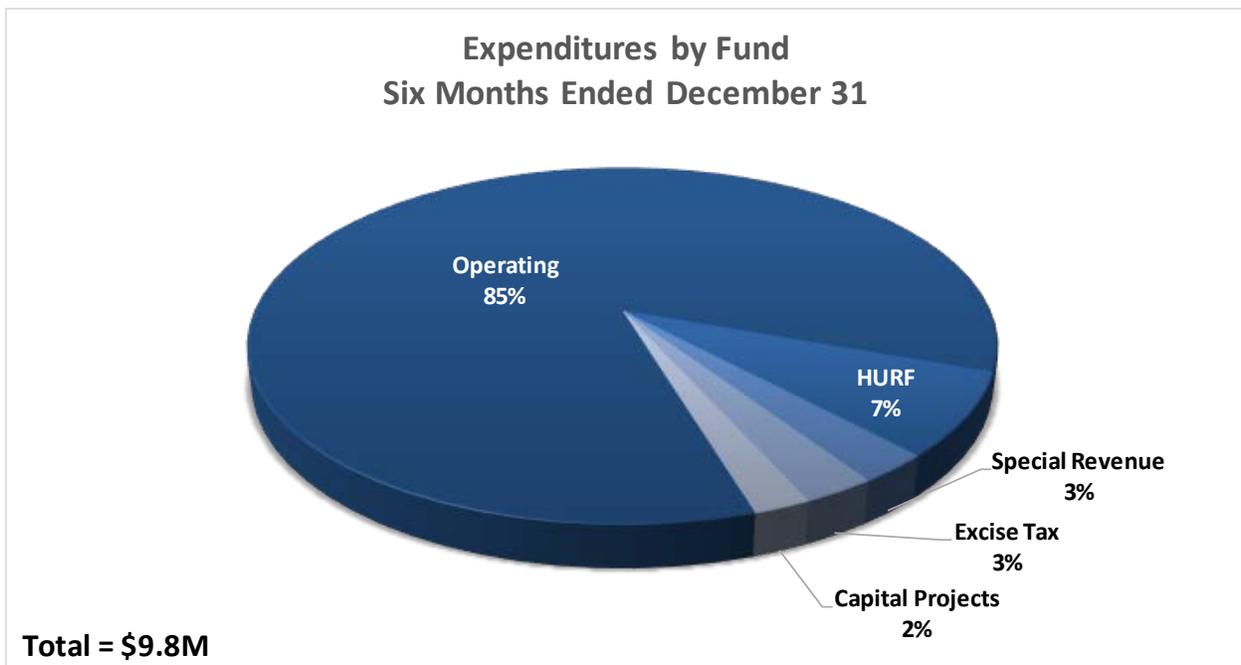
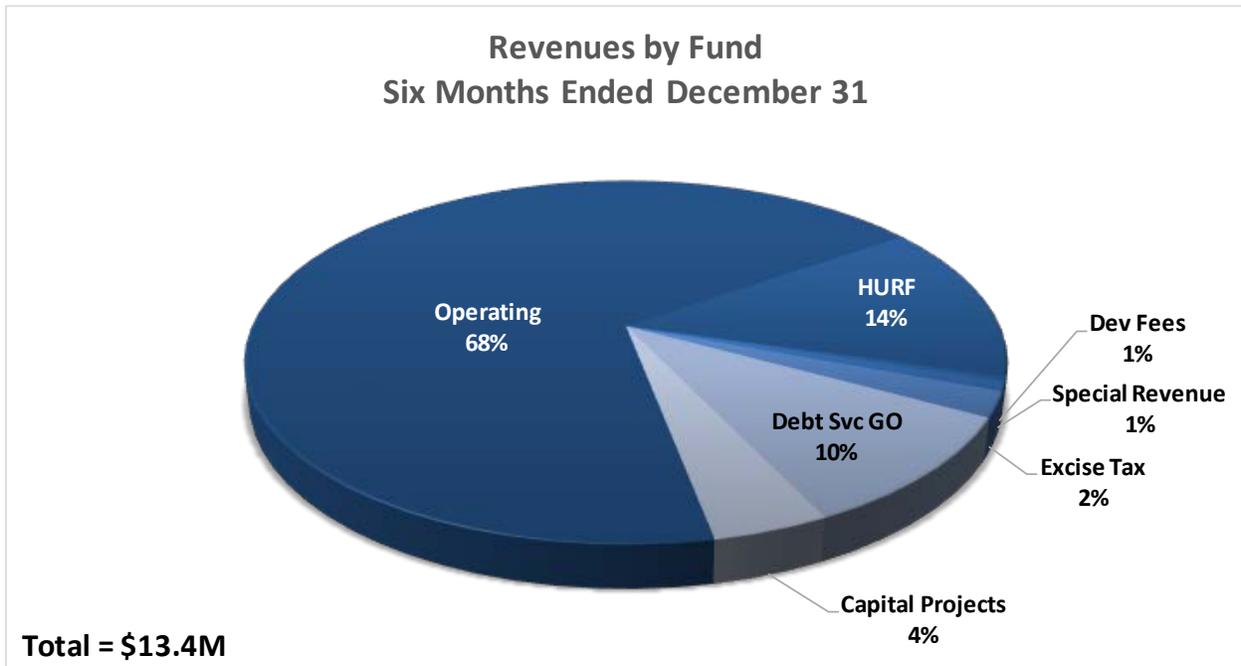


