

TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
SEPTEMBER 2012



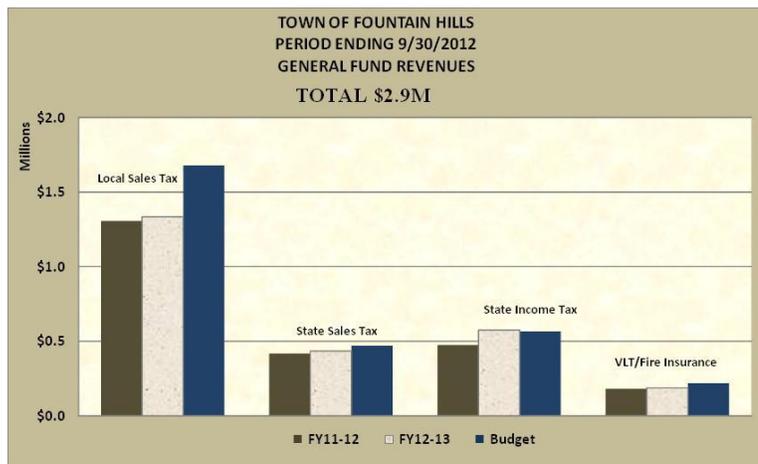


General Fund

General Fund Revenues

For the fiscal quarter ending September 30, 2012, revenues were received at 85% of budgeted amounts but \$214,093 more than the same time period last fiscal year (an increase of 8%). The increase is the result of three categories where revenues are higher than the previous year – the State income tax, State sales tax and miscellaneous revenues. Total General Fund revenues for this quarter are \$2,892,460.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
General Fund	\$2,678,367	\$2,892,460	85%	\$13,598,215



The four revenues in the chart on the left represent 87.5% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections have increased slightly with an approximate 3% increase over the same period last year (includes construction activity of which 50% is transferred to the Capital Project Fund). State sales and income taxes are 13% higher than last year as projected and vehicle license taxes are about 3% higher compared to last year (this revenue source is derived from vehicle registrations). Overall, General Fund revenues are at 85% for the first quarter of the fiscal year.

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 revenues from these categories total \$1,194,824 which is \$120,802 or 12% more than the same time period last year – the increase in revenue was anticipated based on optimistic projections by the Arizona League of Cities and Towns.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
State Income Tax	\$474,463	\$574,301	101.7%	\$2,259,840
State Sales Tax	\$417,841	\$434,133	92.3%	\$1,880,400
Vehicle License Fees/ Insurance Premium Tax	\$181,718	\$186,390	85.2%	\$758,400

Local Sales Tax (2.6%)

The annual revenue for this category total \$1,686,300 (including all funds), which is 86.6% of projections. Compared to the same time period as last year the total revenues are 13.4% lower.

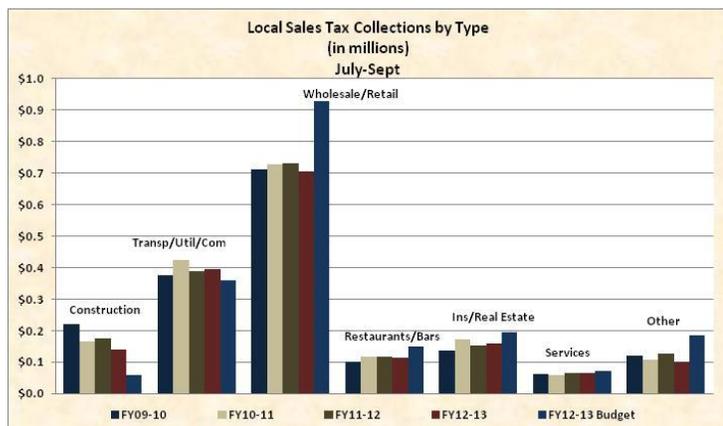
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The revenues for this category total \$706,453 which is 76.1% of projections; compared to last fiscal year revenues are up down 3.2%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$114,540, which is 77.1% of projections; compared to last fiscal year revenues are down by 1.6%.

