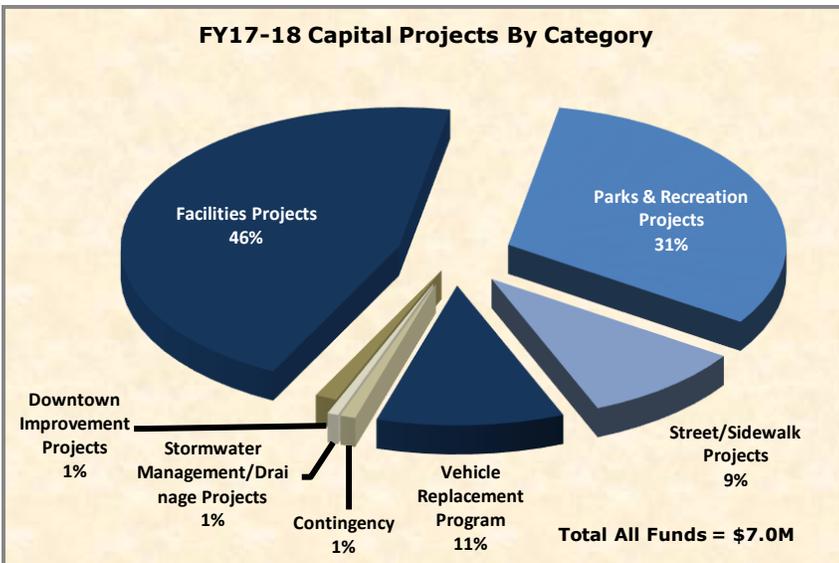
*Expenditure increases are estimated at 3.5% per year except public safety contracts which may be higher.

Capital Projects proposed for FY17-18 and related revenue sources

Capital projects are funded with bond proceeds (if approved by voters), grant funds, current year revenues from construction sales tax and investment Earnings, and use of fund reserves. The Town has \$9.8M in reserves in the Capital Improvement Projects (CIP) Fund, including development fees. Construction sales tax is a one time revenue that should be used for one time expenditures. Although construction activity has resumed slightly, there are limited resources being added to the CIP fund.

The two largest projects for FY 17-18 are the Fire Station #2 relocation project and the Adero Canyon Trailhead project. The Fire Station #2 relocation project is budgeted to be paid primarily from the Capital Projects fund, while 80% of the Adero Canyon Trailhead project is budgeted to be paid from Development Fees.

Below is a summary of proposed capital projects for FY17-18 by category.



TOWN COUNCIL

Linda M. Kavanagh.....Mayor
Alan Magazine.....Vice-Mayor
Dennis Brown.....Councilmember
Nick DePorter.....Councilmember
Henry Leger.....Councilmember
Art Tolis.....Councilmember
Cecil Yates.....Councilmember

MISSION STATEMENT

The Town of Fountain Hills' purpose is to serve the best interests of the community by:

- ◆ **Providing for its safety and well-being**
- ◆ **Respecting its special, small-town character and quality of life**
- ◆ **Providing superior public services;**
- ◆ **Sustaining the public trust through open and responsive government**
- ◆ **And maintaining the stewardship and preservation of its financial and natural resources.**

To serve and respect, and provide trust and stewardship

TOWN MANAGEMENT STAFF

Grady Miller.....Town Manager
Craig Rudolph.....Finance Director
Mark Mayer.....Community Services Director
Robert Rodgers.....Development Services Director
Paul Mood.....Public Works Director
Bev Bender.....Town Clerk
David Trimble.....Administrative Services Director
Bob Melton.....Presiding Judge
Andrew McGuire.....Town Attorney
Dave Ott.....Fire Chief
David LeTourneau.....Captain, MCSO

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Website www.fh.az.gov