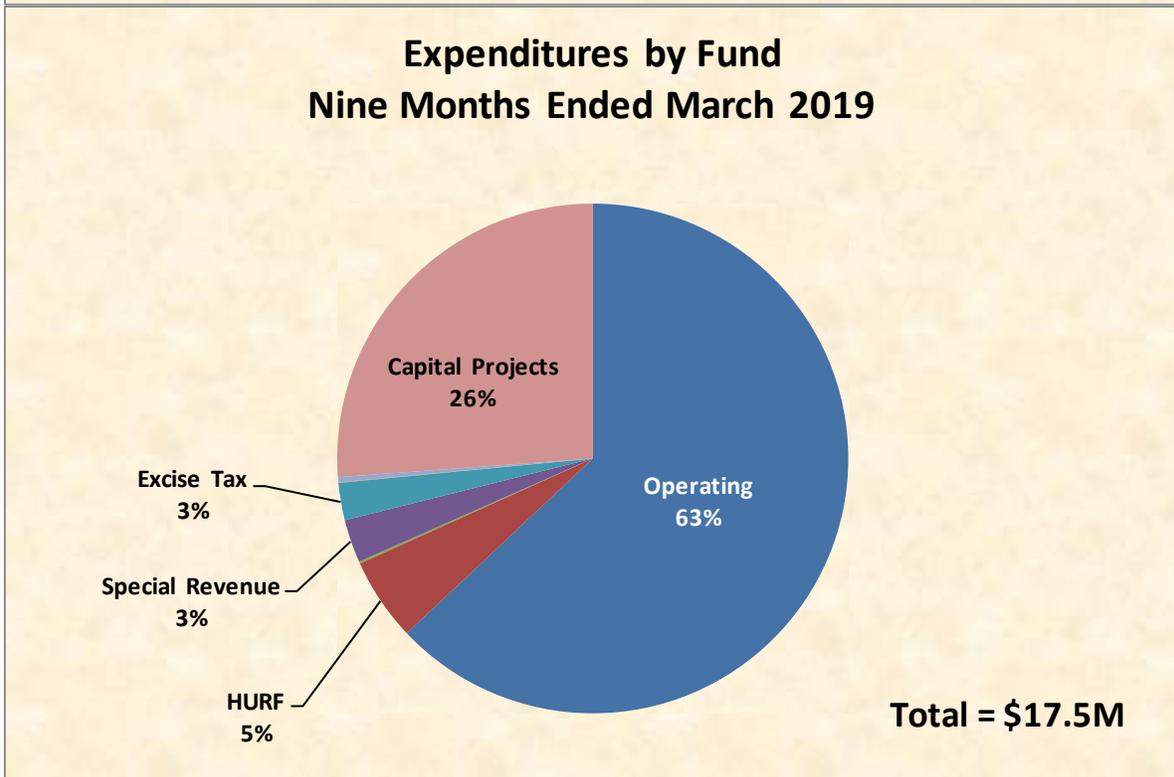
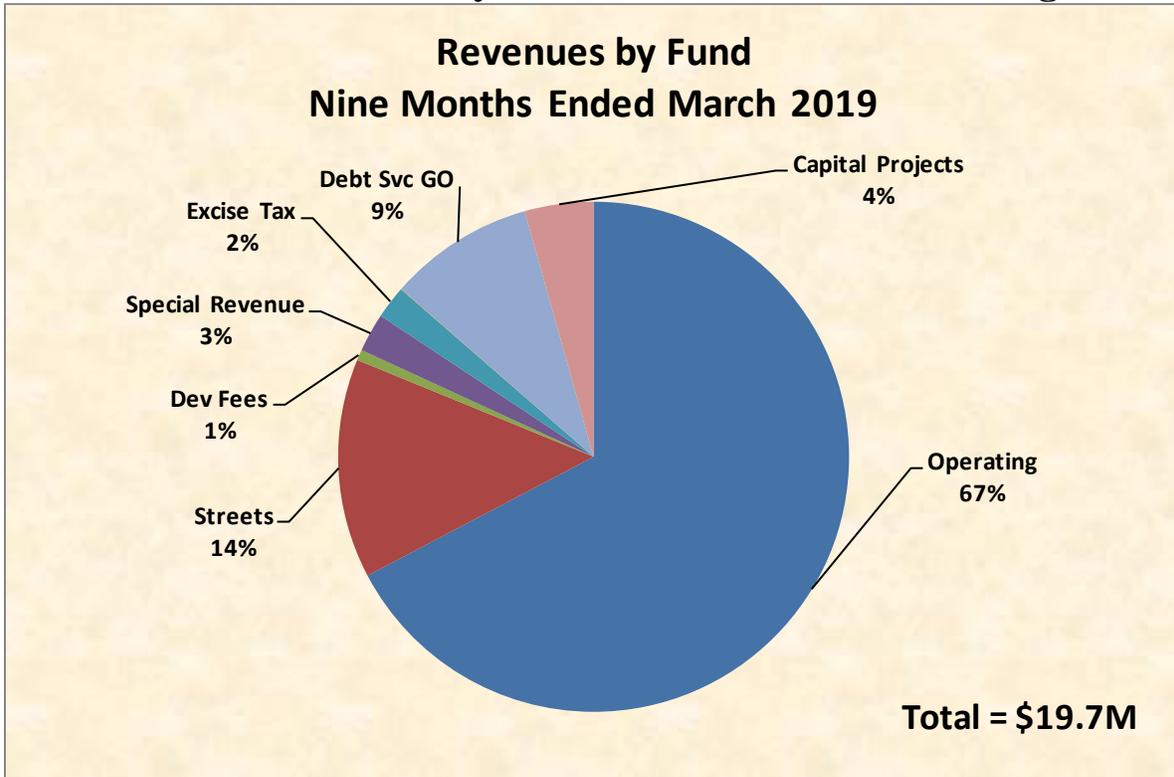


