

TOWN OF FOUNTAIN HILLS
BUDGET REPORT – MARCH 2012





General Fund Revenues

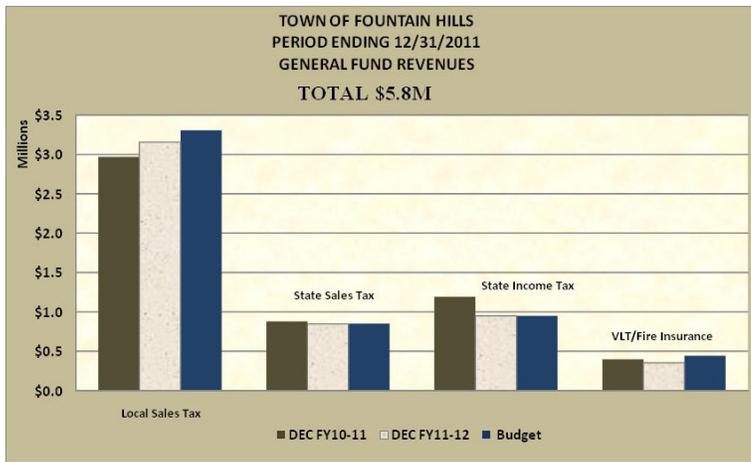
All Funds Summary

General Fund Revenues

For the fiscal period ending March 31, 2011 (nine months), revenue receipts are at 97.7% of projections, which is \$173,239 less than the same time period last fiscal year. Year end revenue projections for the General Fund are anticipated to end up at 98% of the original estimate; expenditures will be monitored so as not to exceed available resources by the end of this fiscal year.

At the end of nine months General Fund Revenues were at 97.7% of budget as summarized below:

	FY10-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Year End Estimate
General Fund	\$9,468,359	\$9,250,747	97.7%	\$12,307,100



The four revenues in the chart on the left represent 89.2% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections continue to retreat from earlier increases with less than a 1% increase over the same period last year (including construction activity). State sales taxes are also less than last year showing a decline of 4.8%. 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 97.7% for the nine month period.

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 nine month revenues from these categories total \$3,265,495 which is \$496,060 or 14% less than the same time period last year – the decrease in revenue was anticipated with the decrease in Fountain Hills' population.

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
State Income Tax	\$1,787,906	\$1,423,547	100%	\$1,898,160
State Sales Tax	\$1,373,761	\$1,307,600	102.5%	\$1,701,480
Vehicle License Fees	\$599,888	\$534,348	94%	\$758,400

Local Sales Tax (2.6%)

The nine month revenue for this category total \$5,805,086 (including all funds), which is 102.7% of projections for this time period. Compared to the same time period as last year the total revenues are 0.6% higher.

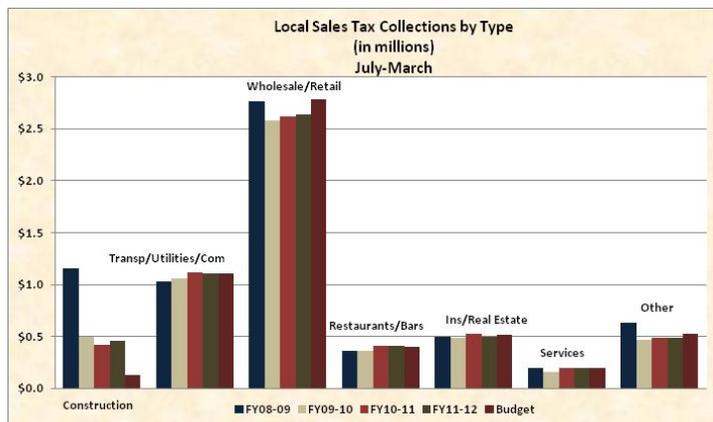
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The nine month revenues for this category total \$2,636,789 which is 94.5% of projections; compared to last fiscal year revenues are up by 0.6%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The nine month revenues for this category total \$411,135, which is 103.3% of projections; compared to last fiscal year revenues are up by 1.4%.

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 nine months revenues for this category total \$1,109,915, which is 100.2% of what was anticipated; compared to last fiscal year revenues are down by 0.7%.

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 nine month revenues for this category total \$458,531, which is 351.1% of what was budgeted; compared to last fiscal year revenues are up by 8.7%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
Local Sales Tax	\$4,701,360	\$4,986,605	100.6%	\$7,536,628



Local sales tax makes up 53.4% of General Fund revenues; for the nine months ending March 31, 2012 collections were \$5.8M for all funds (\$5.0M in the General Fund). Retail and restaurant/bar activities represent 52.5% of total collections; telecommunications and utilities represent another 19.1%. Construction revenues collected this fiscal year total \$459K, which is an 8.7% increase over last fiscal year. Retail sales tax collections increased by 0.6% over the same period last year; restaurant/bar collections are up 1.4% 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 \$112,648 or 75% of the nine month budget. Housing permits issued for the fiscal period are 1 single family, 1 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.

