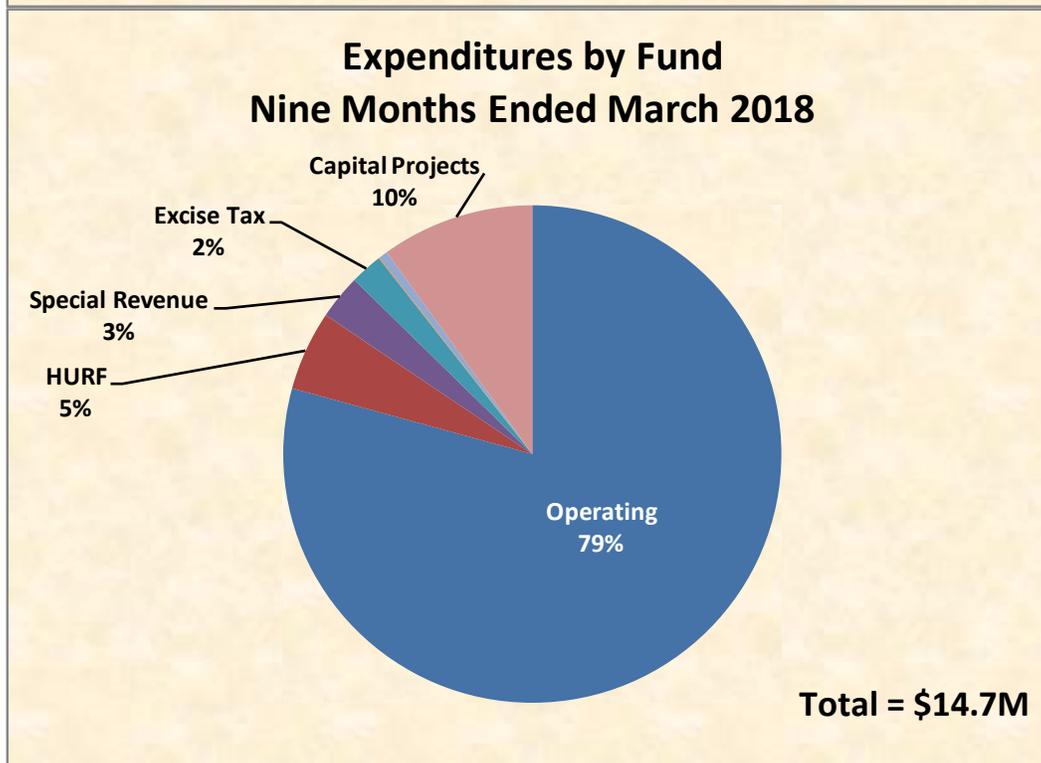
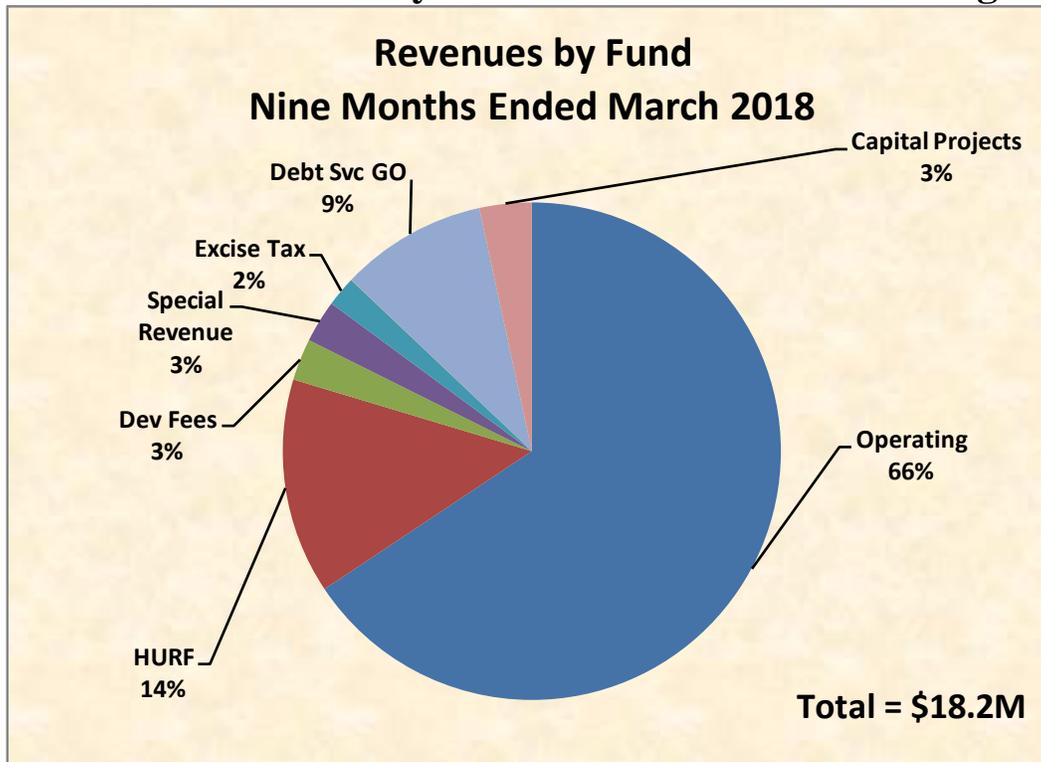


