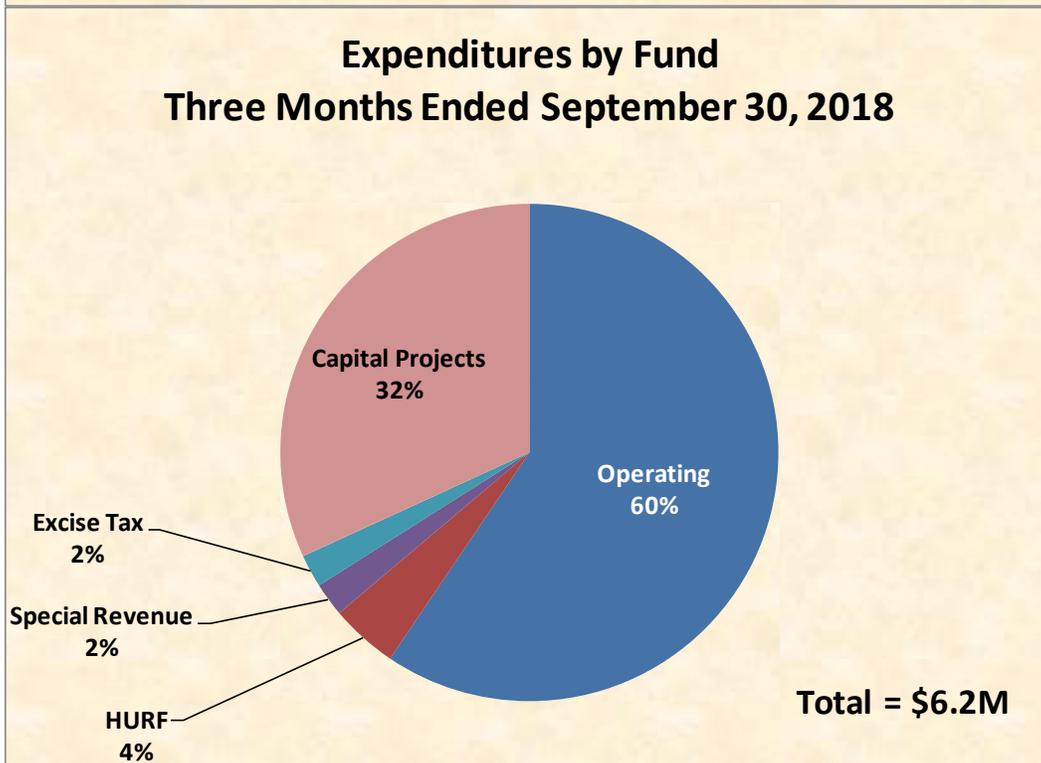
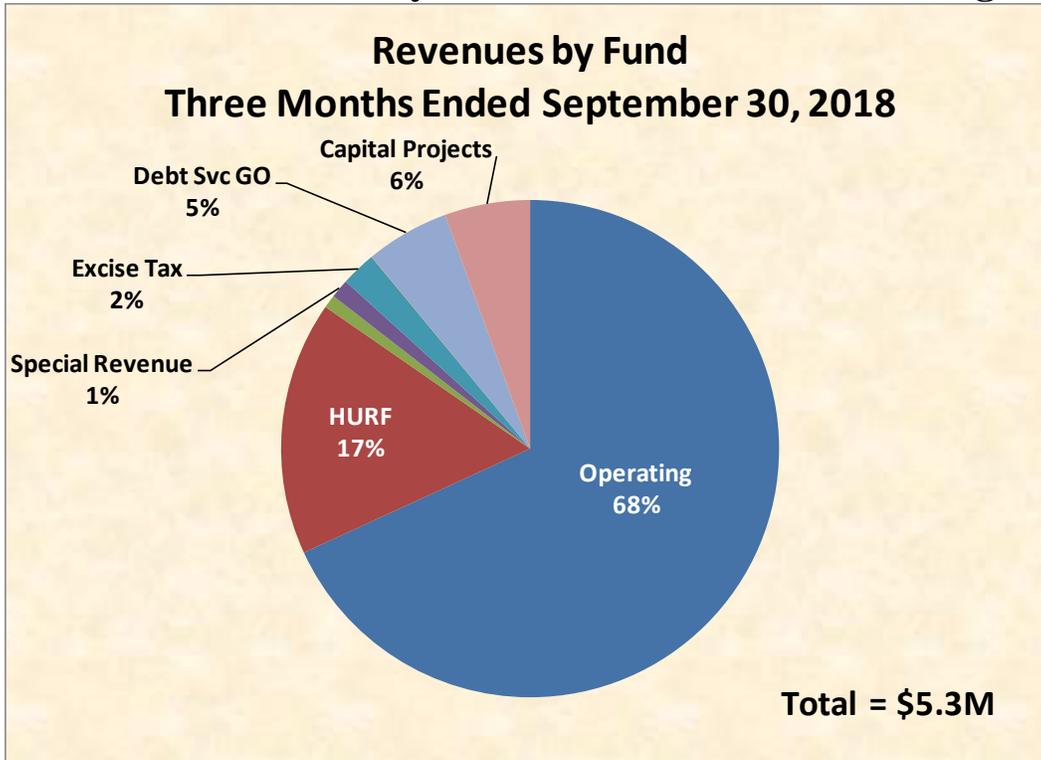