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
NINE MONTHS ENDED MARCH 2019





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

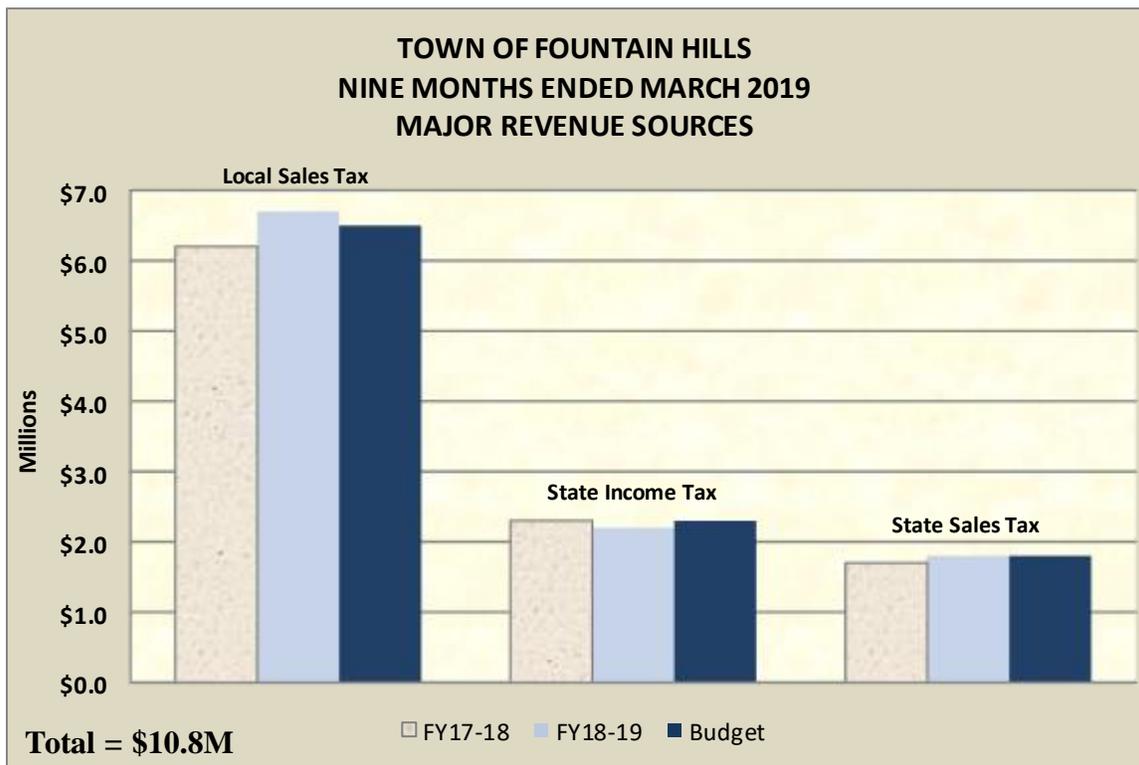




Operating Fund Revenues

For the fiscal YTD period ended March 31, 2019, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 106.5% of budgeted amounts and \$1,289,299 higher than the same time period last fiscal year (an increase of 10.8%). Categories where revenues are higher than the previous year are the local sales tax (up 9.3%), State sales tax (up 5.0%), licenses & permits (up 102.1%) as well as Other & Interest (up 158.4%). Total Operating Fund revenues for this fiscal period are \$13,223,862.

FUND	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior Year
Operating Funds	\$ 11,934,563	\$ 13,223,862	\$ 12,417,080	106.5%	10.8%



The three major revenues in the chart above represent 81.5% 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 (9.3% 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 