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
NINE MONTHS ENDED MARCH 2018





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

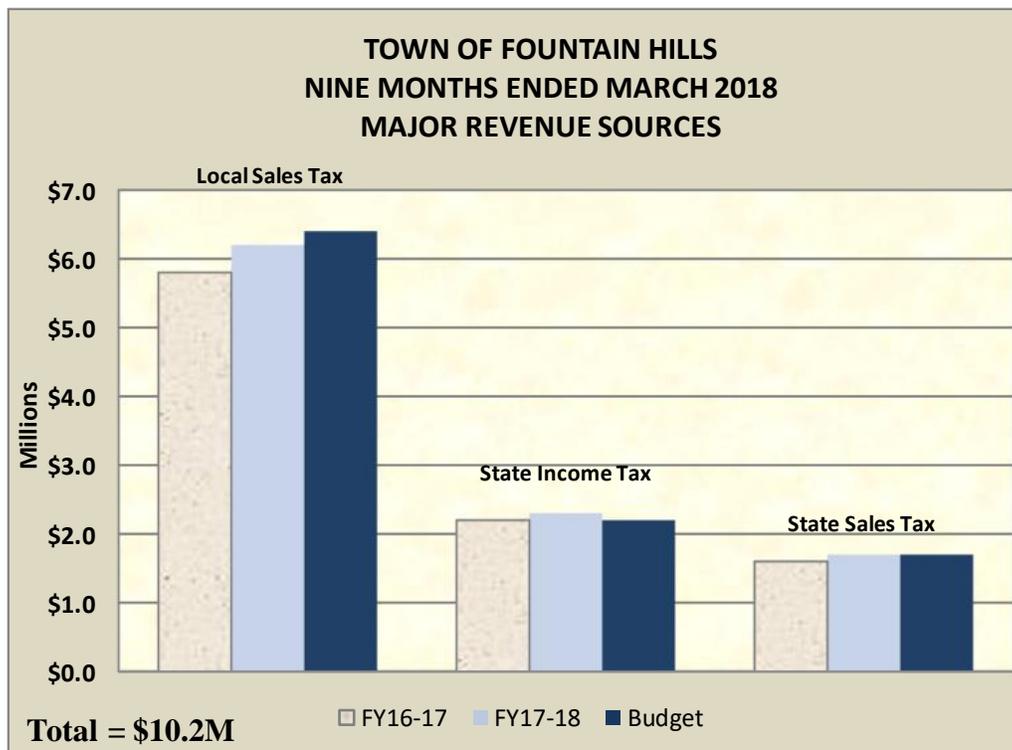




Operating Fund Revenues

For the fiscal YTD period ended March 31, 2018, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 91.6% of budgeted amounts and \$828,292 higher than the same time period last fiscal year (an increase of 7.5%). Categories where revenues are higher than the previous year are the local sales tax (up 5.9%), State sales tax (up 10.6%), State income tax (up 3.7%), licenses & permits (up 30.6%) as well as charges for services (up 44.8%). Total Operating Fund revenues for this fiscal period are \$11,934,563.

FUND	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Operating Funds	\$ 11,106,270	\$ 11,934,563	\$ 13,022,396	91.6%



The three major revenues in the chart above represent 85.1% 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 (5.9% 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 10.6% higher and State income taxes are 3.7% higher than last year. Overall, these major revenue sources are at 98.5% of the budget for the fiscal year.