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**THREE MONTHS ENDED SEPTEMBER 30,**  
**2018**





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

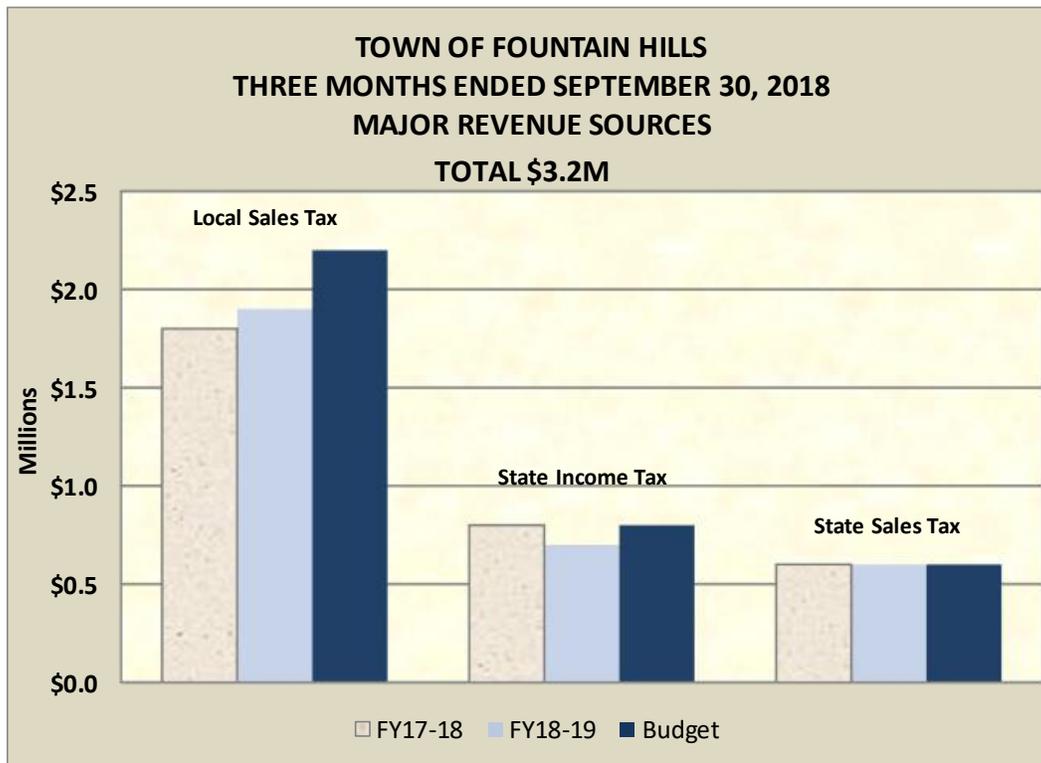




## **Operating Fund Revenues**

For the fiscal YTD period ended September 30, 2018, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 88.0% of budgeted amounts and \$55,642 higher than the same time period last fiscal year (an increase of 1.6%). Categories where revenues are higher than the previous year are the local sales tax (up 5.5%), State sales tax (up 6.2%) as well as investment earnings (up 72.7%). Total Operating Fund revenues for this fiscal period are \$3,641,693.

FUND	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior
Operating Funds	\$ 3,586,053	\$ 3,641,693	\$ 4,139,027	88.0%	1.6%



The three major revenues in the chart above represent 89.9% 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 (5.5% 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 6.2% higher but State income taxes are 1.8% lower than last year. Overall, these major revenue sources are at 92.7% 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 \$1,330,306 which is \$20,186 or 1.5% 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.

