

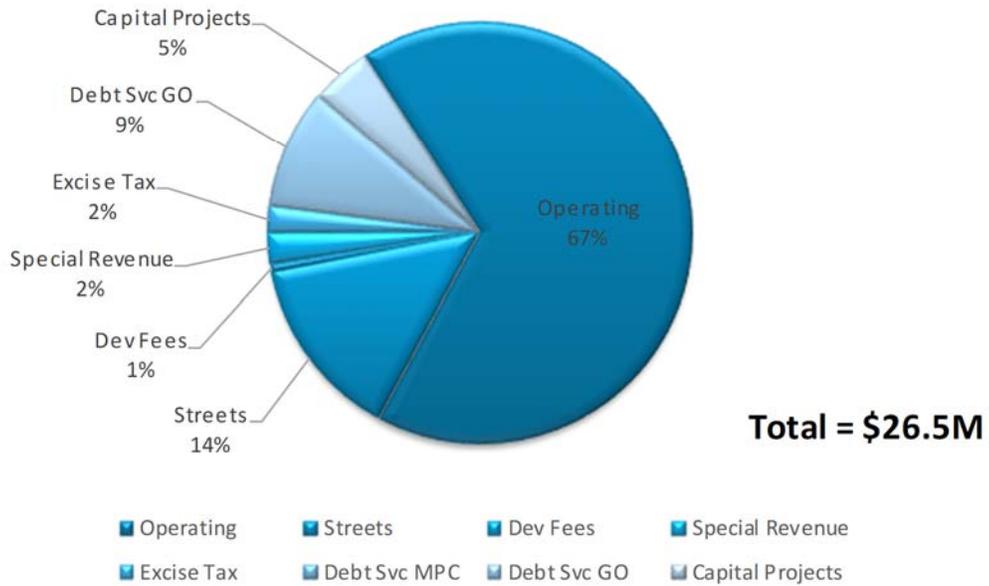
TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
FISCAL YEAR ENDED JUNE 30, 2019



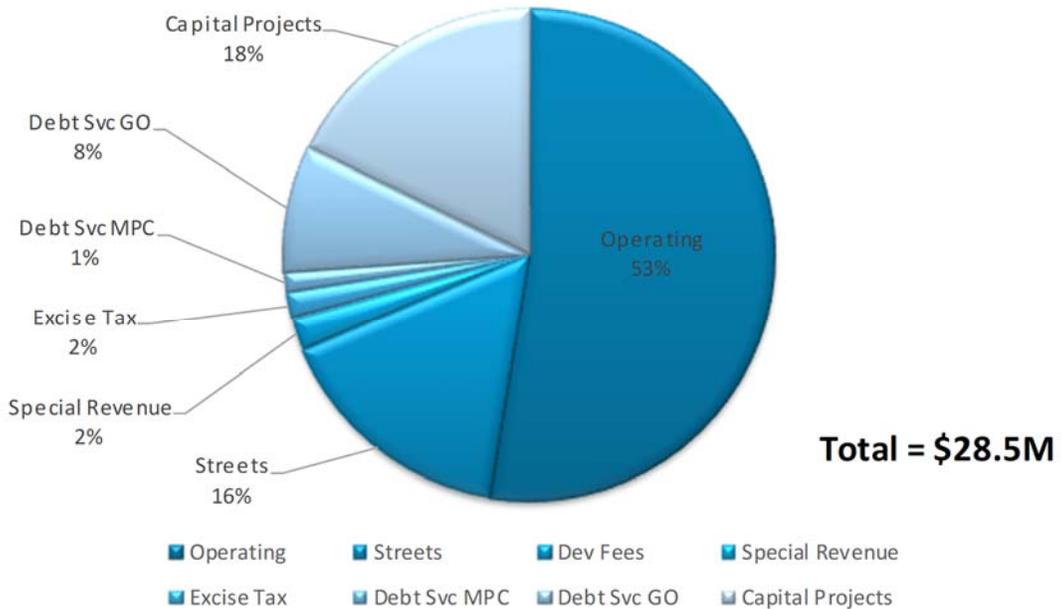


Where does the money come from and where does it go?