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**QUARTER ENDED DECEMBER 31, 2019**





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

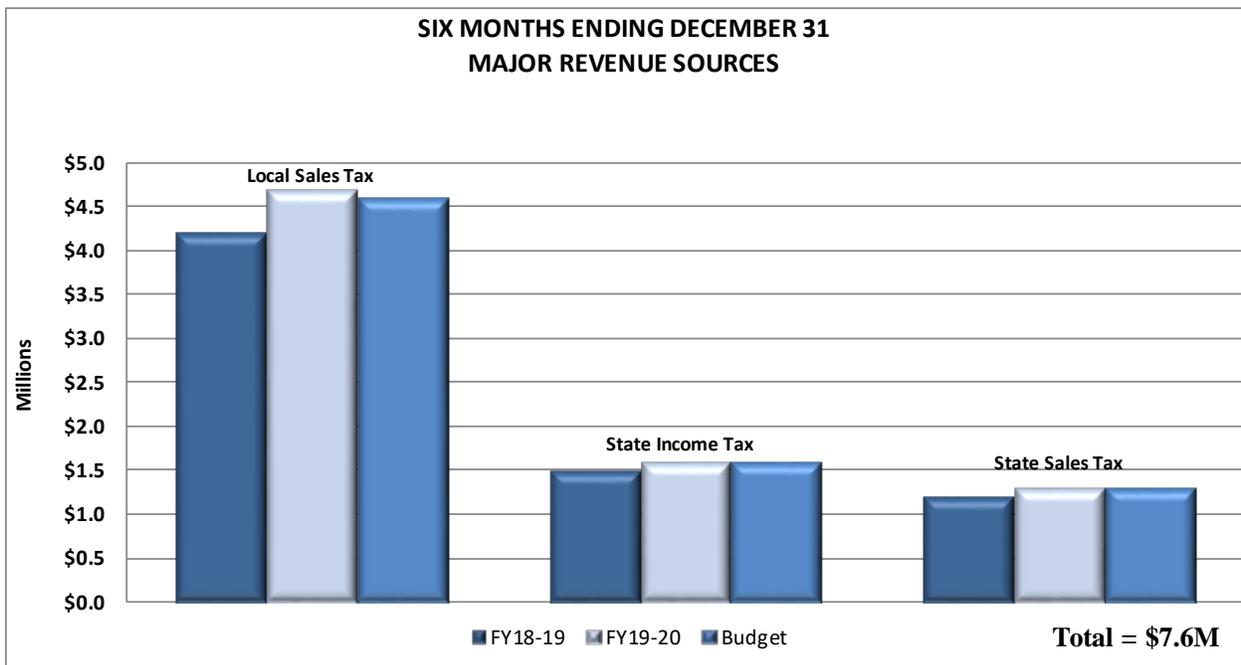




## **Operating Funds Revenue**

For the period ended December 31, 2019, total revenue received in the Operating Funds (General Fund, Public Art Fund, Internal Service Fund, Vehicle Replacement Fund) was 104.1% of budgeted amounts and \$1,138,333 higher than the same time period last fiscal year (an increase of 14.1%). Categories where revenue was higher than the previous year are Local Sales Tax (up 11.4%), State Sales Tax (up 6.8%), State Income Tax (up 8.5%) as well as Investment Earnings (up 6.6%). Total revenue collected by the Operating Funds for the period was \$9,185,629.