	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>YTD FY18-19 Budget</b>	<b>% YTD FY18-19 Budget</b>	<b>% Incr/(Decr) from Prior</b>
State Sales Tax	552,038	586,071	607,454	96.5%	6.2%
State Income Tax	758,082	744,235	751,358	99.1%	(1.8%)

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

The fiscal YTD revenue for this category totals \$2,484,372 (including all funds), which is 86.5% of projections. Compared to the same time period as last year, the total revenues (all funds) are 11.0% higher. It must be pointed out that the Department of Revenue has changed its reporting method on a monthly basis beginning in June 2016. Consequently, amounts prior to February 2015 are not comparable to current amounts.

**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 \$1,100,569 which is 82.9% of projections; compared to last fiscal year, revenues decreased by 0.6%.

**Restaurants/Bars:** Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$170,766, which is 66.8% of projections; compared to last fiscal year, revenues increased 13.2%.

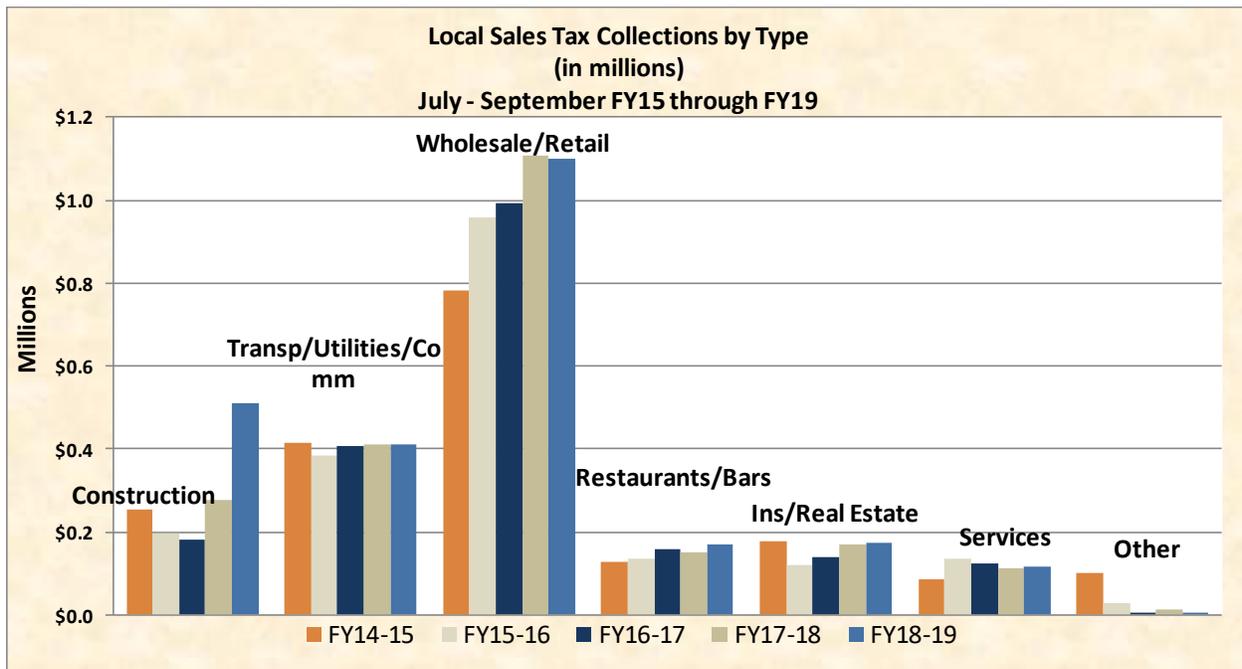
**Communications/Utilities/Transportation:** Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$411,748, which is 106.2% of what was anticipated; compared to last fiscal year, revenues are up by 0.4%.

