

**TOWN OF FOUNTAIN HILLS**  
**BUDGET REPORT – DECEMBER 2011**





## **General Fund Revenues**

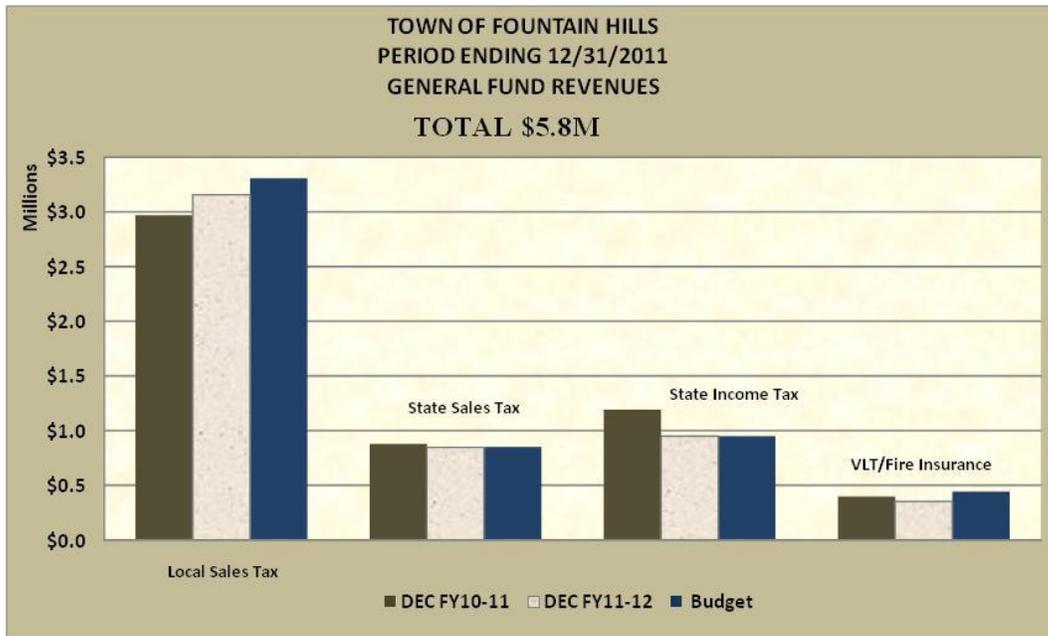
## General Fund Revenues

For the fiscal period ending December 31, 2011 (six months), revenue receipts are at 92.7% of projections, which is consistent with the same time period in prior years (January through March revenues are expected to bring revenues in line with budget). There are no indications that any of the General Fund revenue line items will vary significantly from budget projections by the end of this fiscal year.

General Fund Revenues were at 92.7% of budget as summarized below:

	FY2011-12 Six Month Budget	FY2011-12 Six Month Actual	YTD to Budget	Annual Estimate
General Fund	\$6,312,240	\$5,854,692	92.7%	\$12,624,479

The four revenues in the chart below represent 91% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Unlike the previous six months local sales tax collections have pulled back on signs of economic recovery with less than a 1% increase over the same period last year (excluding construction activity). State sales taxes are slightly less than last year with a decrease of only 3.8%. Building permit revenues are 48.5% of projections, vehicle license taxes lag about 10% compared to last year, and are 4% less than budgeted; this revenue source is derived from vehicle registrations. Overall, General Fund revenues are at 92.7% of the six month budget.



## **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. The six month revenues from these categories total \$2,147,453 which is \$321,545 or 13% less than last year's distribution - this was anticipated with the decrease in income tax revenue.

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
State Income Tax	\$949,080	\$949,005	100%	\$1,898,160
State Sales Tax	\$850,740	\$846,194	99.5%	\$1,701,480
Vehicle License Fees	\$379,200	\$352,254	89.2%	\$758,400

## **Local Sales Tax (2.6%)**

The six month revenue for this category total \$3,695,798, which is 98.1% of projections for this time period. Compared to the same time period as last year the total revenues are just 1.0% higher.

