

TOWN OF FOUNTAIN HILLS
BUDGET REPORT – JUNE 2010





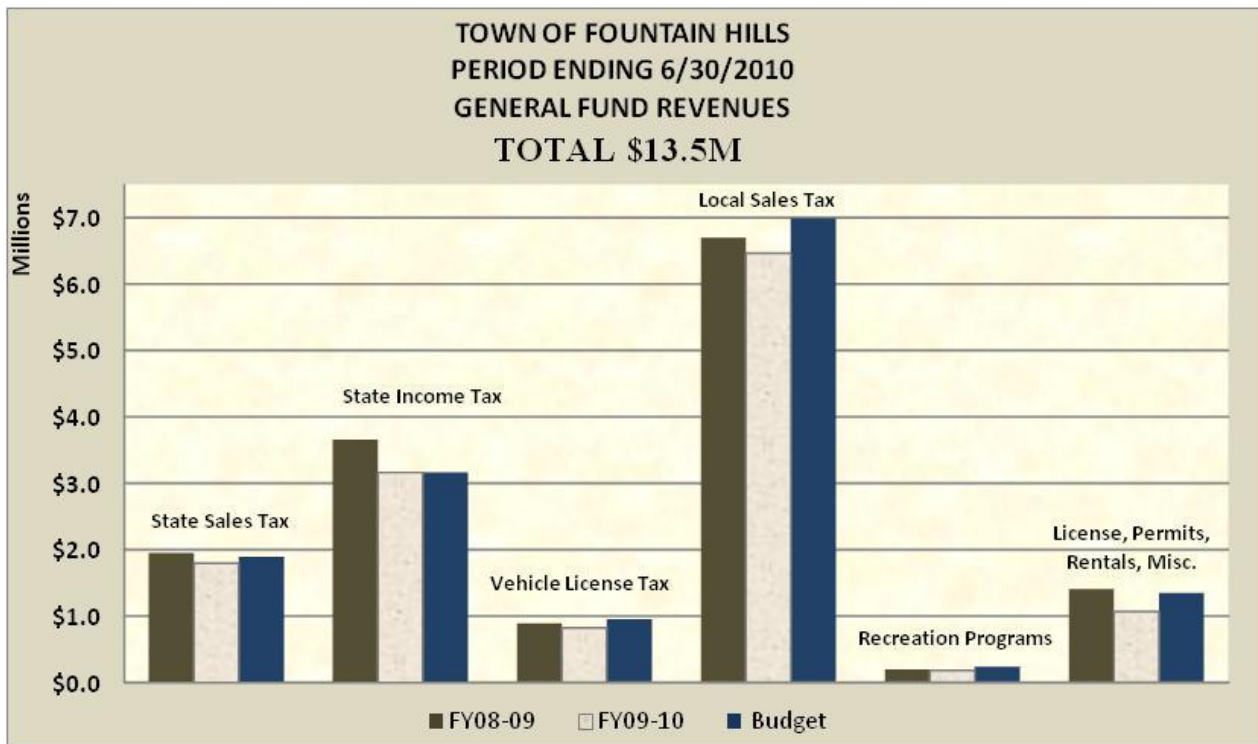
General Fund Revenues

General Fund Revenues

For the Fiscal Year ending June 30, 2010, General Fund Revenues ended up at 92% of budget as summarized below:

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Revised Estimate
General Fund	\$14,696,229	\$13,546,600	92%	\$13,546,600

The first 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. Sales tax collections, both local and state, were received \$570,400 less than budgeted due to the protracted economic recession. The recession has affected residential construction with building permit revenues \$150,776 less than projected. In addition, vehicle license taxes and interest income combine for a total of \$250,674 shortfall. Recreation, Community Center rental and franchise fees were also down by \$165,000; these shortfalls resulted in significant decreases in expenditures including staff reductions. The proactive measures and support of the Town Council have resulted in a positive fund balance in the General Fund for FY09-10 between \$100,000 to \$200,000 (subject to the final audit in September). Per the Town's financial policies this surplus will be transferred to the Capital Projects Fund.