**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 \$510,124, which is 221.1% of what was budgeted; compared to last fiscal year, revenues are up 84.0%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Local Sales Tax Revenues - Three Months Ended September - All Funds					
CATEGORY	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior Year
Construction	\$ 277,199	\$ 510,124	\$ 230,732	221.1%	84.0%
Transportation/Utilities	410,207	411,748	386,200	106.6%	0.4%
Wholesale/Retail	1,107,627	1,100,569	1,335,529	82.4%	(0.6%)
Restaurant/Bars	150,804	170,766	225,865	75.6%	13.2%
Real Estate	168,136	172,652	183,066	94.3%	2.7%
Services	112,465	115,919	223,314	51.9%	3.1%
Misc.	11,669	2,594	2,500	103.8%	(77.8%)
Grand Total All Funds	\$ 2,238,107	\$ 2,484,372	\$ 2,587,206	96.0%	11.0%



Local sales tax makes up 53.3% of Operating Fund revenues; for the period ended September 30, 2018, collections were \$2.5M for all funds (\$1.9M in the Operating Fund). Retail and restaurant/bar activities represent 56.2% of total collections; telecommunications and utilities represent another 18.3%.



### **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 \$73,319 or 129.0% of the period budget. New housing permits issued for the fiscal period are 14 single family, 10 multi-family and 1 commercial.

	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>YTD FY18-19 Budget</b>	<b>% YTD FY18-19 Budget</b>
Building Permit Fees	\$48,990	\$73,319	\$56,818	129.0%

### **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 \$30,786 which is \$10,156 (24.8%) less than last year's same fiscal period and 50.1% of the budgeted amount.

	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>YTD FY18-19 Budget</b>	<b>% YTD FY18-19 Budget</b>
Court Fines & Fees	\$40,942	\$30,786	\$61,500	50.1%

### **License Revenue**

Revenues in this category included both business and animal licensing activity with the majority of revenues coming from business licenses. Effective July 1, 2018, animal licensing was transferred to Maricopa County Animal Care & Control. Current fiscal revenues for the remaining category total \$26,387 or 77.4% of the fiscal period budget.

	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>YTD FY18-19 Budget</b>	<b>% YTD FY18-19 Budget</b>
Business License Fees	\$22,668	\$26,387	\$34,091	77.4%
Animal License Fees	8,617	0	0	-



## **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, Court, Council and Administration functions. At the end of the first quarter, 90.4% of the period budget has been expended.

<b>FY18-19 Expenditures by Category - YTD Ending September 30 - Operating Funds</b>				
	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Wages and Benefits	\$ 729,836	\$ 892,989	94.2%	\$ 3,791,824
Supplies and Services	183,807	192,436	123.0%	626,009
Contractual Services	2,286,038	2,402,941	94.6%	10,157,941
Maintenance/Utilities	225,408	210,715	74.5%	1,130,666
Capital Expenditures	12,935	-	0.0%	47,253
Internal Transfers/Contingency	34,969	(191)	(0.1%)	618,856
<b>Grand Total all Categories</b>	<b>\$ 3,472,993</b>	<b>\$ 3,698,890</b>	<b>90.4%</b>	<b>\$ 16,372,549</b>

- Wages and benefits represent one quarter (24.1%) 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), Economic Development employees, and the Tourism Coordinator.
- Supplies and Services represents 5.2% of the total Operating Fund 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 65.0% 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 5.7% 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.



