# TOWN OF FOUNTAIN HILLS BUDGET REPORT – APRIL 2010





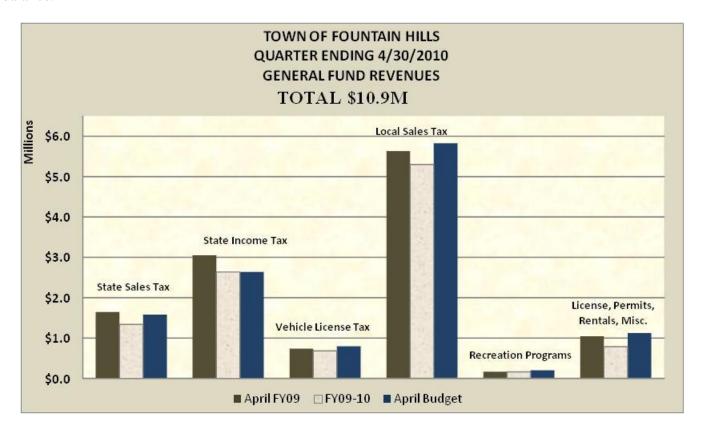
# **General Fund Revenues**

#### **General Fund Revenues**

For the first ten months of Fiscal Year 2009-10, General Fund Revenues are at 89% of budget as summarized below:

	FY2009-10	FY2009-10	YTD to	Revised
	Budget	YTD	Budget	Estimate
General Fund	\$14,696,229	\$10,902,295	75%	\$13,824,554

The five selected key revenues in the table below represent 91% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax, State Sales tax, building permit revenue and vehicle license taxes have been revised downward with only two months remaining in the fiscal year. The total downward adjustment is more than \$871K, which means that expenditures have to be adjusted downward as well. The goal is to end the fiscal year with a positive balance.



#### **State Shared Revenues**

State Shared Revenues represent a distribution of the State income, sales and vehicle licenses 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. Through the ten month period of the fiscal year revenues from these categories total \$2,872,986 which is \$416,386 or 14.5% less than last year's second quarter distribution.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
State Income Tax	\$3,163,367	\$2,635,140	83.3%	\$3,163,367
State Sales Tax	\$1,894,032	\$1,338,264	70.7%	\$1,638,264
Vehicle License Fees	\$953,455	\$680,821	71.4%	\$765,470

#### Local Sales Tax (2.6%)

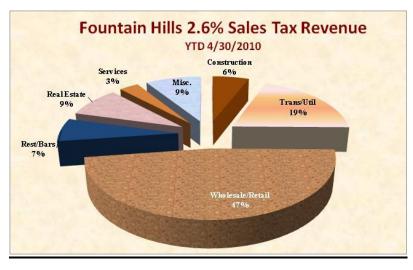
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. Through April of this fiscal year revenues for this category total \$2,982,471, which is \$128,533 or 5% less than the same time period last fiscal year.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. Through April of this fiscal year revenues for this category total \$413,577, which is equal to the same time period last fiscal year.

Communication/Utilities/Transportation: Utilities such as Chaparral City Water and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. Through April of this fiscal year revenues for this category total \$1,215,075, which is \$92,319 or 8.2% more than the same time period last fiscal year.

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. Through April of this fiscal year revenues for this category total \$366,909, which is \$879,826 or 71% less than the same time period last fiscal year (this includes refunds to a developer). 85% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD	Budget	Estimate
Local Sales Tax	\$6,628,911	\$5,064,030	76.4%	\$6,000,000



Local sales tax makes up 47% of General Fund revenues; for the period ending April 30, 2010 collections were \$6.3M for all funds (\$5.1 in the General Fund). Retail and restaurant/bar activities represent 54% of total collections; telecommunications and utilities represent another 19%. Construction revenues collected so far this fiscal year total \$367K, which is 71% less than last fiscal year. Retail sales tax collections decreased by 6% over the same period last year; restaurant/bar collections are at the same level as the same ten month 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. Through April of this fiscal year, revenues for this category total \$136,413 or 41.3% of the annual budget, which is \$128,859 or 51% less than the same time period last fiscal year. Housing starts for the fiscal period (X single family, X multi family and X commercial) remained level with the prior fiscal period with one less commercial permit issued.

