



Town of Fountain Hills, AZ

FY15-16 PROPOSED BUDGET IN BRIEF

To frame the many decisions that have laid the foundation for projections contained in the FY15-16 budget, it is necessary to reflect briefly on the past fiscal year. FY14-15 began with an expectation of an economic recovery with a modest increase in revenues—the local economy is showing signs of such a modest recovery this fiscal year. However, FY15-16 and beyond brings new challenges with a shift in priorities; the Town Council has established the management of the Town’s infrastructure (streets) on a priority level with public safety in FY13-14. Unfortunately, the economic recovery has slowed the Town’s ability to provide an asphalt replacement/maintenance schedule as desired.



In order to balance the budget, not only for the upcoming fiscal year but for the foreseeable future, the Town Manager, Council and staff are working together to develop a sustainable plan that incorporates the citizens’ strategic plan and the Council goals.

One new fund was created for FY15-16, the Environmental Fund. This new fund will be used to help offset the costs of stormwater management and air quality permit requirements as well as other environmental programs. These items include, but are not limited to, permit fees, wash maintenance, ADWR dam inspections and maintenance, street sweeping, storm drain cleaning and household hazardous waste disposal.

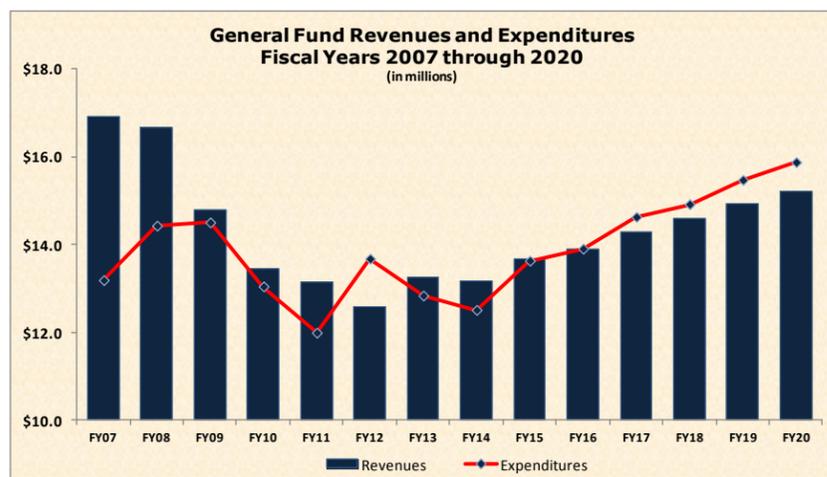
MISSION STATEMENT

The Town of Fountain Hills’ purpose is to serve the best interests of the community by:

providing for its safety and well-being; respecting its special, small-town character and quality of life; providing superior public services;

sustaining the public trust through open and responsive government; and maintaining the stewardship and preservation of its financial and natural resources.

To serve and respect, and provide trust and stewardship.

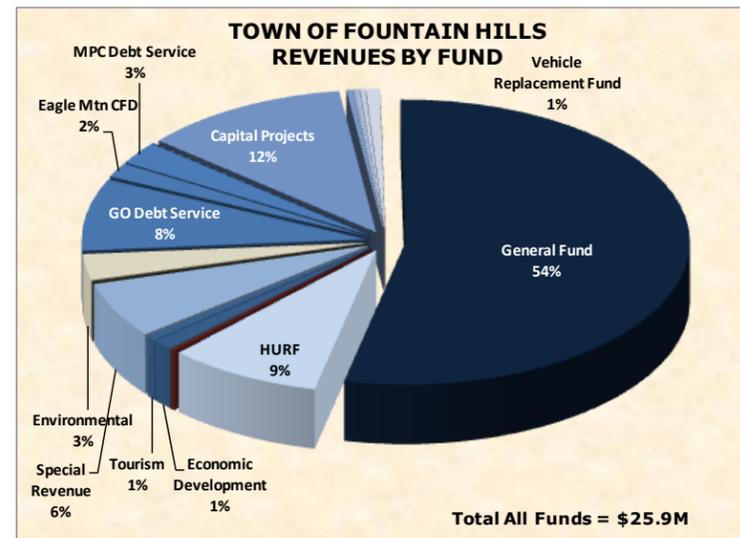


In the right direction but far to go....



The height of desert living.

TOWN-WIDE REVENUE SOURCES



Total revenues for all funds are estimated at \$25.9M. Two major projects currently in progress, will be carried forward into this year—the reconstruction of Saguaro Boulevard through \$8.2M voter-approved bonds and the Shea Boulevard widening project, mostly funded by MAG grant money.

The General Fund portion represents approximately 54% of the total resources and is the main operating fund for the government. The Streets fund represents 9% while the excise tax funds represent only 2% of the total. Special Revenue (grants) and debt service represents the remaining percent.