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. The revenues for this category total \$395,906, which is 110.6% of what was anticipated; compared to last fiscal year revenues are up by 1.8%.

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 revenues for this category total \$141,448, which is 235.8% of what was budgeted; compared to last fiscal year revenues are down by 18.7%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Local Sales Tax	\$1,754,800	\$1,334,800	79.5%	\$7,785,744



Local sales tax makes up 46.1% of General Fund revenues; for the first quarter ending June 30, 2012 collections were \$1.6M for all funds (\$1.3M in the General Fund). Retail and restaurant/bar activities represent 47.7% of total collections; telecommunications and utilities represent another 23.5%. Construction revenues collected this fiscal quarter total \$141K, which is an 18.7% decrease over last fiscal year. Retail sales tax collections decreased by 3.2% over the same period last year; restaurant/bar collections are down 1.6% 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 quarter, revenues for this category total \$20,933 or 20% of the annual budget. Housing permits issued for the fiscal period are 4 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, however, there has been no further activity.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Building Permit Fees	\$13,152	\$20,933	20%	\$84,650

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 \$50,962 which is \$1,251 (3%) less than last year's same fiscal period and 30% less than budgeted.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Court Fines & Fees	\$52,213	\$50,962	70.3%	\$289,800

License Revenue

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current quarter revenues for these two categories total \$29,925 or 74% of the fiscal period budget.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Business License Fees	\$21,688	\$19,701	69%	\$114,679
Animal License Fees	\$11,147	\$10,224	87%	\$47,365

General Fund Expenditures

The General Fund accounts for most of the day to day operations of the Town, including Police, Fire and Emergency Medical Services, Development Services, Community Services, Court, Council and Administrative functions. At the end of the first fiscal quarter 83.7% of the period budget has been expended.

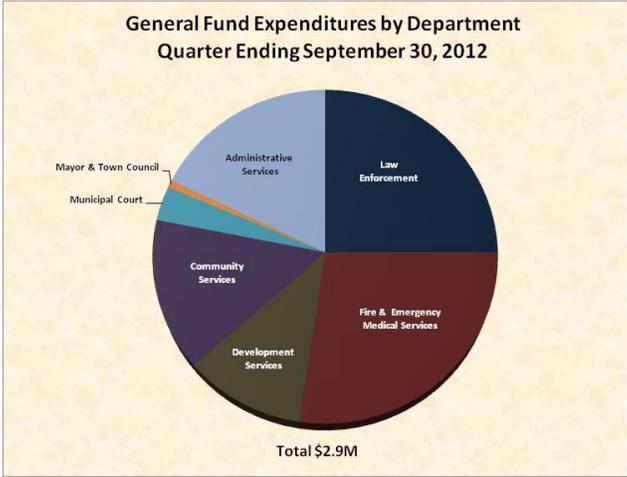
FY2012-13 Expenditures by Category - General Fund				
	Jul-Sept Actual FY12	Jul - Sept Actual FY13	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$775,103	\$774,145	\$839,180	92.3%
Supplies and Services	\$392,536	\$254,069	\$453,449	56.0%
Contractual Services	\$1,699,930	\$1,757,313	\$1,867,632	94.1%
Internal Services	\$5,613	\$9,392	\$51,137	18.4%
Other	\$12,360	\$38,659	\$175,756	22.0%
Grand Total all Funds	\$2,885,542	\$2,833,579	\$3,387,155	83.7%

- ◆ Salaries and benefits represent one fourth (25%) of the total General Fund operating budget and accounts for all staff with the exception streets employees who are funded through a separate Highway User Revenue Fund (HURF)
- ◆ Contractual services represents 56% 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.
- ◆ Services, Supplies and Utilities represents 14% of the total General Fund operating budget and includes items such as facility maintenance, 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.
- ◆ Other includes transfers that are 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 (\$193,500 annually) as well as contingency and other minor expenditures.