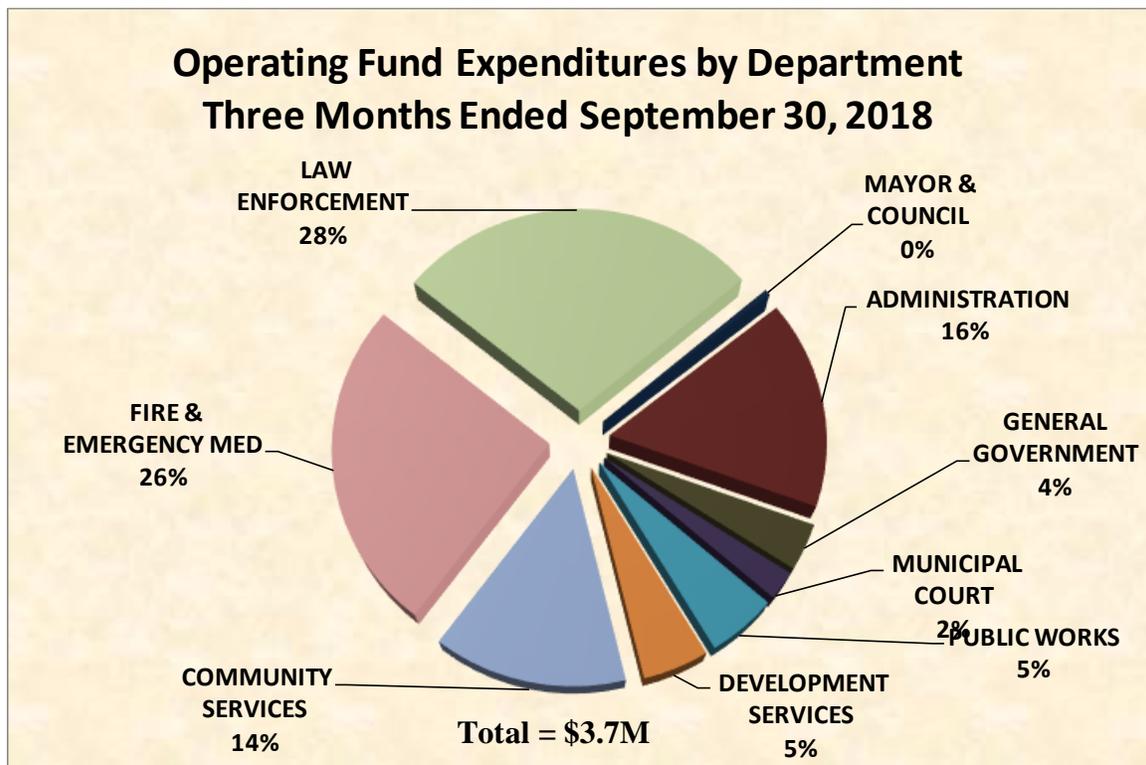
## Department Summary

Expenditures by Department - YTD Ended September 30				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Mayor & Council	\$ 19,070	\$ 16,724	81.0%	\$ 82,592
Administration	556,478	597,725	98.0%	2,438,779
General Government	182,508	133,384	75.8%	703,579
Municipal Court	65,091	81,328	95.1%	342,027
Public Works	157,269	188,975	73.0%	1,035,577
Development Services	178,145	178,106	66.9%	1,065,398
Community Services	465,254	519,365	80.7%	2,574,880
Fire & Emergency Medical Services	905,571	944,044	96.4%	3,918,227
Law Enforcement	943,607	1,039,238	98.7%	4,211,488
<b>TOTAL</b>	<b>\$ 3,472,993</b>	<b>\$ 3,698,889</b>	<b>90.4%</b>	<b>\$ 16,372,547</b>