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 \$3,999,698 which is \$246,656 or 6.6% 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 FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
State Sales Tax	1,560,139	1,725,452	1,703,673	101.3%
State Income Tax	2,192,903	2,274,246	2,249,703	101.1%

Local Sales Tax (2.6%) – All Funds

The fiscal YTD revenue for this category totals \$7,535,080 (including all funds), which is 100.4% of projections. Compared to the same time period as last year, the total revenues (all funds) are 11.3% 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 \$3,836,179 which is 99.1% of projections; compared to last fiscal year, revenues increased by 7.5%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$587,479, which is 86.3% of projections; compared to last fiscal year, revenues are up by 3.8%.

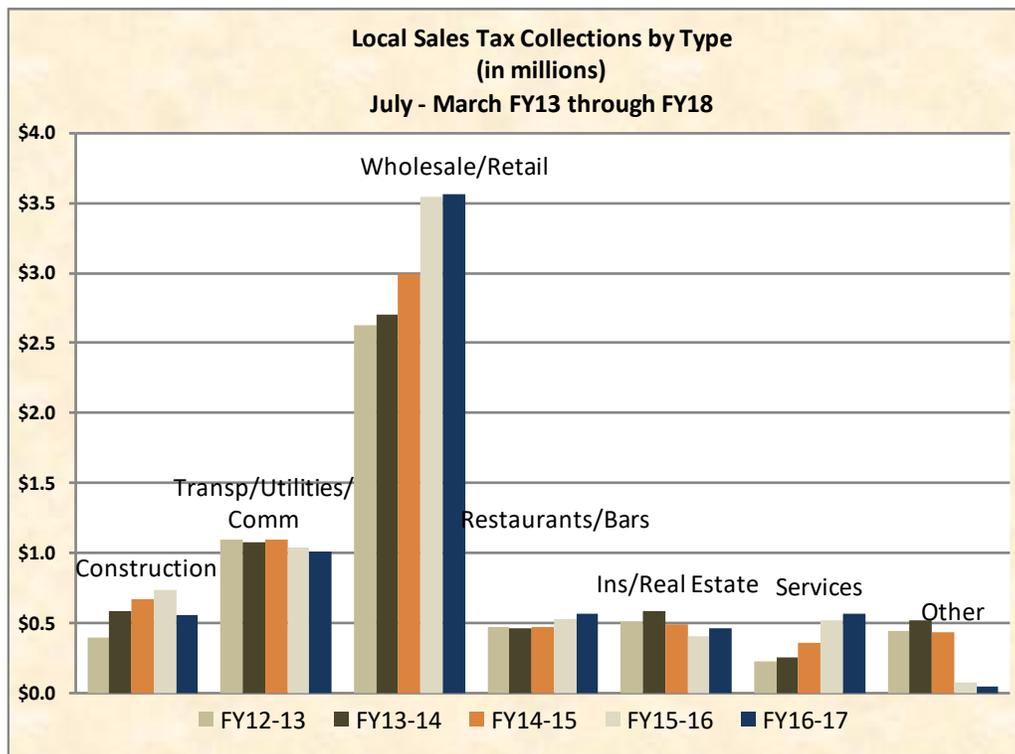
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,025,114, which is 98.5% of what was anticipated; compared to last fiscal year, revenues are up by 1.1%.

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 \$1,008,714, which is 182.7% of what was budgeted; compared to last fiscal year, revenues



are up 82.4%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Grand Total All Funds	\$ 6,771,114	\$ 7,535,080	\$ 7,502,760	100.4%



Local sales tax makes up 51.6% of Operating Fund revenues; for the period ended March 31, 2018, collections were \$7.5M for all funds (\$6.2M in the Operating Fund). Retail and restaurant/bar activities represent 58.7% of total collections; telecommunications and utilities represent another 13.6%. Construction revenues collected this fiscal period total \$1,008,714, which is a 82.4% increase from last fiscal year. Wholesale/retail sales tax collections increased 7.5% from the same period last year; restaurant/bar collections were up 3.8% compared to 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 \$147,648 or 43.7% of the YTD budget. New housing permits issued for the fiscal period are 37 single family, 13 multi-family and 1 commercial.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Building Permit Fees	\$146,459	\$147,648	\$450,619	43.7%

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 \$115,589 which is \$45,996 (28.5%) less than last year's same fiscal period and 77.1% of the budgeted amount.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Court Fines & Fees	\$161,585	\$115,589	\$150,000	77.1%

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 \$138,812 or 107.0% of the fiscal period budget.

	YTD FY16-17	YTD FY17-18	YTD FY17-18 Budget	% YTD FY17-18 Budget
Business License Fees	\$110,523	\$110,415	\$98,307	112.3%
Animal License Fees	28,104	28,397	31,374	90.5%



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 the first quarter, 89.7% of the YTD budget has been expended.