Revenues by Fund Twelve Months Ended June 2019



Expenditures by Fund Twelve Months Ended June 2019

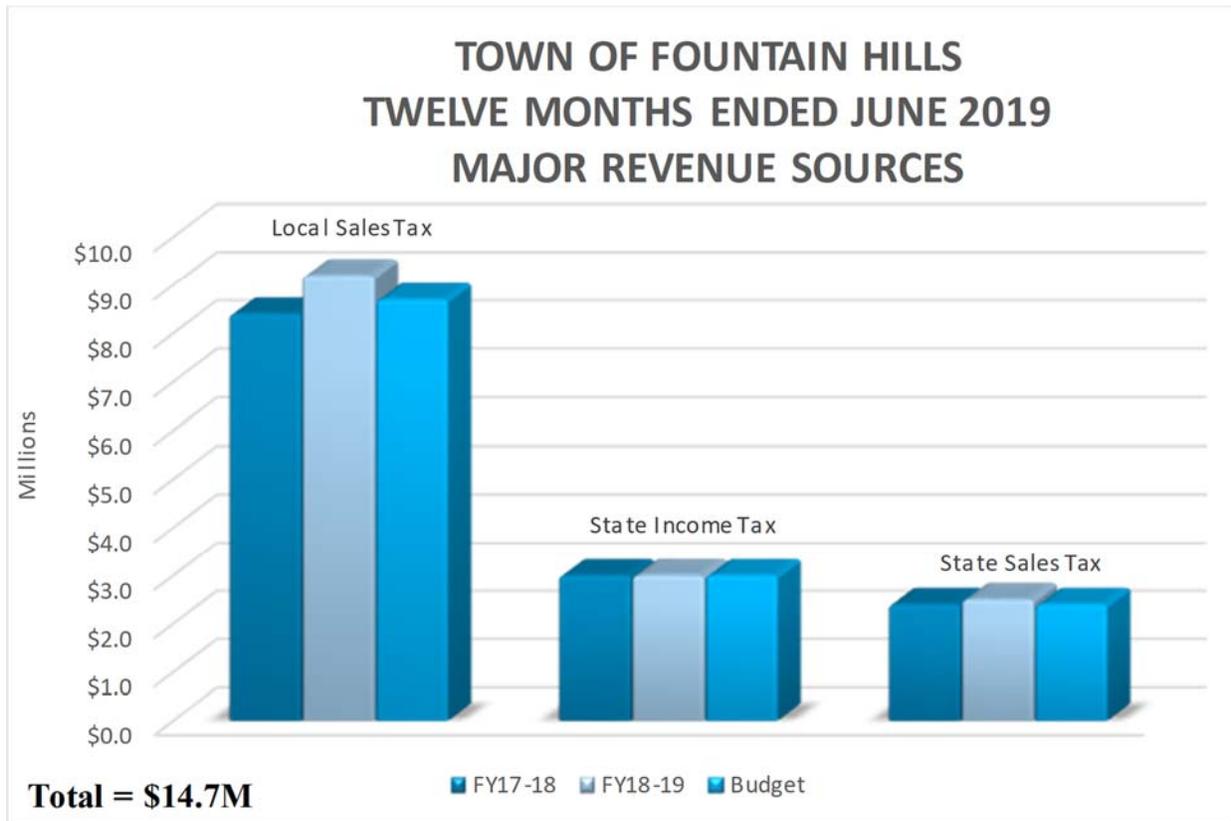




Operating Fund Revenues

For the fiscal year ended June 30, 2019, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 107.5% of budgeted amounts and \$1,411,151 higher than the same time period last fiscal year (an increase of 8.6%). Categories where revenues are higher than the previous year are the local sales tax (up 9.3%), State sales tax (up 5.3%), licenses & permits (up 52.3%) as well as Other & Interest (up 158.9%). Total Operating Fund revenues for the fiscal year were \$17,803,840.

FUND	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Decr) from Prior Year
Operating Funds	\$ 16,392,689	\$ 17,803,840	\$ 16,556,107	107.5%	8.6%



The three major revenues in the chart above represent 82.3% 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 5.3% higher, and State income taxes are 1.8% lower than last year. Overall, these major revenue sources are at 103.7% 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 \$5,453,028, which is \$68,197 or 1.3% 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 FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget	% Incr/(Deer) from Prior Year
State Sales Tax	2,352,502	2,476,030	2,429,816	101.9%	5.3%
State Income Tax	3,032,329	2,976,998	3,005,431	99.1%	(1.8%)

Local Sales Tax (2.6%) – All Funds

The fiscal YTD revenue for this category totals \$11,491,124 (including all funds), which is 111.0% of projections. Compared to the same time period as last year, the total revenues (all funds) are 11.4% 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 \$5,464,247, which is 102.3% of projections; compared to last fiscal year, revenues increased by 4.4%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$893,595, which is 98.9% of projections; compared to last fiscal year, revenues are up by 7.7%.