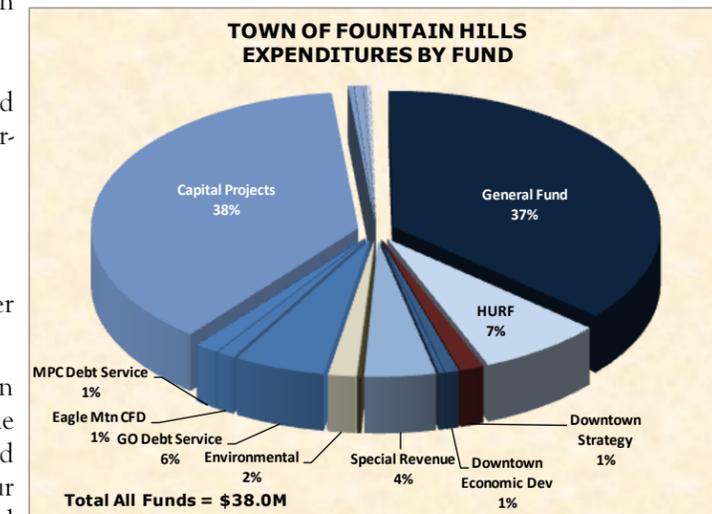
Developing the proposed budget, therefore, required making choices to achieve a budget that balances the available resources with the Council goals, while maintaining a level of service to support a high quality of life in Fountain Hills.

Long-Term Concerns and Issues

The primary long-term issues that the Town of Fountain Hills is facing are:

- Aging infrastructure
- Decreased proportionate share of State Shared revenues due to increased population of surrounding communities
- Lack of sustainable or diversified revenue base
- Dependence upon State Shared revenues
- Business attraction and retention
- Implementation of a Downtown Vision Master Plan

TOWN-WIDE EXPENDITURE USES



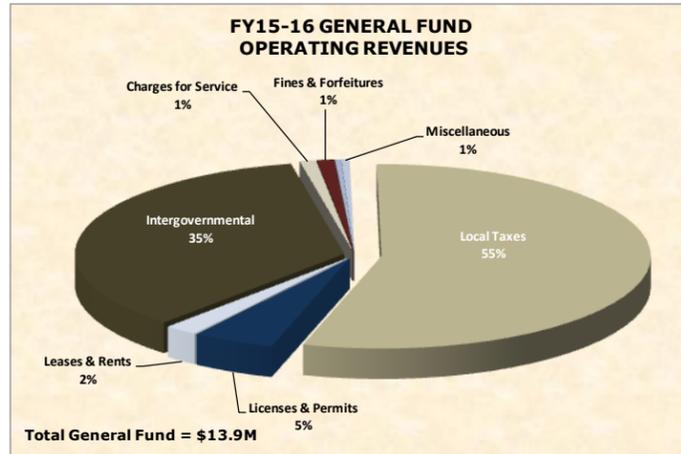
Strategic Plan 2010 honors and continues the Fountain Hills tradition of citizen-driven planning. Some of the goals will span decades, so it is essential that the updated Plan provides both long-range direction to achieve our vision yet have the flexibility to implement the latest and best technologies and strategies as opportunities arise.

Based on citizen input, the Strategic Plan is designed to guide our future decisions grounded on these common values:

- Civility
- Civic Responsibility
- Environmental Stewardship
- Education, Learning and Culture
- Economic Vitality
- Maintain and Improve Community Infrastructure
- Recreational Opportunities and Amenities
- Public Safety, Health and Welfare



The height of desert living.

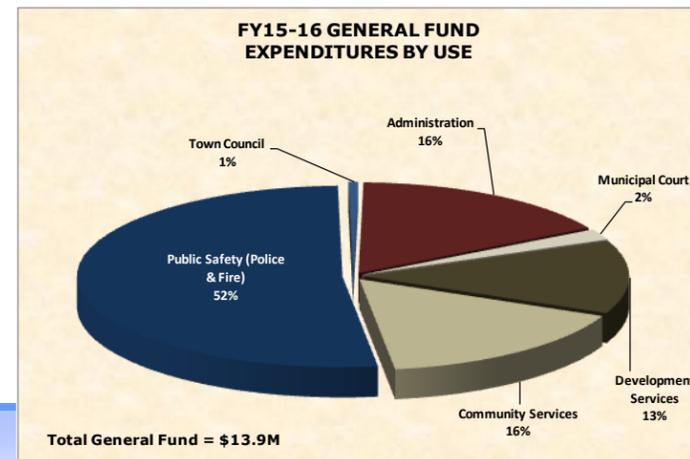


The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Revenues from the local sales taxes and State Shared revenues provide the major resources to fund programs and services delivered by the Town—88%. The remainder is derived from permits, licenses, fees and charges for services at 12%.

In FY13-14, the Town allocated Vehicle License Tax (a shared revenue) to the Highway User Revenue Fund for pavement management—a reduction in the General Fund. This transfer of revenue will continue in FY15-16 with the estimated budgeted revenue of \$888,000.