- 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 16.2% of the Operating Fund budget. 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, etc.
- General Government is a new department and will include costs that are common to the Town as a whole (3.6%).
- Municipal Court represents all the costs of the operations of the court (2.0%).
- Public Works (5.1% of Operating Fund expenditures) was broken out from Development Services in the prior years. This department includes public works, open space maintenance, stormwater management, and facilities maintenance.
- Development Services (4.8% of Operating Fund expenditures) includes programs such as engineering, 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 25.5% 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 28.1% 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**

<b>HURF Revenues - YTD Ending September 30</b>				
	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Sales Tax	\$ 172,162	\$ 191,105	96.0%	\$ 796,063
State Shared Revenues	668,005	674,797	103.0%	2,619,995
In Lieu Fees	-	-	0.0%	100,000
Miscellaneous & Other	5,386	16,703	243.8%	27,400
<b>Grand Total HURF</b>	<b>\$ 845,553</b>	<b>\$ 882,605</b>	<b>99.6%</b>	<b>\$ 3,543,458</b>

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 (45.8%), Vehicle License Taxes (30.7%) and from a portion of the dedicated sales tax (21.7%). 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.

<b>HURF Expenditures by Program - YTD Ending September 30</b>				
	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Administration	\$ 53,477	\$ 136,362	26.8%	\$ 508,673
Adopt A Street	-	-	0.0%	-
Legal Services	-	-	0.0%	-
Open Space	54,323	72,368	18.1%	399,282
Pavement Maintenance	24,929	39,664	0.9%	4,487,534
Street Signs	8,680	13,712	20.5%	66,811
Traffic Signals	21,567	-	0.0%	-
Vehicle Maintenance	13,412	10,238	12.9%	79,196
<b>Grand Total HURF</b>	<b>\$ 176,388</b>	<b>\$ 272,344</b>	<b>4.9%</b>	<b>\$ 5,541,496</b>

- 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)**

<b>Excise Tax Revenues - All Funds - YTD Ending September 30</b>				
	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Revenues	\$ 100,668	\$ 121,682	100.8%	\$ 482,712
Grand Total Excise Tax Funds	\$ 100,668	\$ 121,682	100.8%	\$ 482,712

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.

<b>Excise Tax Funds Expenditures by Category - YTD Ending September 30</b>				
	<b>YTD FY17-18</b>	<b>YTD FY18-19</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Wages and Benefits	\$ 35,541	\$ 53,747	21.1%	\$ 254,403
Supplies and Services	6,952	3,910	10.2%	38,484
Contractual Services	63,779	73,220	30.5%	240,210
Maintenance/Utilities	115	1,199	11.4%	10,498
Internal Transfers	810	296	21.8%	1,360
Grand Total all Categories	\$ 107,197	\$ 132,372	24.3%	\$ 544,955

- Wages and benefits, which represent 40.6% of the total Excise Tax operating costs, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 3.0% of the total Excise Tax costs 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 55.3% of the total and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities include costs for lighting and sign repairs and represents 0.9% of costs.
- 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 three months of this fiscal year, there have been twenty (25) permit applications including development fees.

<b>Revenues by Category - YTD Ending September 30 - Development Fees</b>				
	<b>FY17-18 Actual</b>	<b>FY18-19 Actual</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Fire/Emergency	6,067	9,774	116.6%	33,537
Parks/Rec	30,396	34,168	124.6%	109,704
Open Space	4,973	1,947	0.0%	-
<b>Grand Total All Funds</b>	<b>\$ 41,436</b>	<b>\$ 45,889</b>	<b>128.1%</b>	<b>\$ 143,241</b>

<b>Expenditures by Category - YTD Ending September 30 - Development Fees</b>				
	<b>FY17-18 Actual</b>	<b>FY18-19 Actual</b>	<b>% YTD FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Fire/Emergency	-	-	0.0%	11,244
Parks/Rec	-	-	0.0%	48,756
Open Space	134	485,069	362668.4%	535
<b>Grand Total All Funds</b>	<b>\$ 134</b>	<b>\$ 485,069</b>	<b>3205.2%</b>	<b>\$ 60,535</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 year-to-date period Ended September 30, 2018.