	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD	Budget	Estimate
Building Permit Fees	\$330,120	\$136,413	41.3%	\$150,000

#### **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. Through April of this fiscal year, revenues for this category total \$222,453, which is \$36,860 less than last year's same fiscal period.

	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD	Budget	Estimate
Court Fines & Fees	\$239,292	\$222,453	93.0%	\$255,000

#### **License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Through April of this fiscal year, revenues for this category total \$125,701 or 77.5% of the annual budget, which is \$5,000 or 3.8% less than the same time period last fiscal year.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Business License Fees	\$122,715	\$85,769	69.9%	\$100,000
Animal License Fees	\$39,505	\$39,932	101.1%	\$50,000



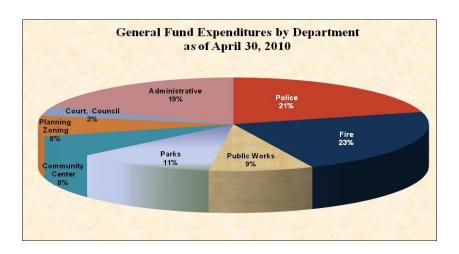
# **General Fund Expenditures**

#### **General Fund Expenditures**

The General Fund accounts for most of the day to day operations of the Town, including Fire Department, Law Enforcement, Public Works, Parks & Recreation, Community Center, Planning and Zoning, Building Safety, Senior Programs, Court, Council and Administrative functions. Through April 91.8% of the revised budget was expended (estimated expenditures was revised downward October 2009 to reflect lower revenues).

Expenditures by	FY2009-10	FY2009-10	YTD to	Year End
Category	Budget	YTD	Annual Budget	Estimate
Salaries & Benefits	\$4.6M	\$3.7M	85.4%	\$4.4M
Contractual Services	\$7.6M	\$6.0M	97.5%	\$7.1M
Services & Supplies	\$1.6M	\$1.0M	63.5%	\$1.2M
Transfers	\$0.7M	\$0.6M	86%	\$0.6M
TOTAL	\$14.4M	\$11.4M	80.0%	\$13.4M

- Salaries and benefits, which represent 32% of the total General Fund operating budget were at 85% of budget. A cumulative savings in personnel costs is estimated at \$150,000 as a result of significant changes in personnel that were made in November and April. The personnel changes were both a result of decreased workload and a restructuring of the organization. Two department directors retired (Public Works and Planning & Zoning); as a result the two departments have now been combined into the Development Services Department and recruitment has begun for a Professional Engineer to head up the new department. Additionally, the Community Center and Parks & Recreation Departments were combined into the Community Services Department under the direction of the Parks & Recreation Director (the Community Center Director position was eliminated).
- Contractual services represent 53% of the General Fund budget and includes 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. The savings projected includes a reduction in the scope for sales tax auditing services, cancellation of the bond election for Saguaro Boulevard and savings on median maintenance.
- Services and Supplies, which represents 9% of the total General Fund operating budget, were at 86% of budget and includes items such as utilities, maintenance and repair, office supplies, insurance, software, etc. The savings projected includes the deferment of any additional software until at least next fiscal year as long as the economy recovers.
- Transfers includes debt service payment for the Community Center that is transferred to the Debt Service Fund for the semi-annual payment and transfers to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and contingency.
- ◆ All of the cuts implemented this year are aimed at bringing into balance the revenues and expenditures with the goal of having a surplus at the end of the fiscal year; indications so far are that there is likely to be a surplus, however, it is not likely to be significant.



#### **Department highlights:**

<b>Expenditures by</b>	FY2009-10	FY2009-10	YTD to	Year End
Department	Budget	YTD	<b>Annual Budget</b>	Estimate
Law Enforcement	\$2.8M	\$2.3M	83%	\$2.8M
Fire & Emergency Medical Services	\$3.1M	\$2.6M	84%	\$3.1M
Public Works	\$1.4M	\$1.0M	72%	\$1.2M
Parks & Recreation	\$1.7M	\$1.3M	48%	\$1.5M
Community Center	\$1.0M	\$0.8M	89%	\$0.9M
Planning & Zoning	\$1.1M	\$0.8M	73%	\$0.9M
Administrative	\$3.5M	\$2.6M	72%	\$3.0M
TOTAL	\$14.4M	\$11.4M	48%	\$13.4M