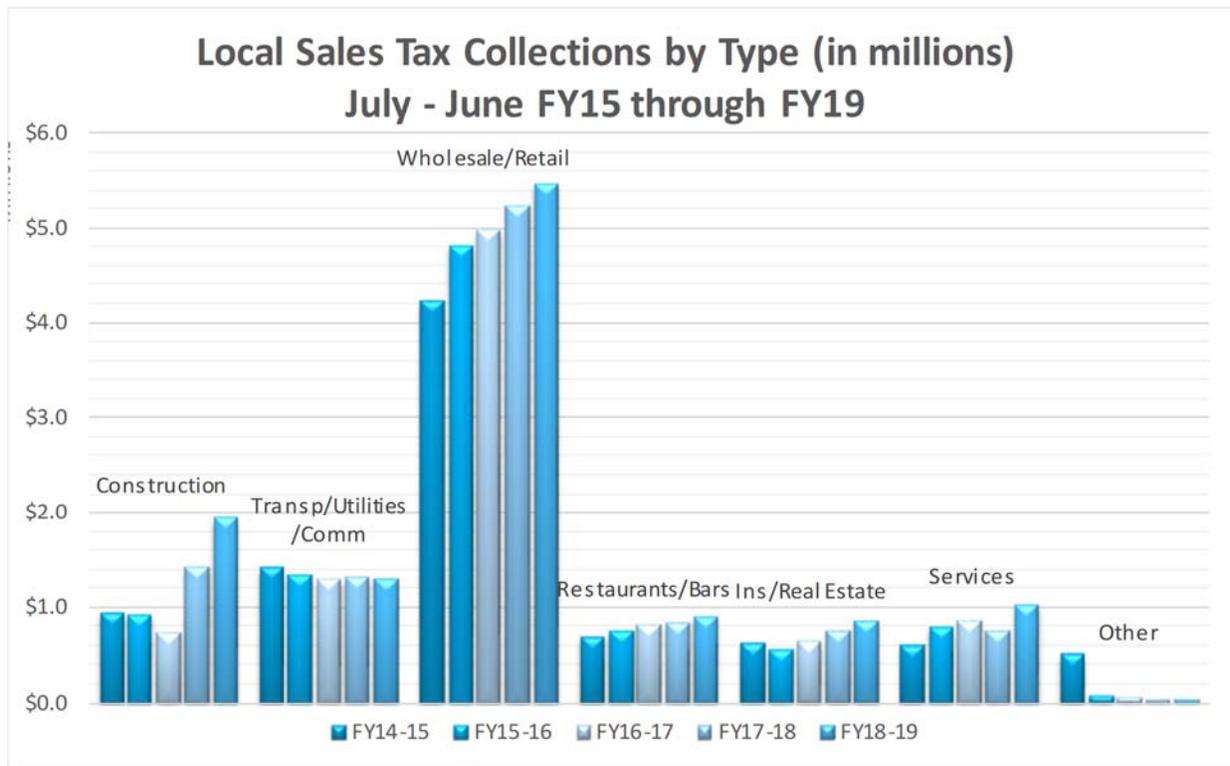
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,290,585, which is 83.5% of what was anticipated; compared to last fiscal year, revenues are down by 1.5%.

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 \$1,932,716, which is 209.4% of what was budgeted; compared to last fiscal year, revenues



are up 37.2%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Twelve Months Ended June 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	\$ 1,408,332	\$1,932,716	\$ 922,929	209.4%	37.2%
Transportation/Utilities	\$ 1,309,928	\$1,290,585	1,544,800	83.5%	(1.5%)
Wholesale/Retail	\$ 5,235,992	\$5,464,247	5,342,116	102.3%	4.4%
Restaurant/Bars	\$ 829,857	\$893,595	903,459	98.9%	7.7%
Real Estate	\$ 745,171	\$842,233	732,265	115.0%	13.0%
Services	\$ 747,834	\$1,025,548	893,255	114.8%	37.1%
Misc.	\$ 34,468	\$42,200	10,000	422.0%	22.4%
Grand Total All Funds	\$ 10,311,582	\$ 11,491,124	\$ 10,348,824	111.0%	11.4%