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 fiscal year revenues from these categories total \$5,777,159 which is \$721,292 or 11% less than last year's distribution.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
State Income Tax	\$3,163,367	\$3,162,174	100%	\$3,162,174
State Sales Tax	\$1,894,032	\$1,797,355	94.7%	\$1,797,355
Vehicle License Fees	\$953,455	\$821,321	86.1%	\$821,321

Local Sales Tax (2.6%)

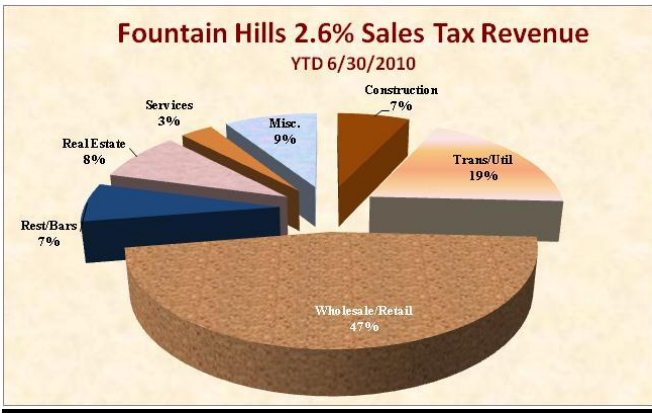
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. This fiscal year revenues for this category total \$3,555,974, which is \$131,435 or 3.6% 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. This fiscal year revenues for this category total \$509,624, which is slightly more than the same time period last fiscal year (3.3%).

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 the end of this fiscal year revenues for this category total \$1,424,827, which is \$113,092 or 8.6% 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. This fiscal year revenues for this category total \$538,551, which is \$875,689 or 38% 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 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Local Sales Tax	\$6,628,911	\$6,158,880	92.9%	\$6,158,880



Local sales tax makes up 47% of General Fund revenues; for the year ending June 30, 2010 collections were \$7.6M for all funds (\$6.2 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 \$538K, which is 38% less than last fiscal year. Retail sales tax collections decreased by 3.6% over the same period last year; restaurant/bar collections are at the same level as 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 year, revenues for this category total \$178,944 or 54.2% of the annual budget, which is \$115,512 or 40% less than the same time period last fiscal year. Housing starts for the fiscal period (XX single family, X multi family and XX commercial) remained level with the prior fiscal period with one less commercial permit issued.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Building Permit Fees	\$330,120	\$178,944	54.2%	\$178,944

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 year, revenues for this category total \$260,140, which is \$59,627 less than last year’s same fiscal period.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Court Fines & Fees	\$239,292	\$260,140	108.7%	\$260,140

License Revenue

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. This fiscal year, revenues for this category total \$149,052 or 92% of the annual budget and \$4,611 or 3.0% less than the same time period last fiscal year. While business license renewals and new applications are down, the number of animal licenses has increased by 9% over the last year.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Business License Fees	\$122,715	\$99,870	81.4%	\$99,870
Animal License Fees	\$39,505	\$49,182	124.5%	\$49,182