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
Building Permit Fees	\$99,275	\$112,648	75.4%	\$125,000

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. This fiscal period, revenues for this category total \$156,146, which is \$978 (.6%) less than last year's same fiscal period.

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
Court Fines & Fees	\$157,124	\$156,146	80.0%	\$201,150

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 \$116,491 or 96.8% of the fiscal period budget. Business license renewals and new applications have increased over the same period last fiscal year (an increase of 25.5%), animal license revenue has increased 29.4%.

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
Business License Fees	\$91,610	\$82,437	96.8%	\$113,544
Animal License Fees	\$36,254	\$34,054	96.9%	\$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 nine month fiscal period 94% of the fiscal budget has been expended.

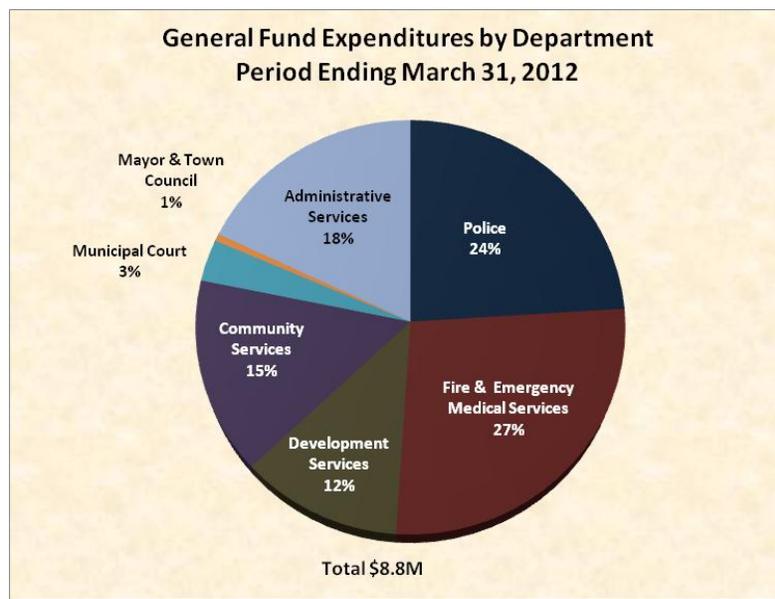
FY2011-12 Expenditures by Category - General Fund				
	Nine Months FY10-11	Nine Months FY11-12	Nine Months Budget	% of Budget
Salaries and Benefits	\$2,511,965	\$2,346,754	\$2,595,962	90.4%
Supplies and Services	\$832,029	\$953,170	\$1,055,267	90.3%
Contractual Services	\$5,191,908	\$5,289,298	\$5,461,989	96.8%
Internal Services	\$178,731	\$183,486	\$154,709	118.6%
Other	\$431,842	\$74,886	\$199,318	37.6%
Grand Total all Funds	\$9,146,476	\$8,847,594	\$9,467,245	93.5%

- Salaries and benefits represent slightly more than one fourth (27%) of the total General Fund operating budget. During the interim Town Manager period there was an accumulated vacancy savings from July through the end of February which will carry through to the end of the fiscal year.
- Contractual services represents 58% 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 less than 4% 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 11% 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 at the end of the fiscal year from the General Fund (Community Center) to the Debt Service Fund for the annual bond repayment due in June (\$194,250 annually).

Department summary:

Expenditures by Department	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Nine Month Budget
Police	\$2,036,996	\$2,123,094	97.6%	\$2,174,642
Fire & Emergency Medical Services	\$2,322,831	\$2,393,143	101.1%	\$2,367,159
Development Services	\$1,124,135	\$1,051,751	87.6%	\$1,200,368
Community Services	\$1,737,809	\$1,351,890	82.3%	\$1,642,461
Municipal Court	\$310,508	\$288,322	88.8%	\$324,633
Mayor & Town Council	\$51,161	\$50,653	89.2%	\$56,809
Administrative Services	\$1,563,036	\$1,588,739	94.5%	\$1,681,043
TOTAL	\$9,146,476	\$8,847,594	93.7%	\$9,447,113

- ◆ Law Enforcement represents 24% 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 (12% 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

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	Nine Month Budget	% of Budget
State Shared Revenues	\$1,020,914	\$806,767	\$849,249	95%
In Lieu Fees	\$39,314	\$45,481	\$18,900	241%
Miscellaneous & Other	\$18,591	\$15,107	\$3,690	410%

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. Nine month revenues in the HURF fund are \$867,608, which is 19% less than last fiscal year as a result of decrease in population from 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 \$45,481 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.