General Fund pays for:

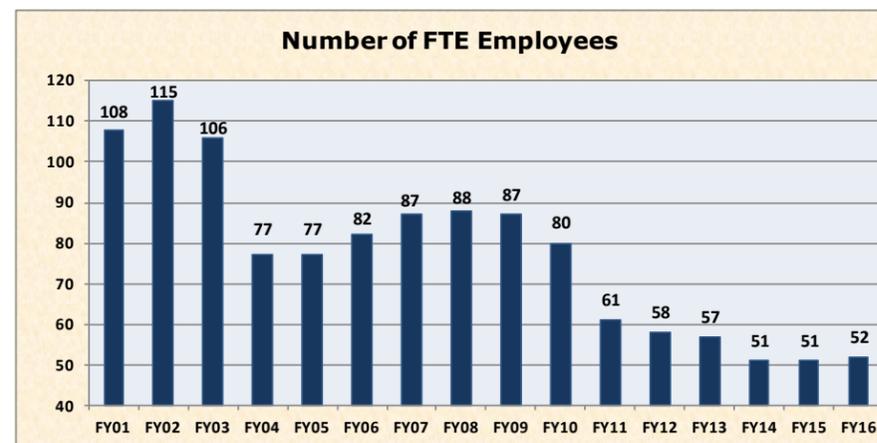
- Public Safety—Police and Fire \$7.2M
- Parks, Recreation, Community Center, Seniors \$2.2M
- Public Works, Planning, Building Safety Administration, Town Council, Economic Development \$1.8M
- Municipal Court \$0.3M



"Be the change that you wish to see in the world."
Mahatma Gandhi



Delivery of service to the citizens of Fountain Hills is dependent upon the number of employees who can perform the service.



The shortfall in the Town's General Fund, as the main operating fund, is projected to increase over the next five years with no plans for new revenue sources. An annexed parcel of 1,300 acres was previously projected to begin development in FY13-14; however, there have been no indications that the project is moving forward in the near future. The Town has not included any significant revenue from any new major developments within the next five years; new expenditure proposals must consider where the resources to pay for the program will come from. If there is no new development over the next few years, the expenditures will outpace the revenues and the citizens will be making some tough choices about levels of service in Fountain Hills.

A Look into the Future...

| YEAR (July to June) | STATE SHARED REVENUES | LOCAL REVENUES | TOTAL GF EXPEND. | SURPLUS/ (SHORTFALL) |
|---------------------|-----------------------|----------------|------------------|----------------------|
| 2015-16 | 4,892,167 | 9,011,299 | 13,903,466 | - |
| 2016-17 | 5,011,855 | 9,267,883 | 14,675,915 | (396,177) |
| 2017-18 | 5,134,593 | 9,465,379 | 14,966,352 | (366,380) |
| 2018-19 | 5,260,460 | 9,660,311 | 15,522,112 | (601,341) |
| 2019-20 | 5,389,540 | 9,837,605 | 15,927,799 | (700,654) |

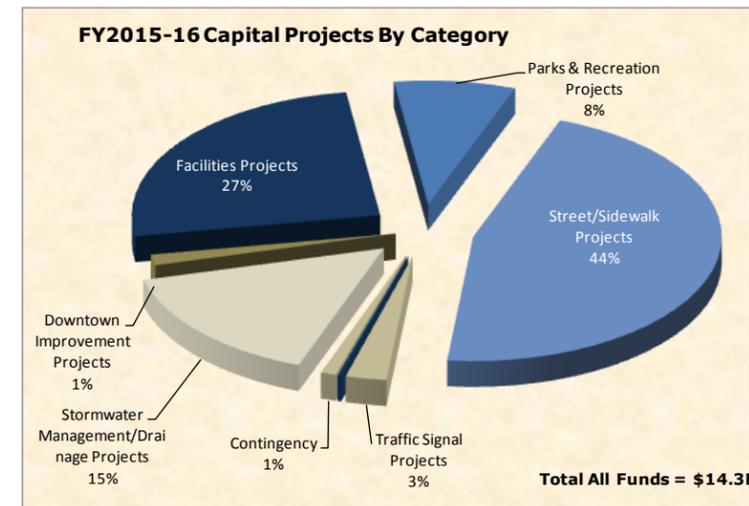
*Shortfall is an estimate, based on projected one time building activity that may not be realized; Expenditure increases are estimated at 2.5% per year except public safety contracts which may be higher.

Capital Projects proposed for FY15-16 ... and how they will be paid for ...

Capital projects are funded with bond proceeds (if approved by voters), grant funds or use of fund reserves. The Town has \$12.7M in reserves in the Capital Improvement Projects (CIP) Fund that accumulated when the economy was booming from construction sales tax and General Fund surpluses. Construction sales tax is a one time revenue that should be used for one time expenditures; until construction activity resumes, there are limited resources being added to the CIP fund.

Voters approved, in November 2013, \$8.2M in road bonds to reconstruct Saguaro Boulevard. Construction began in early 2015; this project is the first step in a sustainable pavement management cycle. The Town Council has established road maintenance as a priority, second only to public safety, in the upcoming fiscal year and will focus on alternatives to establish a program of sustainable pavement maintenance.

Below is a summary of proposed capital projects for FY15-16 and the funding source.



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