General Fund Expenditures

General Fund Expenditures

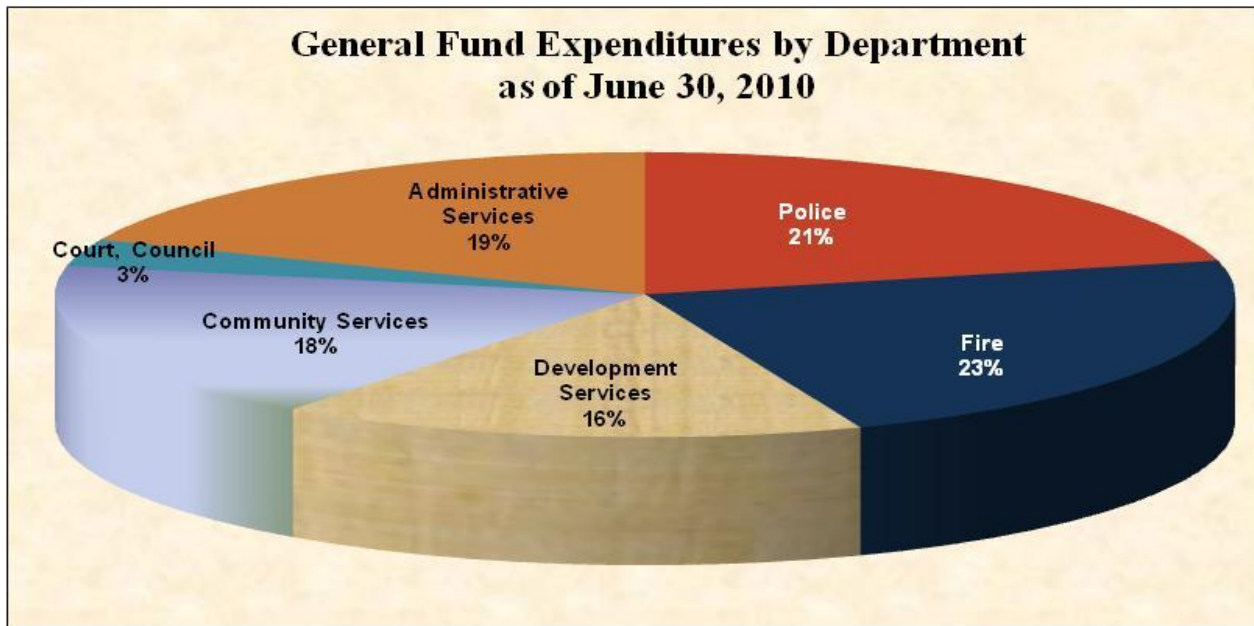
The General Fund accounts for most of the day to day operations of the Town, including Fire Department, Law Enforcement, Public Works, Community Services, Development Services, Court, Council and Administrative functions. At year end 97.8% of the revised budget was expended (estimated expenditures was revised downward October 2009 to reflect lower revenues).

Expenditures by Category	FY2009-10 Budget*	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$4.5M	\$4.4M	98.8%	\$4.4M
Contractual Services	\$7.3M	\$7.1M	98.3%	\$7.1M
Services & Supplies	\$1.3M	\$1.2M	90.1%	\$1.2M
Transfers to Other Funds	\$0.6M	\$0.6M	98.7%	\$0.6M
TOTAL	\$13.7M	\$13.3M	97.2%	\$13.3M

*revised budget

- ◆ Salaries and benefits, which represent 33% of the total General Fund operating budget ended the fiscal year at 99% of the revised 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 represents 54% 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 realized include 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, ended at 90% of the revised budget and includes items such as utilities, maintenance and repair, office supplies, insurance, software, etc. The savings realized includes the deferment of any additional software until at least next fiscal year as long as the economy recovers.
- ◆ Transfers include 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 were aimed at bringing into balance the revenues and expenditures with the goal of having a surplus at the end of the fiscal year; subject to any year-end audit adjustments the General Fund surplus is projected to be between \$100,000 and \$200,000, which will be transferred to the Capital Projects Fund.

General Fund Expenditures by Department as of June 30, 2010



Department highlights:

Expenditures by Department	FY2009-10 Budget*	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
Police	\$2.8M	\$2.8M	99.6%	\$2.8M
Fire & Emergency Medical Services	\$3.1M	\$3.0M	99.6%	\$3.0M
Development Services	\$2.2M	\$2.1M	97.0%	\$2.1M
Community Services	\$2.5M	\$2.4M	94.5%	\$2.4M
Mayor & Town Council	\$0.07M	\$0.06M	92.3%	\$0.06M
Administrative Services	\$2.5M	\$2.5M	96.9%	\$2.5M
TOTAL	\$13.7M	\$13.3M	97.8%	\$13.3M

*Revised budget

- ◆ Law Enforcement represents 21% of the General Fund operating budget and is at 100% of the budget at the end of the year. 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.
- ◆ Fire & Emergency Medical Services represents 23% of the General Fund operating budget and is at 100% of the budget at the end of the fiscal year. In addition to the contract with Rural Metro the department is also responsible for maintenance of the fleet, fire stations and equipment.
- ◆ Development Services includes programs such as engineering associated with public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Savings in this department was due to reduction in staff and level of service in custodial services and general maintenance. Other programs included in Development Services are Planning, Zoning, Code Enforcement, Planning, Environmental, Building Safety, and Mapping & Graphics.