- Law Enforcement represents 21% of the General Fund operating budget and is at 83% of the budget at the end of April. Law Enforcement also includes costs for jails incarcerate fees, which are costs for holding individuals at the jails and billed by Maricopa County. The Town has a contract with Maricopa County for animal control and shelter services that is included within the Law Enforcement budget. This department is on track to expend 100% of their budget.
- Fire & Emergency Medical Services represents 23% of the General Fund operating budget and is at 84% of the budget at the end of April. In addition to the contract with Rural Metro the department is also responsible for maintenance of the fleet, fire stations and equipment. This department is on track to expend 100% of their budget.
- Public Works includes programs such as engineering associated with traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Savings in this department will be due to reduced level of service in custodial services and general maintenance.
- Parks & Recreation includes Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park as well as 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 is at 89% of the annual budget primarily due to the annual debt service payment (\$387,000) transferred to the Debt Service Fund in July, 2009 to cover the semi-annual payment in December. It is anticipated that this department will be slightly less than available budget by the end of the fiscal year.
- ◆ Planning & Zoning represents 8% of the General Fund operating budget and is at 73% of the budget at the end of April. Programs included in Planning & Zoning are Code Enforcement, Planning, Environmental, Building Safety, and Mapping & Graphics.
- Administrative includes the Town Council, Municipal Court, Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Media Relations, Information Technology and Customer Service and represents 23% of the General Fund operating budget. Savings in this department will include deferral of software enhancement programs, reduced scope of work for sales tax audits, reduction in intergovernmental relations, Community Center marketing, elections and legal fees.

## **Other Funds:**

Streets
Excise Tax (Economic
Development)
Special Revenue (Grants)
Development Fees
Capital Projects



#### Highway User Revenue Fund (HURF) – Streets

	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD*	Annual Budget	Estimate
Revenues	\$1,600,545	\$1,275,514	79.7%	\$1,535,545

This fund supports most of the Town's street and traffic operations and is run by the Public Works Department. The fund is primarily supported by the State Highway User Revenue Fund (93%) and from payments for construction in the rights of way (in lieu payments). 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. Year to date HURF revenues are \$1,275,514, which is 4% lower than the same time period last year.

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$607,151	\$435,859	72%	\$504,000
Contractual Services	\$316,294	\$183,031	62%	\$253,350
Services & Supplies	\$309,300	\$210,706	69%	\$250,000
Transfers	\$367,800	\$368,200	100%	\$368,200
TOTAL	\$1,600,545	\$887,579	56%	\$1,375,550

- Salaries and benefits, which represent 38% of the total HURF operating budget, were at 72% of budget. A savings in personnel costs is estimated at \$24,551 mainly due from changes in personnel (elimination of one Street Maintenance Technician) that were made in November.
- Contractual services represents 20% of the HURF budget and includes contracts for median maintenance, proportionate share of annual audit and attorney costs as well as engineering costs for capital projects. The Town utilizes contracts for specialized or one-time services that do not require the addition of full time staff. In addition to vacancy savings there are unencumbered funds for pavement management that will be carried forward to next fiscal year (approximately \$150K).
- Services and Supplies, which represents 20% of the total HURF operating budget, were at 69% of budget and includes items such as utilities, road and equipment maintenance and repair, office supplies, insurance, etc.
- Transfers includes debt service payment for road bonds that is transferred to the Debt Service Fund for the semi-annual payment, transfers to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and transfers to the Capital Projects Fund for major road projects.

#### **Excise Tax Fund – Economic Development**

	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD*	Annual Budget	Estimate
Revenues	\$295,859	\$237,624	80%	\$287,000

This is a separate operating fund from the General Fund and supports the Town's downtown economic development and business retention programs. This fund is supported by a portion of the local sales (excise) tax (.1% of the 2.6%).

Expenditures by	FY2009-10	FY2009-10	YTD to	Year End
Category	Budget	YTD*	Annual Budget	Estimate
Salaries & Benefits	\$45,739	\$40,553	89%	\$45,739
Contractual Services	\$79,035	\$42,975	55%	\$50,000
Services & Supplies	\$7,901	\$5,653	72%	\$6,000
Transfers	\$250,000	\$0	0%	\$15,000
TOTAL	\$382,675	\$89,181	24%	\$116,739

- Salaries and benefits, which represent 7% of the total Economic Development operating budget, are at 89% of budget. A percentage of the Economic Development Administrator's salary and benefits are allocated to this fund; the remainder is paid through the General Fund.
- Contractual services represent 21% of the budget and include contracts for downtown holiday lighting, marketing, town center advertising and trade analysis for potential economic development opportunities.
- Services and Supplies, which represents 2% of the total operating budget, are at 72% of budget and include items such as training, publications, and office supplies.
- Transfers included a transfer to the Capital Projects Fund for a project committed through a development agreement that has since expired. The Council approved an expenditure of \$15,000 from this transfer to contribute to the Greening of the Downtown project.