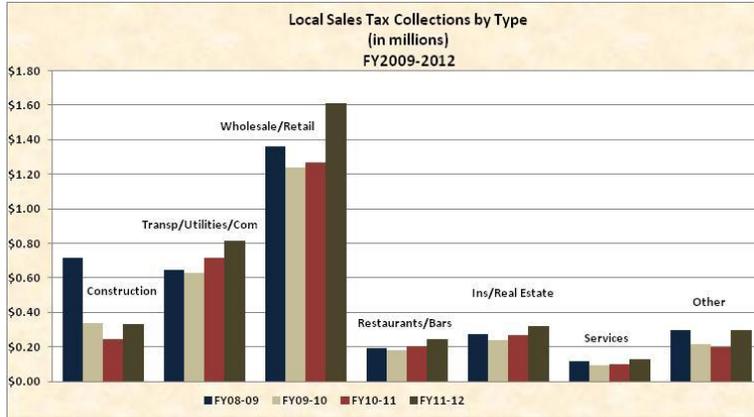
**Retail:** A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The six month revenues for this category total \$1,591,422 which is 85.9% of projections.

**Restaurants/Bars:** Food and liquor sales are taxed at a rate of 2.6% in the Town. The six month revenues for this category total \$249,660, which is 94.1% of projections.

**Communication/Utilities/Transportation:** Utilities such as Chaparral City Water, cellular telephone companies and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. For the six months revenues for this category total \$803,793, which is 108.8% of what was anticipated.

**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 six month revenues for this category total \$320,037, which is 367.5% of what was budgeted; 50% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Local Sales Tax	\$3,768,314	\$3,156,137	98.1%	\$6,611,688



Local sales tax makes up 53.9% of General Fund revenues; for the six months ending December 31, 2011 collections were \$3.7M for all funds (\$2.5M in the General Fund). Retail and restaurant/bar activities represent 49.9% of total collections; telecommunications and utilities represent another 21.7%. Construction revenues collected this fiscal year total \$334K, which is a 9% increase over last fiscal year. Retail sales tax collections increased by 0.3% over the same period last year; restaurant/bar collections are up 1.2% from 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 \$96,682 or 97% of the six month budget. Housing starts for the fiscal period are 0 single family, 0 multi family and 0 commercial. Plan review fees have been submitted by the Ellman Group for the grading, paving and landscape preservation associated with the relocation of Fountain Hills Blvd. and future park area within the former State Trust Land area.

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Building Permit Fees	\$99,648	\$96,683	97.0%	\$99,648

### **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 \$105,150, which is \$11,400 (12.2%) more than last year's same fiscal period.

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Court Fines & Fees	\$130,080	\$105,150	80.8%	\$260,160

## **License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current six month revenues for these two categories total \$70,401 or 88% of the fiscal period budget. While business license renewals and new applications are down slightly, a major portion of those licenses renew in January and February; the number of animal licenses has remained the same as last year.

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Business License Fees	\$56,772	\$49,053	86.4%	\$113,544
Animal License Fees	\$23,448	\$21,348	91%	\$46,896



## **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, Development Services, Community Services, Court, Council and Administrative functions. At the end of the six month fiscal period 96% of the six month budget has been expended.