Department summary:

General Fund Monthly Expenditure Report - September 2012					
	Jul-Sept Actual FY12	Jul - Sept Actual FY13	FY2012-13 Budget	% of Budget	+ / (-) from Prior Year
Mayor & Council	\$17,707	\$20,432	\$20,703	98.7%	15.4%
Administration	\$507,703	\$505,386	\$646,255	78.2%	-0.5%
Municipal Court	\$94,370	\$94,441	\$100,733	93.8%	0.1%
Development Services	\$322,412	\$312,351	\$510,644	61.2%	-3.1%
Community Services	\$480,387	\$417,456	\$558,460	74.8%	-13.1%
Fire & Emergency Medical	\$753,926	\$775,685	\$813,834	95.3%	2.9%
Law Enforcement	\$709,037	\$707,828	\$736,526	96.1%	-0.2%
Period Total	\$2,885,542	\$2,833,579	\$3,387,155	83.7%	-1.8%

- ◆ Law Enforcement represents 22% 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 24% 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 (15% 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 (17% 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 (\$193,500) 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 19% 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, managing 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

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
State Shared Revenues	\$258,563	\$288,149	87%	\$1,265,640
In Lieu Fees	\$39,639	\$1,062	26%	\$50,240
Miscellaneous & Other	\$5,012	\$1,960	131%	\$6,000

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 (96%) 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. First quarter revenues in the HURF fund are \$291,171 which is 4% less than last fiscal year. The Town bills contractors when they make cuts in the Town's rights of way which has recovered \$1,062 in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous and other.

HURF Expenditures by Program - Fiscal Quarter Ending 9/30/2012				
Expenditures by Program	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Administration	\$34,699	\$47,110	\$50,004	94.2%
Adopt A Street	\$784	\$723	\$824	87.7%
Legal Services	\$5,110	\$2,244	\$5,352	41.9%
Open Space	\$70,288	\$52,243	\$74,911	69.7%
Pavement Management	\$40,923	\$30,298	\$37,260	81.3%
Street Signs	\$14,750	\$12,300	\$18,705	65.8%
Street Sweeping	\$40,768	\$34,306	\$37,547	91.4%
Traffic Management	\$22,927	\$0	\$24,089	0.0%
Traffic Signals	\$39,425	\$12,717	\$50,174	25.3%
Vehicle Maintenance	\$16,471	\$15,555	\$20,708	75.1%
Grand Total HURF	\$286,145	\$207,496	\$319,575	64.9%

- ◆ 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 and water usage
- ◆ 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.



Excise Tax Fund – Economic Development

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Revenues	\$67,661	\$68,679	93%	\$295,560

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%).

Excise Tax Fund Expenditures by Program - Fiscal Quarter Ending 9/30/2012				
Expenditures by Category	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$11,949	\$6,944	\$12,543	55.4%
Supplies and Services	\$2,451	\$21,956	\$1,951	66.8%
Contractual Services	\$456	\$7	\$31,059	7.8%
Internal Services	\$26	\$0	\$439	0.0%
Grand Total all Categories	\$14,882	\$28,907	\$45,992	62.9%

- ◆ Salaries and benefits, which represent 28% of the total Economic Development operating budget, are at 55% of budget which is less than budget at this time. A percentage (50%) of the Economic Development Administrator’s salary and benefits had been allocated to this fund; however, until the vacant Economic Development Administrator position is filled there will be no further expenditures in this category
- ◆ Contractual services and supplies represent 72% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.



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 in FY10-11. The study is ongoing and will take approximately nine months to complete.

During the first three months of this fiscal year there have been four (4) single family permit applications including development fees.

Effective January 1, 2012 cities and towns are prohibited from collecting a development fee for the General Government category.