Local sales tax makes up 51.7% of Operating Fund revenues; for the period ended June 30, 2019, collections were \$11.5M for all funds (\$9.2M in the Operating Fund). Retail and restaurant/bar activities represent 55.4% of total collections; telecommunications and utilities represent another 11.2%. Construction revenues collected this fiscal period total \$1,932,716, which is a 37.2% increase from last fiscal year. Wholesale/retail sales tax collections increased 4.4% from the same period last year; restaurant/bar collections were up 7.7% 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 \$230,326 or 101.3% of the YTD budget. New housing permits issued for the fiscal period are 53 single family, 29 multi-family and 5 commercial.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Building Permit Fees	\$251,517	\$230,326	\$227,272	101.3%

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 \$120,340, which is \$33,396 (21.7%) less than last year’s same fiscal period and 48.9% of the budgeted amount.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Court Fines & Fees	\$153,736	\$120,340	\$246,000	48.9%

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 \$137,869 or 101.1% of the fiscal period budget.

	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Business License Fees	\$133,280	\$137,869	\$136,365	101.1%
Animal License Fees	36,175	-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, 90.9% of the YTD budget has been expended.

Expenditures by Category - Fiscal YTD Ended June 2019 - Operating Funds				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 3,520,930	\$ 3,817,648	101.6%	\$ 3,759,239
Supplies and Services	576,918	535,504	85.5%	626,209
Contractual Services	8,986,441	9,370,179	91.6%	10,230,326
Maintenance/Utilities	889,582	842,289	74.5%	1,130,666
Capital Expenditures	1,025,633	199,459	112.1%	177,853
Internal Transfers/Contingency	356,268	239,431	41.4%	578,856
Grand Total all Categories	\$ 15,355,772	\$ 15,004,510	90.9%	\$ 16,503,149

- Wages and benefits represent 22.8% 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 61.9% 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 represents 6.9% 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

Operating Funds Expenditure Report - Fiscal YTD Ended June 2019				
	YTD FY17-18	YTD FY18-19	YTD FY18-19 Budget	% YTD FY18-19 Budget
Mayor & Council	\$ 77,779	\$ 81,836	\$ 82,592	99.1%
Administration	2,351,294	2,156,946	2,438,779	88.4%
General Government	1,213,041	309,236	663,579	46.6%
Municipal Court	321,152	325,550	342,027	95.2%
Public Works	650,837	968,118	1,166,177	83.0%
Development Services	875,515	866,208	1,105,398	78.4%
Community Services	2,207,085	2,250,076	2,574,880	87.4%
Fire & Emergency Medical	3,866,395	3,892,841	3,918,227	99.4%
Law Enforcement	3,792,675	4,153,699	4,211,488	98.6%
Grand Total	\$ 15,355,773	\$ 15,004,510	\$ 16,503,147	90.9%

- 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 14.4% 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 2.1% 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 5.8% 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 15.0% of Operating Fund expenditures, includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), 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 25.9% 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 27.6% 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 June 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Sales Tax	\$ 793,198	\$ 883,932	111.0%	\$ 796,063
State Shared Revenues	2,605,350	2,741,035	104.6%	2,619,995
In Lieu Fees	20,145	-	0.0%	100,000
Miscellaneous & Other	42,170	117,095	427.4%	27,400
Grand Total Streets	\$ 3,460,863	\$ 3,742,062	105.6%	\$ 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 (44.9%), Vehicle License Taxes (28.4%) and from a portion of the dedicated sales tax (23.6%). 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 June 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Administration	\$ 314,509	\$ 432,605	85.0%	\$ 508,673
Open Space	255,891	279,629	74.7%	374,282
Pavement Maintenance	1,748,607	3,647,363	92.9%	3,926,934
Street Signs	46,003	163,443	111.3%	146,811
Vehicle Maintenance	58,888	40,929	51.7%	79,196
Grand Total Streets	\$ 2,611,947	\$ 4,563,969	90.6%	\$ 5,035,896

- 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 June 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Revenues	\$ 477,242	\$ 545,533	113.0%	\$ 482,712
Grand Total Excise Tax Funds	\$ 477,242	\$ 545,533	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 June 2019				
	YTD FY17-18	YTD FY18-19	% YTD FY18-19 Budget	FY18-19 Budget
Wages and Benefits	\$ 169,885	\$ 249,385	98.0%	\$ 254,403
Supplies and Services	31,496	30,191	78.5%	38,484
Contractual Services	228,103	214,940	89.5%	240,210
Maintenance/Utilities	13,488	1,611	15.3%	10,498
Internal Transfers	2,917	1,430	105.1%	1,360
Grand Total all Categories	\$ 445,889	\$ 497,557	91.3%	\$ 544,955

- Wages and benefits, which represent 46.7% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 7.1% 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 44.1% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (6.9% 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. During this fiscal period, there have been eighty-seven (87) permit applications including development fees.