<b>FY18-19 Capital Projects Revenues - YTD Ending September 30</b>			
	<b>YTD FY18-19 Actual</b>	<b>% FY18-19 Budget</b>	<b>FY18-19 Budget</b>
Construction Sales Tax	\$ 255,062	55.3%	\$ 461,465
Grants	-	0.0%	990,000
Donations	1,800	0.0%	-
Interest Income	39,751	367.2%	10,824
<b>Grand Total Capital Projects</b>	<b>\$ 296,613</b>	<b>20.3%</b>	<b>\$ 1,462,289</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>FY18-19 Expenditures by Category - YTD Ending September 30 - Capital Projects</b>			
	<b>YTD FY18-19 Actual</b>	<b>% FY18-19 Budget</b>	<b>FY18-19 Budget</b>
D6047 MISC DRAINAGE IMPROVEMEN	\$ -	0.0%	\$ 50,000
D6055 DRAINAGE-CIVIC CENTER IM	-	0.0%	50,000
F4005 FIRE STATION 2 RELOCATIO	1,416,169	61.2%	2,312,165
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	150,000
P3025 ADERO CANYON TRAILHEAD	485,010	40.4%	1,200,000
P3033 VIDEO SURVEILLANCE CAMER	506	0.5%	100,000
P3034 GEP CONCRETE REPLACEMENT	-	0.0%	50,000
P3035 FOUR PEAKS PARK PLAYGROU	-	0.0%	250,000
S6003 UNPAVED ALLEY PAVING PRO	-	0.0%	255,000
S6015 FOUNTAIN HILLS BLVD WIDE	25,152	25.2%	100,000
S6051 AOTF/LA MONTANA IMPROVEM	27,127	67.8%	40,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	170,184
S6058 SHEA BLVD WIDENING	-	0.0%	130,000
S6059 WAYFINDING SIGNS	11,375	45.5%	25,000
S6061 SIDEWALK COMPLETION PROG	-	0.0%	100,000
CONTINGENCY	14,697	1.4%	1,018,559
<b>Grand Total Capital Projects</b>	<b>\$ 1,980,036</b>	<b>33.0%</b>	<b>\$ 6,000,908</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-End Fund Balances (Unaudited) September 30, 2018

<b>Operating Funds</b>		
Rainy Day Fund	\$ 2,807,648	
General Fund	2,401,934	
Public Art Fund	120,361	
Internal Service Fund	-	
Vehicle Replacement Fund	1,041,510	<b>\$ 6,371,453</b>
<b>Highway User Revenue Fund (HURF)</b>	<b>3,854,267</b>	<b>3,854,267</b>
<b>Special Revenue Funds</b>		
Special Revenue Fund	-	
Court Enhancement Fund	369,568	
Environmental Fund	750,677	
Cottonwoods Maintenance Distri	16,793	<b>1,137,038</b>
<b>Excise Tax Funds</b>		
Downtown Strategy Fund	963,499	
Economic Development Fund	(4,990)	
Tourism Fund	106,813	<b>1,065,322</b>
<b>Debt Service</b>		
General Obligation Debt Servic	296,997	
Eagle Mountain CFD Debt Serv	62,668	
MPC Debt Service Fund	387,294	<b>746,959</b>
<b>Capital Projects</b>		
Capital Projects Fund	4,386,146	
Facilities Replacement Fund	1,874,249	<b>6,260,395</b>
<b>Development Fees</b>		
Fire & Emergency	258,729	
Parks & Recreation	655,755	
Open Space	80,350	<b>994,834</b>
<b>Grand Total</b>		<b><u>\$ 20,430,268</u></b>