#### **Development Fees**

Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Law Enforcement	\$13,767	\$7,779	56%	\$8,000
Fire & Emergency	\$3,153	\$1,779	56%	\$2,000
Streets	\$74,316	\$18,658	25%	\$20,000
Parks & Recreation	\$14,664	\$18,859	129%	\$20,000
Open Space	\$9,390	\$9,266	99%	\$9,390
Library & Museum	\$1,740	\$2,910	167%	\$3,000
General Government	\$28,440	\$14,450	51%	\$15,000
TOTAL	\$145,470	\$73,703	51%	\$77,390

This is a restricted fund with revenues paid by developers at the time of new residential and commercial construction permits. The lack of permit activity results in less development fees collected. Each category had an incurred expenditure due to additional work requested for the development fee analysis.

Expenditures by	FY2009-10	FY2009-10	YTD to	Year End
Category	Budget	YTD*	Annual Budget	Estimate
Law Enforcement	\$0	\$384	%	\$384
Fire & Emergency	\$0	\$85	%	\$85
Streets (transfer to CIP)	\$142,400	\$143,466	101%	\$143,466
Parks & Recreation	\$0	\$1,151	%	\$1,151
Open Space	\$0	\$682	%	\$682
Library & Museum	\$0	\$128	%	\$128
General Government	\$0	\$767	%	\$767
TOTAL	\$142,400	\$146,663	101%	\$146,663

## **Capital Projects**

Revenue	FY2009-10	FY2009-10	YTD to	Year End
	Budget	YTD*	Annual Budget	Estimate
Construction Sales Tax	\$510,000	\$311,872	62%	\$510,000
Stimulus Funding	\$2,537,717	\$0	0%	\$0
Bond Proceeds	\$4,500,000	\$0	0%	\$0
Transfers	\$2,981,190	\$322,190	11%	\$322,190
TOTAL	\$10,528,907	\$634,062	6%	\$832,160

Expenditures	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Downtown Improvements	\$250,000	\$15,000	6%	\$15,000
Street Projects	\$10,177,221	\$445,173	5%	\$675,000
Traffic Signals	\$142,400	\$129,531	100%	\$130,000
Drainage	\$86,000	\$37	0%	\$86,000
General Government	\$100,000	\$16,292	16%	\$16,300
Fire & Emergency	\$1,536,103	\$145,849	10%	\$145,850
Contingency	\$433,710	\$255,269	59%	\$255,269
TOTAL	\$12,725,434	\$1,007,152	8%	\$1,323,419

#### Fund Balance as of April 30, 2010

The Town has adopted financial policies that establish a level of reserves (fund balance) that provide future financial stability for the Town. The policy requires that the Town set aside designated unreserved funds of a minimum 10% of average revenues, reserved funds of 20% of average revenues and a Rainy Day Fund of \$1.3M. The reserved funds are not available for appropriation. When reserves exceed policy requirements the surplus is transferred at year-end to the Capital Projects Fund for future appropriation.

The following table is a summary by fund of all fund balances as of April 30, 2010; each fund should be viewed individually and balances cannot be transferred between the funds. The fund balances will change each month as revenues and expenditures are recorded.

Fund Balances			
as of 4/30/2010			
General Fund	\$6,183,569		
HURF	\$247,298		
Special Revenue Funds	\$259,730		
Economic Dev/Downtown Fund	\$1,665,509		
Public Art	\$1,694		
Development Fees:			
Law Enforcement	\$194,317		
Fire & Emergency	\$38,093		
Streets	(\$158,105)		
Parks & Recreation	(\$12,871)		
Open Space	\$1,638,227		
Library/Museum	\$39,502		
General Government	\$513,295		
Debt Service	\$3,798,192		
Capital Projects	\$10,254,925		
Vehicle Replacement Fund	\$482,938		
Total	\$25,146,313		