Revenues by Category - YTD Ended June 2019 - Development Fees				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Fire/Emergency	174,335	32,812	97.8%	33,537
Parks/Rec	417,939	128,085	116.8%	109,704
Open Space	2,260	2,053	0.0%	-
Grand Total All Funds	\$ 594,534	\$ 162,950	113.8%	\$ 143,241

Expenditures by Category - YTD Ended June 2019 - Development Fees				
	FY17-18 Actual	FY18-19 Actual	% YTD FY18-19 Budget	FY18-19 Budget
Fire/Emergency	-	7,632	67.9%	11,244
Parks/Rec	-	33,094	67.9%	48,756
Open Space	535	535	100.0%	535
Grand Total All Funds	\$ 535	\$ 41,261	68.2%	\$ 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 June 30, 2019.

Capital Projects Fund Revenues - Fiscal YTD Ended June 2019			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
Construction Sales Tax	\$ 966,359	209.4%	\$ 461,465
Grants	-	0.0%	990,000
Misc.	63,811	0.0%	-
Interest Income	196,459	1815.0%	10,824
Grand Total Capital Projects	\$ 1,226,629	83.9%	\$ 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 June 2019 - Capital Projects			
	YTD FY18-19 Actual	% FY18-19 Budget	FY18-19 Budget
D6047 MISC DRAINAGE IMPROVEMEN	\$ 2,526	5.1%	\$ 50,000
D6055 DRAINAGE-CIVIC CENTER IM	\$ -	0.0%	\$ -
F4005 FIRE STATION 2 RELOCATIO	\$ 2,558,246	99.7%	\$ 2,566,330
F4029 CIVIC CENTER IMPROVEMENT	\$ -	0.0%	\$ -
P3025 ADERO CANYON TRAILHEAD	\$ 932,260	77.7%	\$ 1,200,000
P3033 VIDEO SURVEILLANCE CAMER	\$ 11,808	94.4%	\$ 12,506
P3034 GEP CONCRETE REPLACEMENT	\$ 22,535	45.1%	\$ 50,000
P3035 FOUR PEAKS PARK PLAYGROU	\$ 176,145	70.5%	\$ 250,000
P3037 GOLDEN EAGLE PARK RESTOR	\$ 365,957	90.4%	\$ 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	\$ 35,866	89.7%	\$ 40,000
S6053 FOUNTAIN HILLS BLVD SHOU	\$ 354,963	82.8%	\$ 428,513
S6058 SHEA BLVD WIDENING	\$ -	0.0%	\$ 130,000
S6059 WAYFINDING SIGNS	\$ 31,703	94.9%	\$ 33,400
S6061 SIDEWALK COMPLETION PROG	\$ 97,036	97.0%	\$ 100,000
CONTINGENCY	\$ 439,748	43.5%	\$ 1,010,159
Grand Total Capital Projects	\$ 4,154,578	88.9%	\$ 4,673,836



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) June 30, 2019

Operating Funds		
Rainy Day Fund	\$ 2,915,640	
General Fund	3,344,021	
Public Art Fund	112,164	
Internal Service Fund	-	
Vehicle Replacement Fund	1,201,214	\$ 7,573,039
Streets (HURF)	2,422,098	2,422,098
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	376,814	
Environmental Fund	824,536	
Cottonwoods Maintenance District Fund	19,678	1,221,028
Excise Tax Funds		
Downtown Strategy Fund	1,038,340	
Economic Development Fund	101,485	
Tourism Fund	9,192	1,149,017
Debt Service		
General Obligation Debt Service Fund	116,003	
Eagle Mountain CFD Debt Service Fund	19,091	
MPC Debt Service Fund	12,306	147,400
Capital Projects		
Capital Projects Fund	4,342,555	
Facilities Replacement Fund	1,489,426	5,831,981
Development Fees		
Fire & Emergency	274,135	
Parks & Recreation	716,579	
Open Space	-	990,714
Grand Total		\$ 19,335,277