1.8% lower than last year. Overall, these major revenue sources are at 101.7% 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 \$4,044,723, which is \$45,025 or 1.1% 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.

FUND	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior Year
State Sales Tax	1,725,452	1,811,979	1,822,362	99.4%	5.0%
State Income Tax	2,274,246	2,232,744	2,254,073	99.1%	(1.8%)

Local Sales Tax (2.6%) – All Funds

The fiscal YTD revenue for this category totals \$8,409,237 (including all funds), which is 108.3% of projections. Compared to the same time period as last year, the total revenues (all funds) are 11.6% 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 \$3,972,222, which is 99.1% of projections; compared to last fiscal year, revenues increased by 3.5%.

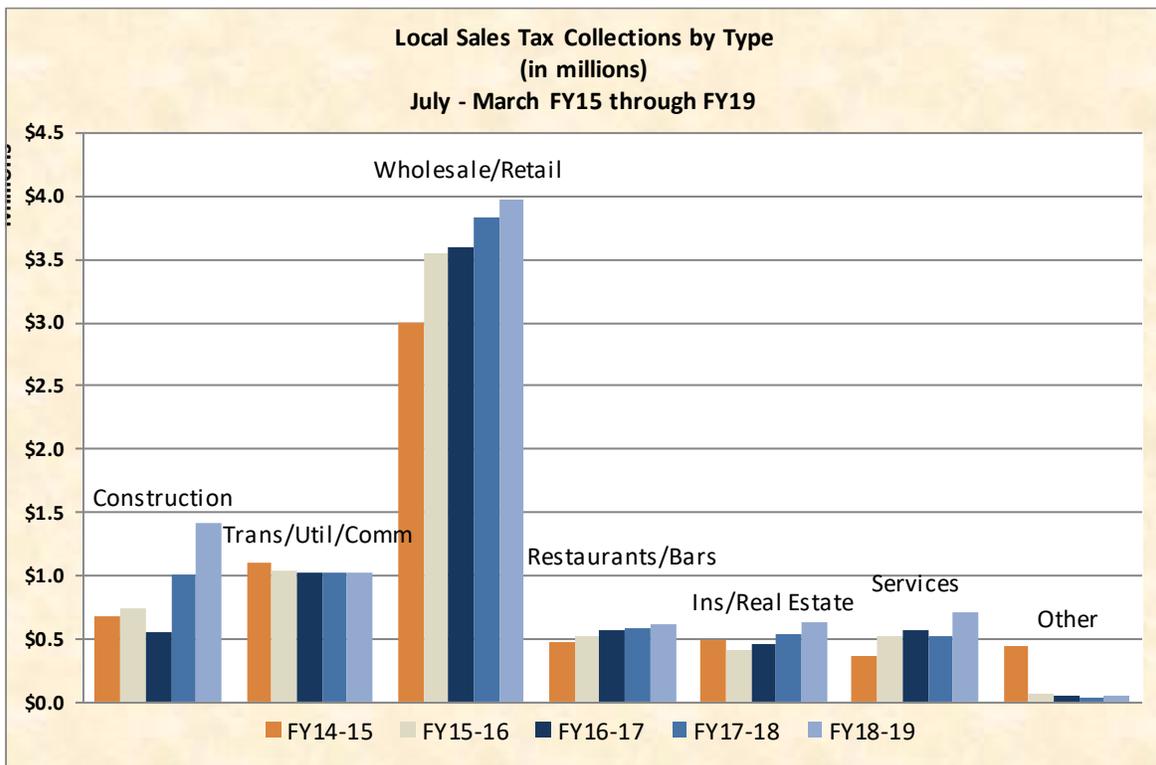
Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$620,764, which is 91.6% of projections; compared to last fiscal year, revenues are up by 5.7%.