HURF Expenditures by Program - Nine Months Ending 3/31/2012				
Expenditures by Program	Last Fiscal Year	Current Year Nine Month Actual	Nine Month Budget	% of Budget
Administration	\$114,909	\$101,908	\$150,013	67.9%
Adopt A Street	\$14,460	\$2,363	\$2,473	95.6%
Legal Services	\$17,447	\$19,262	\$16,056	120.0%
Open Space	\$232,885	\$188,335	\$224,733	83.8%
Pavement Management	\$40,802	\$100,536	\$111,781	89.9%
Street Signs	\$71,984	\$48,993	\$56,116	87.3%
Street Sweeping	\$95,435	\$107,471	\$112,641	95.4%
Traffic Management	\$72,238	\$69,859	\$72,266	96.7%
Traffic Signals	\$100,557	\$110,869	\$150,521	73.7%
Vehicle Maintenance	\$67,450	\$56,034	\$62,125	90.2%
Grand Total HURF	\$828,167	\$805,629	\$958,724	84.0%

- 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

	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	Nine Month Budget	% of Budget
Revenues	\$217,301	\$210,871	\$204,102	104%

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%).

FY2011-12 Expenditures for the period ending 3/31/2012 - Economic Development Fund				
Expenditures by Category	FY10-11 Nine Month Actual	Current Year Actual	Nine Month Budget	% of Budget
Salaries and Benefits	\$43,515	\$36,458	\$37,191	98.0%
Supplies and Services	\$18,539	\$5,229	\$11,634	44.9%
Contractual Services	\$29,002	\$45,955	\$106,775	43.0%
Internal Services	\$1,026	\$202	\$2,924	6.9%
Grand Total all Categories	\$92,083	\$87,843	\$158,523	55.4%

- ◆ Salaries and benefits, which represent 23% of the total Economic Development operating budget, are at 98.0% of budget which is slightly less than budget at this time. A percentage (50%) 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.

FY2011-12 Revenues by Category - Development Fees				
	Nine Months FY2010-11	Nine Months FY2011-12	Nine Month Budget	% of Budget
Law Enforcement	\$2,568	\$570	\$6,282	9.1%
Streets	\$6,476	\$1,397	\$37,008	3.8%
Parks	\$6,459	\$1,479	\$6,656	22.2%
Open Space	\$4,746	\$6,473	\$4,050	159.8%
General Government	\$5,104	\$1,136	\$13,329	8.5%
Library	\$927	\$194	\$783	24.8%
Fire	\$579	\$125	\$1,409	8.9%
Grand Total All Funds	\$26,859	\$11,375	\$69,516	16.4%

FY2011-12 Expenditures by Category - Development Fees				
	Nine Months FY2010-11	Nine Months FY2011-12	Nine Month Budget	% of Budget
Law Enforcement	\$0	\$771	\$3,750	20.6%
Streets	\$0	\$2,143	\$15,000	14.3%
Parks	\$0	\$2,314	\$11,250	20.6%
Open Space	\$0	\$11,495	\$11,250	102.2%
General Government	\$0	\$1,543	\$3,750	41.1%
Library	\$0	\$257	\$3,750	6.9%
Fire	\$0	\$171	\$3,750	4.6%
Grand Total All Funds	\$0	\$18,693	\$52,500	35.6%

Capital Projects

Revenue	FY2010-11 Nine Month Actual	FY2011-12 Nine Month Actual	YTD to Budget	Annual Estimate
Construction Sales Tax	\$210,936	\$229,266	293%	\$300,000
Grants	\$0	\$121,924	4%	\$150,000
Interest	\$8,953	\$19,727	100%	\$25,000
Transfers from Other Funds	\$55,664	\$200,000	100%	\$200,000
TOTAL	\$275,553	\$570,917	4%	\$675,000

FY2011-12 Expenditures by Category - Capital Projects				
	Nine Months Budget	Nine Months Actual	YTD to Budget	Annual Budget
CAPITAL PROJECTS ADMIN	\$126,535	(\$810)	-0.6%	\$164,713
DOWNTOWN CAP PROJECTS	\$603,750	\$0	0.0%	\$805,000
FIRE CAP PROJECTS	\$290,250	\$30,063	10.4%	\$387,000
GEN GOVT CAP PROJECTS	\$223,125	\$63,390	28.4%	\$297,500
IT CAPITAL PROJECTS	\$0	\$22,883	100.0%	\$0
LIBRARY CAPITAL PROJECTS	\$56,250	\$109,128	194.0%	\$84,125
PARK & REC CAP PROJECTS	\$116,250	\$56,285	48.4%	\$149,875
STREETS CAP PROJECTS	\$11,157,620	\$127,975	1.1%	\$14,876,826
STORMWATER CAP PROJ	\$56,250	\$3,500	6.2%	\$75,000
TRAFFIC CAP PROJECTS	\$150,000	\$60,013	40.0%	\$200,000
Grand Total Capital Projects	\$12,780,029	\$472,428	3.7%	\$17,040,039

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 at the end of the fiscal year during the audit.