<b>Current Year Revenues - Period Ended December 31 - All Funds</b>				
<b>FUND</b>	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Operating Funds	\$ 8,047,296	\$ 9,185,629	\$ 8,826,127	104.1%



The three major revenues in the chart above represent 82.4% 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 (11.4% 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 6.8% higher, and State income taxes are 8.5% higher than last year. Overall, these major revenue sources are at 101.1% of the budget for the period.



**State Shared Revenues**

State Shared Revenues include a distribution of the State income tax, State sales tax, and vehicle license tax 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 \$3,043,151, which is \$368,838 or 13.8% 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>Operating Funds Revenue Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
State Sales Tax	1,185,824	1,266,996	1,291,689	98.1%
State Income Tax	1,488,489	1,615,590	1,626,875	99.3%
Vehicle License Tax	-	160,565	168,375	95.4%

**Local Sales Tax (2.9%) – All Funds**

The Local Sales Tax rate increased by 0.3% effective November 1, 2019. The fiscal year-to-date revenue for this category totals \$5,829,242 (including all funds), which is 112.8% of projections. Compared to the same time period as last year, the total revenues (all funds) are 8.5% higher.

Wholesale/Retail: A retail sales tax of 2.9% 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 \$2,827,977, which is 108.7% of projections; compared to last fiscal year, revenues increased by 16.0%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.9% in the Town. The revenues for this category total \$418,147, which is 97.9% of projections; compared to last fiscal year, revenues are up by 13.3%.

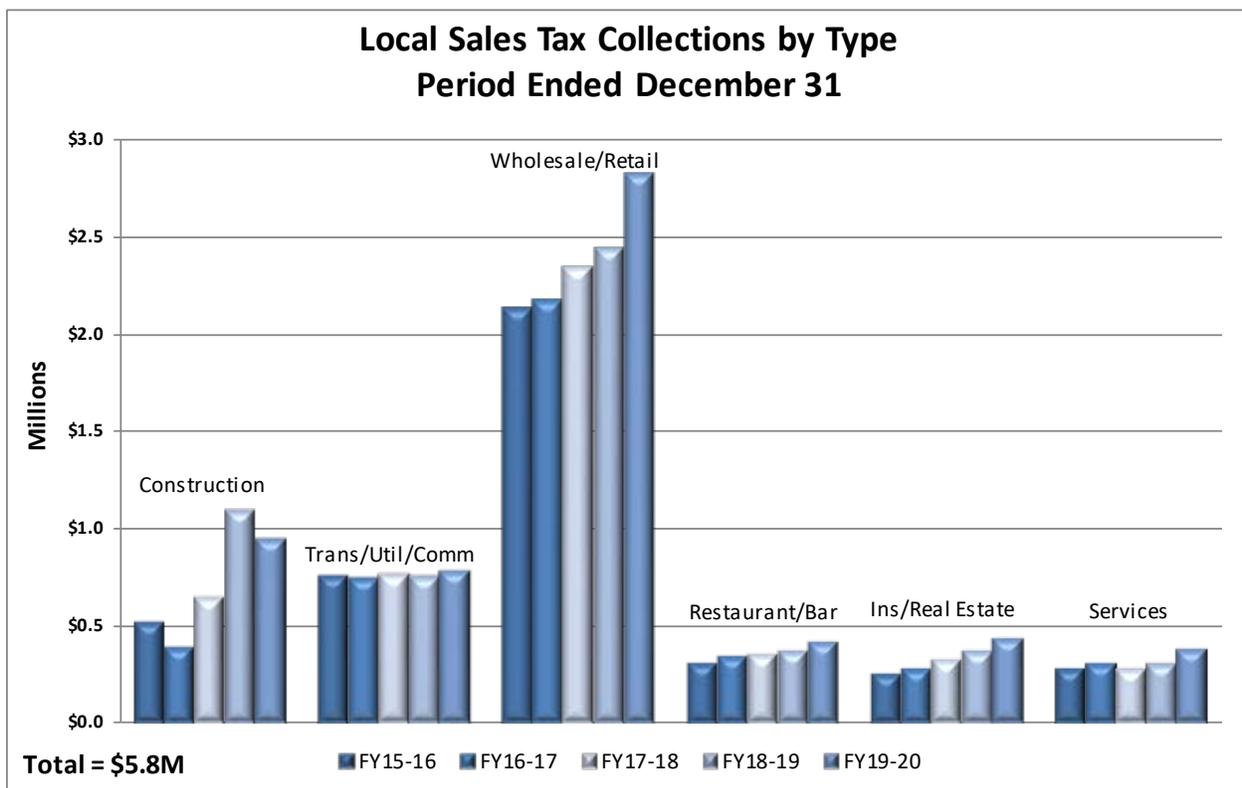
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.9% in the Town as well as cellular phone charges. The revenues for this category total \$784,443, which is 130.6% of what was anticipated; compared to last fiscal year, revenues are up by 3.9%.