FY2012-13 Revenues by Category - Development Fees				
	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Law Enforcement	\$42	\$373	\$2,094	17.8%
Streets	\$7	\$16,853	\$12,336	136.6%
Parks	\$0	\$6,354	\$2,219	286.4%
Open Space	\$120	\$3,946	\$1,350	292.3%
General Government	\$110	\$0	\$4,443	0.0%
Library	\$9	\$245	\$261	93.8%
Fire	\$8	\$628	\$470	133.8%
Grand Total All Funds	\$295	\$28,399	\$23,172	122.6%

FY2012-13 Expenditures by Category - Development Fees				
	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Law Enforcement	\$0	\$140	\$1,250	11.2%
Streets	\$0	\$634	\$5,000	12.7%
Parks	\$0	\$558	\$3,750	14.9%
Open Space	\$0	\$826	\$0	826.0%
General Government	\$0	\$0	\$0	0.0%
Library	\$0	\$140	\$1,250	11.2%
Fire	\$0	\$140	\$1,250	11.2%
Grand Total All Funds	\$0	\$2,437	\$12,500	19.5%

Capital Projects and Fund Balances

Revenue	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Construction Sales Tax	\$87,006	\$70,724	236%	\$120,000
Grants	\$0	\$12,337	3%	\$5,758,000
Interest & Miscellaneous	\$1,310	\$13,649	191%	\$28,649
Transfers from Other Funds		\$0	0%	\$1,299,000
TOTAL	\$88,315	\$96,710	4%	\$7,205,649

Project Number/Name	FY12-13 Project Budget	YTD 9/30/2012	Fiscal Quarter Fund Balances	
			30-Sep-12	
D6047 MISC DRAINAGE	\$65,000	\$0	General Fund	\$4,744,573
E8501 DOWNTOWN VISION	\$100,000	\$0	HURF	\$663,322
E8502 DOWNTOWN VISION	\$250,000	\$0	Special Revenue Funds	\$257,381
E8504 AOTF MEDIAN & RIGHT-	\$1,792,000	\$6,481	Economic Dev/Downtown Fund	\$2,059,831
F4005 FIRE STATION 2	\$2,110,000	\$0	Public Art	\$1,613
F4012 LIBRARY EVENT CIRCLE	\$48,000	\$19,999	Development Fees:	
F4015 FIRE STATION 1	\$495,000	\$0	Law Enforcement	\$201,334
F4020 VOICE & DATA	\$25,000	\$16,239	Fire & Emergency	\$40,646
F4023 ENERGY EFFICIENCY	\$35,000	\$0	Streets	\$70,357
F4025 PORTABLE LIVE FIRE	\$160,000	\$0	Parks & Recreation	\$16,097
F4026 EMERGENCY OPERATIONS	\$75,000	\$0	Open Space	\$1,649,274
F4027 ASSISTANCE TO	\$120,000	\$0	Library/Museum	\$42,028
P3008 FOUR PEAKS PARK	\$50,000	\$44,350	Debt Service	\$292,439
P3022 FOUNTAIN LAKE WATER	\$250,000	\$0	Capital Projects	\$9,356,379
P3024 URBAN TRAIL	\$50,000	\$11,130	Rainy Day Fund	\$1,345,200
S6003 UNPAVED ALLEY PAVING	\$325,000	\$0	Vehicle Replacement Fund	\$718,792
S6005 SHEA BLVD WIDENING	\$3,944,679	\$26,095		
S6008 ANNUAL PAVEMENT	\$100,000	\$0		
S6010 SAGUARO BLVD	\$300,000	\$0		
S6047 SHEA BLVD MULTI USE	\$50,000	\$0		
S6053 FOUNTAIN HILLS BLVD	\$134,250	\$56,770		
S6054 HIGHWAY SAFETY	\$57,000	\$0		
S6056 SHEA BLVD EB BIKE LANE	\$651,000	\$0		
T5010 INTELLIGENT	\$53,000	\$0		
T5011 TS-PALISADES & CONTINGENCY	\$400,000	\$0		
	\$58,281	\$0		
Total FY12-13 Capital Projects	\$11,698,210	\$181,064	Total	\$21,459,266