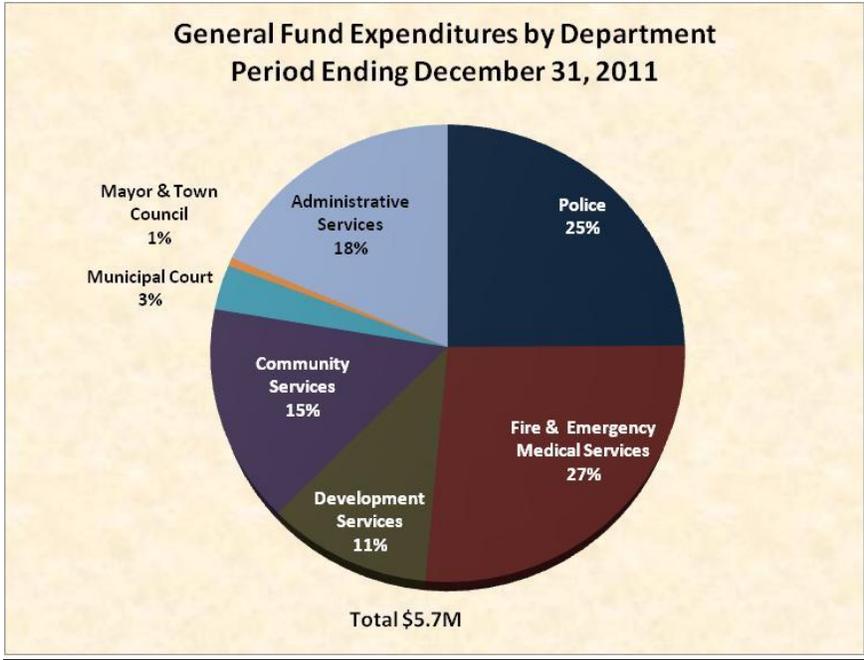
<b>FY2011-12 Expenditures by Category - General Fund</b>				
	<b>Six Months Budget</b>	<b>Six Months Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Salaries and Benefits	\$1,730,642	\$1,494,267	\$2,019,082	\$3,461,283
Supplies and Services	\$703,511	\$615,371	\$820,763	\$1,407,022
Contractual Services	\$3,634,726	\$3,514,488	\$4,240,513	\$7,269,452
Internal Services	\$103,140	\$10,327	\$120,330	\$206,279
Other	\$126,058	\$55,140	\$164,275	\$252,115
<b>Grand Total all Funds</b>	<b>\$6,298,076</b>	<b>\$5,689,594</b>	<b>\$7,364,963</b>	<b>\$12,596,151</b>

- ◆ Salaries and benefits represent slightly more than one fourth (26%) of the total General Fund operating budget. With the departure of the former Town Manager there is an accumulated vacancy savings that may carry forward through the rest of the fiscal year depending upon the start date of the new manager.
- ◆ Contractual services represents 62% 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.
- ◆ Maintenance/Repair represents 2% of the total General Fund operating budget and includes such items as maintenance of Town owned buildings and equipment as well as parks.
- ◆ Services, Supplies and Utilities represents 10% of the total General Fund operating budget and includes items such as utilities, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- ◆ Internal Services Charges are charged to the General Fund operating budget by department and transferred to other funds to provide funds for future scheduled replacement of vehicles and equipment.
- ◆ Transfers will be made from the General Fund (Community Center) to the Debt Service Fund for the semi-annual bond repayment due in December (\$194,250 annually).

### Department highlights:

Expenditures by Department	FY2011-12 Six Month Budget	FY2011-12 Six Month Actual	YTD to Budget	Annual Estimate
Police	\$1,449,761	\$1,416,225	97.7%	\$2,899,522
Fire & Emergency Medical Services	\$1,578,106	\$1,512,403	95.8%	\$3,156,212
Development Services	\$800,245	\$621,265	77.6%	\$1,600,490
Community Services	\$1,094,974	\$868,825	79.3%	\$2,189,948
Municipal Court	\$216,422	\$181,662	83.9%	\$432,844
Mayor & Town Council	\$37,872	\$33,597	88.7%	\$75,745
Administrative Services	\$1,120,695	\$1,055,617	94.2%	\$2,241,390
<b>TOTAL</b>	<b>\$6,298,076</b>	<b>\$5,689,594</b>	<b>90.3%</b>	<b>\$12,596,151</b>

- ◆ Law Enforcement represents 25% of the General Fund operating budget and includes the contract with Maricopa County Sheriff’s Office as well as costs for jail incarcerate 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.
- ◆ Fire & Emergency Medical Services represents 27% of the General Fund operating budget 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.
- ◆ Development Services (11% of General Fund expenditures) includes programs such as public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Environmental, Facilities Maintenance, Building Safety, and Mapping & Graphics.
- ◆ Community Services (15% of General Fund expenditures) includes the Town’s park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), 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. This department includes the cost of the annual debt service payment (\$194,250) that is transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- ◆ Administrative Services includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 18% of the General Fund operating budget. The department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), provides customer service, manages audits, public meetings, Channel 11, Town website, elections, Town Attorney and Town Prosecutor, budget and financial reporting, etc.
- ◆ The Town Court and Mayor & Council budgets represent the balance of the General Fund operating expenditures (4%)