Expenditures by Category - YTD Ended March 2018				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Wages and Benefits	\$ 2,297,317	\$ 2,490,865	93.6%	\$ 3,548,411
Supplies and Services	400,648	427,081	81.6%	698,057
Contractual Services	6,639,135	6,805,982	86.5%	10,492,732
Maintenance/Utilities	815,716	673,600	82.5%	1,089,264
Capital Expenditures	215,293	971,200	120.0%	1,079,045
Internal Transfers/Contingency	343,192	262,227	90.5%	386,385
TOTAL	\$ 10,711,301	\$ 11,630,955	89.7%	\$ 17,293,894

- Wages and benefits represent one fifth (21.4%) 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) and the Tourism Coordinator.
- Supplies and Services, including Utilities represents 3.7% of the total Operating Fund 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.
- Contractual services represent 58.5% 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 represent 5.8% 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. Also 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 contingency and other minor expenditures.



Department Summary

Expenditures by Department - YTD Ended March 2018				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Mayor & Council	\$ 53,913	\$ 57,723	94.0%	\$ 81,849
Administration	1,554,445	1,696,307	86.9%	2,603,221
General Government	487,970	1,157,227	112.4%	1,372,879
Municipal Court	209,276	232,028	91.0%	339,913
Public Works	501,613	488,709	77.9%	836,595
Development Services	513,683	629,957	44.4%	1,890,482
Community Services	1,701,647	1,633,776	89.6%	2,431,496
Fire & Emergency Medical Services	2,775,748	2,886,323	99.1%	3,881,833
Law Enforcement	2,913,006	2,848,905	98.5%	3,855,626
TOTAL	\$ 10,711,301	\$ 11,630,955	89.7%	\$ 17,293,894

- The Mayor & Council and Municipal Court budgets represent a total 0.5% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 14.6% 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.
- General Government is a new department and will include costs that are common to the Town as a whole (9.9%).
- Municipal Court represents all the costs of the operations of the court (2.0%).
- Public Works (4.2% 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 (5.74% of Operating Fund expenditures) includes programs such as building safety, and traffic and capital projects. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services (14.0% 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 24.8% 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 24.5% 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 (Capital Projects and Facilities Replacement)
- Development Fees





Highway User Revenue Fund (HURF) – Streets

HURF Revenues - Fiscal YTD Ended March 2018				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Sales Tax	\$ 525,169	\$ 579,621	100.4%	\$ 769,512
State Shared Revenues	1,819,832	1,919,684	99.7%	2,566,773
In Lieu Fees	90,752	20,145	10.3%	262,000
Miscellaneous & Other	5,461	26,553	129.5%	27,340
Grand Total HURF	\$ 2,441,214	\$ 2,546,003	93.6%	\$ 3,625,625

This fund supports most of the Town's street and traffic operations and is managed by the Public Works Department. Less revenues were received than budgeted; however, expenditures did not exceed the anticipated resources. The fund is primarily supported by the State Highway User Revenue Fund (47.5%), Vehicle License Taxes (27.9%) and from a portion of the dedicated sales tax (22.8%). 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 \$20,145 for 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.

HURF Expenditures by Program - Fiscal YTD Ended March 2018				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Administration	\$ 237,083	\$ 237,420	77.9%	\$ 406,425
Adopt A Street	-	-	0.0%	1,005
Legal Services	-	-	0.0%	-
Open Space	178,855	189,295	65.1%	387,493
Pavement Maintenance	1,916,242	183,247	9.1%	2,684,440
Street Signs	45,109	42,857	71.3%	80,139
Traffic Signals	79,461	64,173	41.7%	205,074
Vehicle Maintenance	41,738	42,277	73.2%	77,049
Grand Total HURF	\$ 2,498,488	\$ 759,269	26.4%	\$ 3,841,625

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, insurance, fuel, utilities, etc.
- Adopt A Street is the cost of administering and maintaining the Adopt A Street program.
- Legal Services represent the allocated portion of the Town attorney fees.



- 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.
- Traffic Signals program includes personnel and electric costs for the Town's 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 vehicles and heavy equipment.