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 \$1,026,770, which is 88.6% of what was anticipated; compared to last fiscal year, revenues are up by 0.2%.

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 \$1,408,406, which is 203.5% of what was budgeted; compared to last fiscal year, revenues are up 39.6%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.



Nine Months Ended March 2019 - Local Sales Tax Revenues					
CATEGORY	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	%Incr/(Decr) from Prior Year
Construction	\$ 1,008,714	\$ 1,408,406	\$692,197	203.5%	39.6%
Transportation/Utilities	1,025,114	1,026,770	1,158,600	88.6%	0.2%
Wholesale/Retail	3,836,179	3,972,222	4,006,587	99.1%	3.5%
Restaurant/Bars	587,479	620,764	677,594	91.6%	5.7%
Real Estate	537,997	632,394	549,199	115.1%	17.5%
Services	514,561	705,184	669,941	105.3%	37.0%
Misc.	25,036	43,497	7,500	580.0%	73.7%
Grand Total All Funds	\$ 7,535,080	\$ 8,409,237	\$ 7,761,618	108.3%	11.6%



Local sales tax makes up 50.9% of Operating Fund revenues; for the period ended March 31, 2019, collections were \$8.4M for all funds (\$6.7M in the Operating Fund). Retail and restaurant/bar activities represent 54.6% of total collections; telecommunications and utilities represent another 12.2%. Construction revenues collected this fiscal period total \$1,408,406, which is a 39.6% increase from last fiscal year. Wholesale/retail sales tax collections increased 3.5% from the same period last year; restaurant/bar collections were up 5.7% 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 \$188,702 or 110.7% of the YTD budget. New housing permits issued for the fiscal period are 42 single family, 26 multi-family and 2 commercial.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Building Permit Fees	\$147,648	\$188,702	\$227,272	110.7%

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 \$83,843, which is \$31,746 (27.5%) less than last year's same fiscal period and 45.4% of the budgeted amount.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Court Fines & Fees	\$115,589	\$83,843	\$184,500	45.4%

License Revenue

Revenues in this category previously included both business and animal licensing activity with the majority of revenues coming from business licenses. Current fiscal revenues for these two categories total \$113,221 or 110.7% of the fiscal period budget.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Business License Fees	\$110,415	\$113,221	\$136,365	110.7%
Animal License Fees	28,397	-0-	-0-	N/A



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 this fiscal period, 89.5% of the YTD budget has been expended.

Expenditures by Category - Fiscal YTD Ended March 2019 - Operating Funds				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 2,490,865	\$ 2,796,782	99.2%	\$ 3,759,239
Supplies and Services	427,081	419,655	89.4%	626,009
Contractual Services	6,805,982	6,961,384	91.1%	10,190,526
Maintenance/Utilities	673,600	575,661	67.9%	1,130,666
Capital Expenditures	971,200	2,095	5.9%	47,253
Internal Transfers/Contingency	262,226	239,553	51.6%	618,856
Grand Total all Categories	\$ 11,630,954	\$ 10,995,130	89.5%	\$ 16,372,549

- Wages and benefits represent 25.4% of the total Operating Fund budget and accounts for all staff with the exception of streets employees who are funded through the Streets (HURF) Fund. The Tourism Coordinator, Economic Development employees, as well as the Environmental Coordinator, are also funded with sources outside of the Operating Fund.
- Supplies and Services, including Utilities represents 3.8% 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 63.3% 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 5.2% 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. Other 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 are also included.