Construction Contracting: This revenue is generated from the 2.9% tax on new home and business construction as well as improvements to real property. Like retail sales tax, this revenue source is



considered 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 \$946,790, which is 157.3% of what was budgeted; compared to last fiscal year, revenues are down 13.4%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Period Ended December 31 - Local Sales Tax Revenues				
CATEGORY	YTD FY18-19	YTD FY19-20	YTD Budget	% YTD Budget
Construction	\$ 1,092,801	\$ 946,790	\$ 601,875	157.3%
Transportation/Utilities	\$ 755,090	\$ 784,443	600,752	130.6%
Wholesale/Retail	\$ 2,437,428	\$ 2,827,977	2,602,225	108.7%
Restaurant/Bars	\$ 369,095	\$ 418,147	427,160	97.9%
Real Estate	\$ 372,504	\$ 432,924	307,161	140.9%
Services	\$ 308,534	\$ 384,984	469,058	82.1%
Misc.	\$ 36,020	\$ 33,977	159,800	21.3%
<b>Grand Total All Funds</b>	<b>\$ 5,371,472</b>	<b>\$ 5,829,242</b>	<b>\$ 5,168,031</b>	<b>112.8%</b>



Local sales tax makes up 51.0% of Operating Fund revenues; for the period ended December 31, 2019, collections were \$5.8M for all funds (\$4.7M in the Operating Fund). Retail and restaurant/bar activities represent 55.7% of total collections; telecommunications and utilities represent another 13.5%; and construction revenues contribute 16.2% of the total collected.



**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 \$91,109 or 75.7% of the YTD budget. New housing permits issued for the fiscal period are 12 single family, 15 multi-family and zero commercial permits.

<b>Operating Funds Revenue Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Building Permit Fees	\$ 138,893	\$ 91,109	\$ 120,294	75.7%

**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 \$135,010, which is \$77,071 (133.0%) more than last year’s same fiscal period and 150.8% of the budgeted amount.

<b>Operating Funds Revenue Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Court Fines & Fees	57,939	135,010	89,500	150.8%

**License Revenue**

Revenues in this category are composed primarily of business licenses. Current fiscal revenues for this category total \$62,742 or 88.6% of the fiscal period budget.

<b>Operating Funds Revenue Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Business License Fees	61,838	62,742	70,848	88.6%



## **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, 94.1% of the YTD budget was expended.

<b>Expenditures by Category - Period Ended March 31 - Operating Funds</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>Period Budget</b>	<b>% Period Budget</b>
Wages and Benefits	\$ 2,796,782	\$ 3,151,656	\$ 3,179,009	99.0%
Supplies and Services	419,655	461,688	\$ 515,812	90.0%
Contractual Services	6,961,383	7,528,671	\$ 7,913,401	95.0%
Maintenance/Utilities	575,661	640,391	\$ 818,435	78.0%
Capital Expenditures	2,095	311,915	\$ 698,362	45.0%
Internal Transfers/Contingency	239,552	247,160	\$ 383,921	64.0%
<b>Grand Total all Categories</b>	<b>\$ 10,995,128</b>	<b>\$ 12,341,481</b>	<b>13,508,940</b>	<b>91.0%</b>

- Wages and benefits represent 23.9% of the total Operating Funds 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 Funds.
- Supplies and Services represents 4.2% of the total Operating Funds budget and includes items such as facility maintenance, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 61.5% of the Operating Funds 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 5.0% of the total expenditures.
- Internal Transfers are charged to the Operating Funds budget by department and transferred to provide monies for future scheduled replacement of vehicles and equipment. Other transfers are made at the end of the fiscal year from the Operating Funds to the Debt Service Fund for annual bond payment due in June, as well as contingency and other minor expenditures, are also included.