## **Other Funds:**

Streets

Excise Tax (Economic  
Development)

Special Revenue (Grants)

Development Fees

Capital Projects



## Highway User Revenue Fund (HURF) – Streets

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
State Shared Revenues	\$566,166	\$506,024	89.4%	\$1,132,332
In Lieu Fees	\$12,600	\$42,573	338%	\$62,180
Miscellaneous & Other	\$2,460	\$14,609	594%	\$20,000

This fund supports most of the Town's street and traffic operations and is managed by the Development Services Department. The fund is primarily supported by the State Highway User Revenue Fund (90%) 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. Six month revenues in the HURF fund are \$563,206, which is 19% less than last fiscal year as a result of the 2010 census. Additionally the Town has implemented a program through the MUNIS software that bills contractors when they make cuts in the Town's rights of way which has recovered \$42,573 of in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and paid for by the driver.

<b>HURF Expenditures by Program - Six Months Ending 12/31/2011</b>				
<b>Expenditures by Program</b>	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Administration	\$100,359	\$67,209	67.0%	\$200,717
Adopt A Street	\$1,649	\$1,580	95.8%	\$3,297
Legal Services	\$10,704	\$11,777	110.0%	\$21,408
Open Space	\$149,472	\$132,869	88.9%	\$298,944
Pavement Management	\$74,521	\$65,929	88.5%	\$149,041
Street Signs	\$37,411	\$31,235	83.5%	\$74,821
Street Sweeping	\$75,094	\$75,633	100.7%	\$150,188
Traffic Management	\$48,178	\$44,854	93.1%	\$96,355
Traffic Signals	\$100,347	\$76,010	75.7%	\$200,694
Vehicle Maintenance	\$41,417	\$31,321	75.6%	\$82,834
<b>Grand Total HURF</b>	<b>\$639,150</b>	<b>\$538,417</b>	<b>84.2%</b>	<b>\$1,278,299</b>

- ◆ The Administrative program for the Streets division includes activities that are not directly related to a program, for example overhead items such as insurance, fuel, utilities, etc.)
- ◆ Open Space program includes maintenance of the medians; the largest component of this category is the contract for landscaping (\$170,700).
- ◆ Pavement Management 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 6,800 street signs.

- ◆ Street Sweeping program major expenditures are for personnel costs and maintenance/fuel for operating the Town's two street sweepers. Arterial streets are swept every two weeks and residential streets every eight weeks.
- ◆ Traffic Signals program includes personnel and electric costs for the Town's 13 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 50 vehicles and heavy equipment. The largest cost is for the transfer of annual depreciation to the Vehicle Replacement Fund (\$28,448). As the HURF budget shrinks and staff levels are reduced the number of vehicles in the fleet are also reduced which means less cost of transfers to the Vehicle Maintenance Fund.



**Excise Tax Fund – Economic Development**

	<b>FY2011-12 Six Month Budget</b>	<b>FY2011-12 Six Month Actual</b>	<b>YTD to Budget</b>	<b>Annual Estimate</b>
Revenues	\$136,068	\$157,211	115%	\$136,068

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%).

<b>FY2011-12 Expenditures by Category - Economic Development Fund</b>				
	<b>FY2011-12 Budget</b>	<b>FY2011-12 Actual</b>	<b>% of Budget</b>	<b>Annual Estimate</b>
Salaries and Benefits	\$24,794	\$23,367	94.2%	\$49,588
Supplies and Services	\$7,756	\$3,694	47.6%	\$15,512
Contractual Services	\$71,183	\$5,094	7.2%	\$142,366
Internal Services	\$1,949	\$167	8.6%	\$3,898
<b>Grand Total all Categories</b>	\$105,682	\$32,321	30.6%	\$211,364

- ◆ Salaries and benefits, which represent 23% of the total Economic Development operating budget, are at 94.2% of budget which is less than budget at this time. A percentage (60%) 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 67% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and professional services for the Lakeside district.
- ◆ Services and Supplies, which represents 7% of the total operating budget and include items such as training, publications, and office supplies.