Department Summary

Expenditures by Department - YTD Ended March 2019				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Mayor & Council	\$ 57,723	\$ 59,399	95.9%	\$ 82,592
Administration	1,696,307	1,575,298	86.1%	2,438,779
General Government	1,157,227	221,621	42.0%	703,579
Municipal Court	232,028	244,922	95.5%	342,027
Public Works	488,709	628,834	81.0%	1,035,577
Development Services	629,957	577,562	72.3%	1,065,398
Community Services	1,633,776	1,612,150	83.5%	2,574,880
Fire & Emergency Medical	2,886,323	2,961,072	100.8%	3,918,227
Law Enforcement	2,848,905	3,114,272	98.6%	4,211,488
TOTAL	\$ 11,630,955	\$ 10,995,130	89.5%	\$ 16,372,547

- The Mayor & Council budget represents 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 14.3% of the Operating Fund expenditures. 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 includes costs that are common to the Town as a whole. It represents 2.0% of the Operating Fund expenditures. This department includes the cost of the annual debt service payment transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- Municipal Court represents all the costs of the operations of the court and is 2.2% of the Operating Fund budget.
- Public Works, representing 5.7% 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, representing 5.3% of Operating Fund expenditures, includes programs such as building safety. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services, representing 14.7% of Operating Fund expenditures, includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), and 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.



- Fire & Emergency Medical Services represents 26.9% of the Operating Fund expenditures 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 28.4% of the Operating Fund expenditures 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:

- Streets (HURF)
- Excise Tax (Downtown Strategy, Economic Development and Tourism)
- Special Revenue (Grants)
- Capital Projects (Capital Projects and Facilities Replacement)
- Development Fees





Streets (HURF)

Streets Revenues - Fiscal YTD Ended March 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Sales Tax	\$ 579,621	\$ 646,864	108.3%	\$ 796,063
State Shared Revenues	1,919,684	2,020,019	102.8%	2,619,995
In Lieu Fees	20,145	-	0.0%	100,000
Miscellaneous & Other	26,553	65,903	320.7%	27,400
Grand Total Streets	\$ 2,546,003	\$ 2,732,786	102.8%	\$ 3,543,458

This fund supports most of the Town's street and traffic operations and is managed by the Public Works Department. The fund is primarily supported by the State Highway User Revenue Fund (45.4%), Vehicle License Taxes (28.5%) and from a portion of the dedicated sales tax (23.7%). 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.

Streets Expenditures by Program - Fiscal YTD Ended March 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Administration	\$ 237,419	\$ 316,620	83.0%	\$ 508,673
Open Space	189,295	212,878	71.1%	399,282
Pavement Maintenance	183,247	304,795	9.9%	4,112,534
Street Signs	42,857	53,843	107.5%	66,811
Traffic Signals	64,173	-	0.0%	-
Vehicle Maintenance	42,277	30,610	51.5%	79,196
Grand Total HURF	\$ 759,268	\$ 918,746	23.7%	\$ 5,166,496

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, legal costs, 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.
- 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 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Revenues	\$ 356,250	\$ 409,145	113.0%	\$ 482,712
Grand Total Excise Tax Funds	\$ 356,250	\$ 409,145	113.0%	\$ 482,712

These funds are separate operating funds from the Town’s Operating Fund and they support the Town’s downtown strategy and 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 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 121,448	\$ 194,463	101.9%	\$ 254,403
Supplies and Services	21,584	23,240	80.5%	38,484
Contractual Services	154,739	191,484	106.3%	240,210
Maintenance/Utilities	6,800	1,491	18.9%	10,498
Internal Transfers	2,283	1,323	129.7%	1,360
Grand Total all Categories	\$ 306,854	\$ 412,001	100.8%	\$ 544,955

- Wages and benefits, which represent 47.2% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 5.6% of the total Excise Tax expenditures 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 46.5% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (0.4% 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 this fiscal period, there have been seventy (70) permit applications including development fees.