## Department Summary

Operating Funds Expenditure Report - Period Ended December 31				
	YTD FY18-19	YTD FY19-20	YTD Budget	% YTD Budget
Mayor & Council	\$ 37,655	\$ 35,745	\$ 49,272	72.5%
Administration	1,098,589	1,059,880	986,092	107.5%
General Government	180,300	467,796	574,885	81.4%
Municipal Court	155,485	171,455	198,639	86.3%
Public Works	411,957	549,093	720,338	76.2%
Development Services	376,839	389,659	550,145	70.8%
Community Services	1,078,781	1,265,318	1,406,981	89.9%
Fire & Emergency Medical	2,039,610	2,065,203	2,010,650	102.7%
Law Enforcement	2,072,719	2,363,399	2,392,960	98.8%
Grand Total	\$ 7,451,935	\$ 8,367,548	\$ 8,889,962	94.1%

- The Mayor & Council budget represents a total 0.4% of the Operating Funds expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Economic Development, Information Technology and Customer Service and represents 12.7% 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.
- General Government includes costs that are common to the Town as a whole. It represents 5.6% of the Operating Funds 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 2.0% of the Operating Funds budget.
- Public Works, representing 6.6% of Operating Funds 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 4.7% of Operating Funds 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 15.1% of Operating Funds expenditures, includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), volunteer program, 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 24.7% of the Operating Funds 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 28.2% of the Operating Funds 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)**

<b>Streets Fund Revenue Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Sales Tax	\$ 362,300	\$ 413,190	\$ 398,031	103.8%
State Shared Revenues	1,282,734	1,348,100	1,309,998	102.9%
In Lieu Fees	-	-	50,000	0.0%
Miscellaneous & Other	15,038	38,744	13,700	282.8%
<b>Grand Total HURF</b>	<b>\$ 1,660,072</b>	<b>\$ 1,800,034</b>	<b>\$ 1,771,729</b>	<b>101.6%</b>

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 (45.8%), 70% of Vehicle License Taxes (29.1%), and from a portion of the dedicated sales tax (23.0%). 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>Streets Fund Expenditure Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Administration	\$ 236,162	\$ 269,154	\$ 264,679	101.7%
Open Space	146,700	154,158	\$ 204,717	75.3%
Pavement Maintenance	114,089	221,404	\$ 2,016,926	11.0%
Street Signs	31,243	53,454	\$ 76,610	69.8%
Traffic Signals	-	-	\$ -	0.0%
Vehicle Maintenance	20,698	28,611	\$ 34,098	83.9%
<b>Grand Total Streets Fund</b>	<b>\$ 548,892</b>	<b>\$ 726,781</b>	<b>\$ 2,597,030</b>	<b>28.0%</b>

- The Administration program for the Streets division includes activities that are not directly related to a program, for example, legal costs, insurance, fuel, and utilities.
- 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.
- 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 Revenue Report - All Funds - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Revenues	\$ 274,230	\$ 299,084	\$ 250,759	119.3%
Grand Total Excise Tax Funds	\$ 274,230	\$ 299,084	\$ 250,759	119.3%

These funds are separate Funds from the Town’s Operating Funds, 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 (0.1% of the 2.9%). 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 Expenditure Report - Period Ended December 31</b>				
	<b>YTD FY18-19</b>	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Wages and Benefits	\$ 117,439	\$ 141,841	\$ 161,448	87.9%
Supplies and Services	14,050	23,802	18,393	129.4%
Contractual Services	102,680	91,724	110,569	83.0%
Maintenance/Utilities	1,371	257	240	107.1%
Internal Transfers	992	860	842	102.1%
Grand Total all Categories	\$ 236,532	\$ 258,484	\$ 291,492	88.7%

- Wages and benefits, which represent 54.9% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 9.2% 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 35.5% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (0.1% 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 twenty-seven (27) permit applications including development fees.

<b>Development Fees Revenue Report - Period Ended December 31</b>				
	<b>FY18-19 Actual</b>	<b>FY19-20 Actual</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Fire/Emergency	17,760	11,503	16,862	68.2%
Parks/Rec	66,458	44,621	68,751	64.9%
Open Space	2,053	-	-	0.0%
<b>Grand Total All Funds</b>	<b>\$ 86,271</b>	<b>\$ 56,124</b>	<b>\$ 85,613</b>	<b>65.6%</b>

<b>Development Fees Expenditure Report - Period Ended December 31</b>				
	<b>FY18-19 Actual</b>	<b>FY19-20 Actual</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Fire/Emergency	831	1,723	4,750	36.3%
Parks/Rec	3,602	7,471	20,250	36.9%
Open Space	68	-	-	0.0%
<b>Grand Total All Funds</b>	<b>\$ 4,501</b>	<b>\$ 9,194</b>	<b>\$ 25,000</b>	<b>36.8%</b>



## **Capital Projects Fund**

Capital projects are funded with accumulated reserves that were surplus revenues in the Operating Funds 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 December 31, 2019.