- ◆ Community Services 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 is at 94.5% of the annual budget including the annual debt service payment (\$387,000) transferred to the Debt Service Fund in July, 2009 to cover the semi-annual payment in December.
- ◆ Administrative includes the Town Council, Municipal Court, Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 19% of the General Fund operating budget. Savings in this department was realized through reduction in staff, 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 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
Revenues	\$1,600,545	\$1,557,823	97.3%	\$1,557,823

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 (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 end revenues in the HURF fund are \$1,557,823, which is 5.8% less than last fiscal year. However, there will be a surplus in this fund due to vacancy and maintenance savings (approximately \$200,000).

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Administration	\$442,380	\$403,758	92%	\$404,000
Open Space	\$154,295	\$99,922	65%	\$100,000
Pavement Management	\$409,308	\$299,382	73%	\$300,000
Street Signs	\$91,670	\$77,382	84%	\$77,500
Street Sweeping	\$119,696	\$147,181	123%	\$147,181
Traffic Signals	\$195,843	\$167,188	85%	\$167,188
Vehicle Maintenance	\$147,780	\$144,813	98%	\$144,813
TOTAL	\$1,560,972	\$1,339,737	86%	\$1,340,682

- ◆ 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 (\$87,000).
- ◆ Pavement Management program includes personnel costs related to road maintenance in addition to the contribution to the Capital Projects Fund for major road projects such as slurry seal (\$170,800).
- ◆ 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 XXX vehicles and heavy equipment. The largest cost is for the transfer of annual depreciation to the Vehicle Replacement Fund (\$61,000).

Excise Tax Fund – Economic Development

	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Revenues	\$295,859	\$292,000	99%	\$292,000

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 Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$45,739	\$47,541	104%	\$47,541
Contractual Services	\$79,035	\$45,424	57%	\$45,424
Services & Supplies	\$7,901	\$6,060	77%	\$6,060
Transfers	\$250,000	\$0	0%	\$15,000
TOTAL	\$382,675	\$99,025	26%	\$114,025

- ◆ Salaries and benefits, which represent 7% of the total Economic Development operating budget, are at 104% 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. The overage in this category is due to the increase in the cost of health insurance benefit
- ◆ 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 77% 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	\$8,805	64%	\$8,805
Fire & Emergency	\$3,153	\$2,009	64%	\$2,009
Streets	\$74,316	\$21,564	29%	\$21,564
Parks & Recreation	\$14,664	\$22,011	151%	\$22,011
Open Space	\$9,390	\$11,285	121%	\$11,285
Library & Museum	\$1,740	\$3,284	189%	\$3,284
General Government	\$28,440	\$16,619	59%	\$16,619
TOTAL	\$145,470	\$85,577	59%	\$85,577

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 Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End 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 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Construction Sales Tax	\$510,000	\$475,866	94%	\$475,866
Stimulus Funding	\$2,537,717	\$0	0%	\$0
Bond Proceeds	\$4,500,000	\$0	0%	\$0
Transfers	\$2,981,190	\$309,321	11%	\$309,321
TOTAL	\$10,528,907	\$785,187	8%	\$785,187

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	\$1,018,559	10%	\$1,018,559
Traffic Signals	\$142,400	\$129,531	91%	\$129,531
Drainage	\$86,000	\$37	0%	\$37
General Government	\$100,000	\$15,692	16%	\$15,692
Fire & Emergency	\$1,536,103	\$145,850	10%	\$145,850
Contingency	\$433,710	\$255,269	59%	\$255,269
TOTAL	\$12,725,434	\$1,579,938	13%	\$1,579,938

Fund Balance as of June 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 (approximately \$100,000 for FY10).

The following table is a summary by fund of all fund balances as of June 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 6/30/2010

General Fund	\$6,639,088
HURF	\$387,668
Special Revenue Funds	\$258,814
Economic Dev/Downtown Fund	\$1,704,200
Public Art	\$1,507
Development Fees:	
Law Enforcement	\$195,343
Fire & Emergency	\$38,323
Streets	(\$155,199)
Parks & Recreation	(\$9,719)
Open Space	\$1,640,246
Library/Museum	\$39,876
General Government	\$515,463
Debt Service	\$1,200,858
Capital Projects	\$9,897,857
Vehicle Replacement Fund	\$482,938
	<hr/>
Total	\$22,837,263