Revenues by Category - YTD Ended March 2019 - Development Fees				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Fire/Emergency	120,346	26,485	105.3%	33,537
Parks/Rec	373,809	104,240	126.7%	109,704
Open Space	(1,007)	2,053	0.0%	-
Grand Total All Funds	\$ 493,148	\$ 132,778	123.6%	\$ 143,241

Expenditures by Category - YTD Ended March 2019 - Development Fees				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Fire/Emergency	-	4,243	50.3%	11,244
Parks/Rec	-	18,399	50.3%	48,756
Open Space	401	68	16.9%	535
Grand Total All Funds	\$ 401	\$ 22,710	50.0%	\$ 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, 2019.

Capital Projects Fund Revenues - Fiscal YTD Ended March 2019			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
Construction Sales Tax	\$ 704,203	152.6%	\$ 461,465
Grants	-	0.0%	990,000
Misc.	3,800	0.0%	-
Interest Income	147,823	1365.7%	10,824
Grand Total Capital Projects	\$ 855,826	58.5%	\$ 1,462,289

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 2019 - Capital Projects			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
D6047 MISC DRAINAGE IMPROVEMEN	\$ -	0.0%	\$ 50,000
D6055 DRAINAGE-CIVIC CENTER IM	-	0.0%	-
F4005 FIRE STATION 2 RELOCATIO	2,536,622	98.8%	2,566,330
F4029 CIVIC CENTER IMPROVEMENT	-	0.0%	-
P3025 ADERO CANYON TRAILHEAD	927,082	77.3%	1,200,000
P3033 VIDEO SURVEILLANCE CAMER	11,808	94.4%	12,506
P3034 GEP CONCRETE REPLACEMENT	-	0.0%	50,000
P3035 FOUR PEAKS PARK PLAYGROU	40,822	16.3%	250,000
P3037 GOLDEN EAGLE PARK RESTOR	303,100	74.8%	405,000
S6003 UNPAVED ALLEY PAVING PRO	-	0.0%	-
S6015 FOUNTAIN HILLS BLVD WIDE	49,235	49.2%	100,000
S6051 AOTF/LA MONTANA IMPROVEM	35,116	87.8%	40,000
S6053 FOUNTAIN HILLS BLVD SHOU	352,043	82.2%	428,513
S6058 SHEA BLVD WIDENING	-	0.0%	130,000
S6059 WAYFINDING SIGNS	31,703	94.9%	33,400
S6061 SIDEWALK COMPLETION PROG	-	0.0%	100,000
CONTINGENCY	281,763	27.9%	1,010,159
Grand Total Capital Projects	\$ 4,569,294	71.7%	\$ 6,375,908



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 31, 2019

Operating Funds			
	Rainy Day Fund	\$ 2,915,640	
	General Fund	2,624,243	
	Public Art Fund	113,161	
	Vehicle Replacement Fund	1,345,226	\$ 6,998,270
	Streets (HURF) Fund	5,058,046	5,058,046
	Special Revenue Funds		
	Special Revenue Fund	-	
	Court Enhancement Fund	374,303	
	Environmental Fund	817,430	
	Cottonwoods Maintenance District Fund	19,438	1,211,171
	Excise Tax Funds		
	Downtown Strategy Fund	1,024,210	
	Economic Development Fund	51,170	
	Tourism Fund	22,804	1,098,184
	Debt Service		
	General Obligation Debt Service Fund	1,516,041	
	Eagle Mountain CFD Debt Service Fund	308,832	
	MPC Debt Service Fund	386,190	2,211,063
	Capital Projects		
	Capital Projects Fund	4,339,220	
	Facilities Replacement Fund	1,630,691	5,969,911
	Development Fees		
	Fire & Emergency	271,197	
	Parks & Recreation	707,429	978,626
	Grand Total		<u>\$ 23,525,271</u>