<b>Capital Projects Fund Revenue Report - Period Ended December 31</b>			
	<b>YTD FY19-20</b>	<b>YTD Budget</b>	<b>% YTD Budget</b>
Construction Sales Tax	\$ 473,395	\$ 320,147	147.9%
Grants	15,000	\$ 45,000	33.3%
Misc.	4,000	\$ -	0.0%
Interest Income	64,384	\$ 7,212	892.7%
<b>Grand Total Capital Projects</b>	<b>\$ 556,779</b>	<b>\$ 372,359</b>	<b>149.5%</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>Capital Projects Fund Expenditure Report - Period Ended December 31</b>			
	<b>YTD FY19-20</b>	<b>% YTD Budget</b>	<b>YTD Budget</b>
D6047 MISC DRAINAGE IMPROVEMEN	\$ 1,005	2.0%	\$ 50,000
D6055 DRAINAGE-CIVIC CENTER IM	\$ -	0.0%	\$ 50,000
D6056 DRAINAGE-EAGLE MOUNTAIN	\$ 1,050	1.4%	\$ 75,000
D6057 DRAINAGE-GE IMPOUNDMENT	\$ 21,314	4.3%	\$ 500,000
F4029 CIVIC CENTER IMPROVEMENT	\$ -	0.0%	\$ 150,000
F4033 STREET YARD SIGN SHOP BU	\$ -	0.0%	\$ 150,000
F4034 SOLAR POWER GENERATING S	\$ -	0.0%	\$ 50,000
P3033 VIDEO SURVEILLANCE CAMER	\$ -	0.0%	\$ 50,000
P3035 FOUR PEAKS PARK PLAYGROU	\$ 89,577	26.7%	\$ 335,000
S6003 UNPAVED ALLEY PAVING PRO	\$ 6,050	2.4%	\$ 255,000
S6015 FOUNTAIN HILLS BLVD WIDE	\$ -	0.0%	\$ 100,000
S6051 AOTF/LA MONTANA IMPROVEM	\$ 40,690	6.8%	\$ 600,000
S6053 FOUNTAIN HILLS BLVD SHOU	\$ 30,422	79.3%	\$ 38,378
S6058 SHEA BLVD WIDENING	\$ -	0.0%	\$ 130,000
S6061 SIDEWALK COMPLETION PROG	\$ -	0.0%	\$ 200,000
S6062 AOTF/VERDE RIVER INTERSE	\$ 4,481	1.3%	\$ 350,000
CONTINGENCY	10,086	1.1%	935,816
<b>Grand Total Capital Projects</b>	<b>\$ 204,675</b>	<b>5.1%</b>	<b>\$ 4,019,194</b>



## Fund Balances/Reserves

The Town maintains several funds, some of which are restricted for specific purposes. The Operating Funds are the Town's main operating funds and have 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) December 31, 2019

<b>Operating Funds</b>			
	Rainy Day Fund	\$	3,086,699
	General Fund		2,862,703
	Public Art Fund		127,390
	Vehicle Replacement Fund		1,311,448
		\$	<b>7,388,240</b>
	<b>Streets (HURF)</b>		3,791,096
			<b>3,791,096</b>
<b>Special Revenue Funds</b>			
	Special Revenue Fund		-
	Court Enhancement Fund		388,664
	Environmental Fund		865,446
	Cottonwoods Maintenance District Fund		21,787
			<b>1,275,897</b>
<b>Excise Tax Funds</b>			
	Downtown Strategy Fund		1,034,751
	Economic Development Fund		2,309
	Tourism Fund		109,889
			<b>1,146,949</b>
<b>Debt Service</b>			
	General Obligation Debt Service Fund		1,157,074
	Eagle Mountain CFD Debt Service Fund		289,652
	MPC Debt Service Fund		312,716
			<b>1,759,442</b>
<b>Capital Projects</b>			
	Capital Projects Fund		4,527,881
	Facilities Replacement Fund		1,998,876
			<b>6,526,757</b>
<b>Development Fees</b>			
	Fire & Emergency		283,915
	Parks & Recreation		753,729
			<b>1,037,644</b>
	<b>Grand Total</b>	\$	<b><u>22,926,025</u></b>