## **Development Fees**

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. The budgeted expenditures are related to the development fee study that the Town is required to have as a result of legislation enacted last fiscal year. The study will take approximately nine months to complete and is expected to cross fiscal years.

<b>FY2011-12 Revenues by Category - Development Fees</b>				
	<b>Six Months FY2010-11</b>	<b>Six Months FY2011-12</b>	<b>Six Month Budget</b>	<b>% of Budget</b>
Law Enforcement	\$1,023	\$55	\$8,376	0.7%
Streets	\$2,548	\$9	\$49,344	0.0%
Parks	\$2,490	\$0	\$8,874	0.0%
Open Space	\$1,724	\$1,364	\$5,400	25.3%
General Government	\$1,990	\$143	\$17,772	0.8%
Library	\$372	\$11	\$1,044	1.1%
Fire	\$232	\$11	\$1,878	0.6%
<b>Grand Total All Funds</b>	<b>\$10,377</b>	<b>\$1,593</b>	<b>\$92,688</b>	<b>1.7%</b>

<b>FY2011-12 Expenditures by Category - Development Fees</b>				
	<b>Six Months FY2010-11</b>	<b>Six Months FY2011-12</b>	<b>Six Month Budget</b>	<b>% of Budget</b>
Law Enforcement	\$0	\$0	\$5,000	0.0%
Streets	\$0	\$0	\$20,000	0.0%
Parks	\$0	\$0	\$15,000	0.0%
Open Space	\$0	\$7,721	\$15,000	51.5%
General Government	\$0	\$0	\$5,000	0.0%
Library	\$0	\$0	\$5,000	0.0%
Fire	\$0	\$0	\$5,000	0.0%
<b>Grand Total All Funds</b>	<b>\$0</b>	<b>\$7,721</b>	<b>\$70,000</b>	<b>11.0%</b>

## Capital Projects

Revenue	FY2011-12 Six Month Budget	FY2011-12 Six Month Actual	YTD to Budget	Annual Estimate
Construction Sales Tax	\$52,290	\$160,019	306%	\$300,000
Grants	\$2,175,800	\$54,082	2%	\$2,175,800
Interest	\$0	\$5,482	100%	\$10,000
<b>TOTAL</b>	<b>\$2,228,090</b>	<b>\$219,583</b>	<b>9.8%</b>	<b>\$2,485,800</b>

FY2011-12 Expenditures by Category - Capital Projects				
	Six Months Budget	Six Months Actual	YTD to Budget	Annual Estimate
CIPAD CAPITAL PROJECTS ADMIN	\$84,357	\$0	0.0%	\$168,713
CIPDTN DOWNTOWN CAP PROJECTS	\$402,500	\$0	0.0%	\$100,000
CIPF FIRE CAP PROJECTS	\$193,500	\$30,063	15.5%	\$195,000
CIPGOV GEN GOVT CAP PROJECTS	\$148,750	\$1,825	1.2%	\$297,500
CIPIT IT CAPITAL PROJECTS	\$0	\$17,274	100.0%	\$20,000
CIPLIB LIBRARY CAPITAL PROJECTS	\$37,500	\$81,061	216.2%	\$75,000
CIPPR PARK & REC CAP PROJECTS	\$77,500	\$56,285	72.6%	\$155,000
CIPST STREETS CAP PROJECTS	\$7,438,413	\$114,376	1.5%	\$4,775,600
CIPSTO STORMWATER CAP PROJ	\$37,500	\$0	0.0%	\$0
CIPTS TRAFFIC CAP PROJECTS	\$100,000	\$19,786	19.8%	\$200,000
<b>Grand Total Capital Projects</b>	<b>\$8,520,020</b>	<b>\$320,670</b>	<b>426.9%</b>	<b>\$5,986,813</b>

With the failure of the road bond proposal, and the associated revenue, a significant portion of the capital projects budget will not be spent this fiscal year. The major street projects that are moving forward are the Shea Boulevard gap project (already completed) that is funded by ADOT but recorded on the Town's records.