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

Excise Tax Revenues - All Funds - Fiscal YTD Ended March 2018				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Revenues	\$ 325,211	\$ 356,250	98.7%	\$ 481,044
Grand Total Excise Tax Fur	\$ 325,211	\$ 356,250	98.7%	\$ 481,044

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 FY14-15, 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’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 Funds Expenditures by Category - Fiscal YTD Ended March 2018				
	YTD FY16-17	YTD FY17-18	% YTD FY17-18 Budget	FY17-18 Budget
Wages and Benefits	\$ 121,111	\$ 121,448	69.8%	\$ 232,119
Supplies and Services	17,556	21,584	76.8%	37,470
Contractual Services	121,749	154,739	91.3%	226,019
Maintenance/Utilities	2,223	6,800	86.4%	10,498
Internal Transfers	3,000	2,283	80.1%	3,800
Grand Total all Categories	\$ 265,639	\$ 306,854	80.2%	\$ 509,906

- Wages and benefits, which represent 39.6% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 7.0% 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 and supplies represent 50.4% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (2.2% 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. 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 the nine months of this fiscal year, there have been fifty one (51) permit applications including development fees.

Revenues by Category - YTD Ended March 2018 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	14,075	120,346	445.9%	35,986
Parks/Rec	60,661	373,809	406.2%	122,714
Open Space	(1,135)	(1,007)	(22.4%)	6,000
Grand Total All Funds	\$ 73,601	\$ 493,148	399.2%	\$ 164,700

Expenditures by Category - YTD Ended March 2018 - Development Fees				
	FY16-17 Actual	FY17-18 Actual	% YTD FY17-18 Budget	FY17-18 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	-	-	0.0%	11,244
Parks/Rec	-	-	0.0%	48,756
Open Space	401	401	99.9%	535
Grand Total All Funds	\$ 401	\$ 401	0.9%	\$ 60,535



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 year-to-date period ended March 31, 2018.

Capital Projects Fund Revenues - Fiscal YTD Ended March 2018			
	YTD FY17-18 Actual	% FY17-18 Budget	FY17-18 Budget
Construction Sales Tax	\$ 504,357	137.0%	\$ 368,124
Grants	-	0.0%	255,000
Misc.	103,051	60.6%	170,000
Interest Income	8,397	112.5%	7,464
Grand Total Capital Projects	\$ 615,805	76.9%	\$ 800,588

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 - Fiscal YTD Ended March 2018 - Capital Projects			
	YTD FY17-18 Actual	% FY17-18 Budget	FY17-18 Budget
D6047 MISC DRAINAGE IMPROVEMEN	\$ -	0.0%	\$ 50,000
E8505 DOWNTOWN LIGHTING	-	0.0%	100,000
F4005 FIRE STATION 2 RELOCATIO	575,677	13.9%	4,150,000
F4030 CHILLER INSTALLATION	16,392	32.8%	50,000
F4032 LIGHTING UPGRADES	-	0.0%	10,240
P3025 ADERO CANYON TRAILHEAD	683,300	29.9%	2,285,000
P3030 PLAZA FOUNTAINSIDE COURT	-	0.0%	145,000
P3033 VIDEO SURVEILLANCE CAMER	-	0.0%	50,000
S6015 FOUNTAIN HILLS BLVD WIDE	-	0.0%	100,000
S6053 FOUNTAIN HILLS BLVD SHOU	3,125	0.6%	550,000
S6059 WAYFINDING SIGNS	40,353	40.4%	100,000
CONTINGENCY	139,652	14.4%	968,350
Grand Total Capital Projects	\$ 1,458,499	17.0%	\$ 8,558,590



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-End Fund Balances (Unaudited) March 30, 2018

Operating Funds		
Rainy Day Fund	\$2,807,648	
General Fund	2,863,968	
Public Art Fund	85,821	
Internal Service Fund	935	
Vehicle Replacement Fund	1,011,317	\$ 6,769,689
Highway User Revenue Fund (HURF)	3,981,825	3,981,825
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	361,212	
Environmental Fund	714,109	
Cottonwoods Maintenance District	16,857	1,092,178
Excise Tax Funds		
Downtown Strategy Fund	941,685	
Economic Development Fund	122,914	
Tourism Fund	54,486	1,119,085
Debt Service		
General Obligation Debt Service Fu	1,635,696	
Eagle Mountain CFD Debt Service	318,828	
MPC Debt Service Fund	372,910	2,327,434
Capital Projects		
Capital Projects Fund	7,039,743	
Facilities Replacement Fund	1,393,429	8,433,172
Development Fees		
Fire & Emergency	194,966	
Parks & Recreation	577,458	
Open Space	980,271	1,752,695
Grand Total		<u>\$ 25,476,078</u>