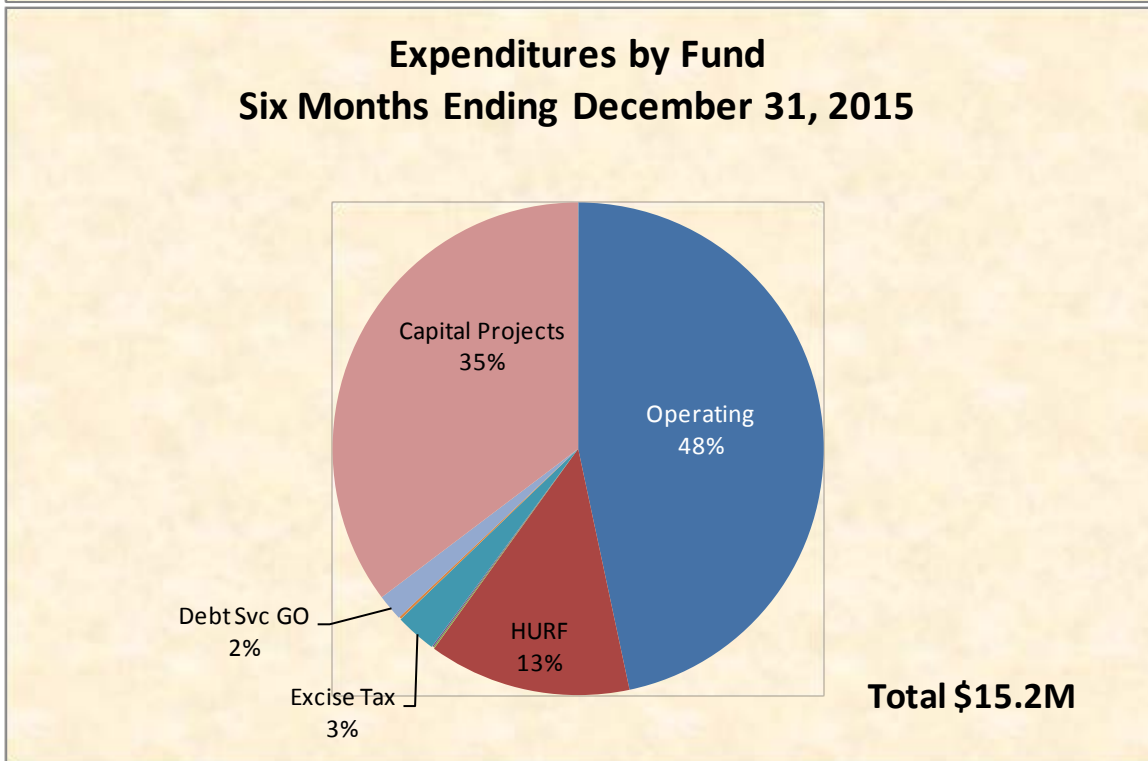
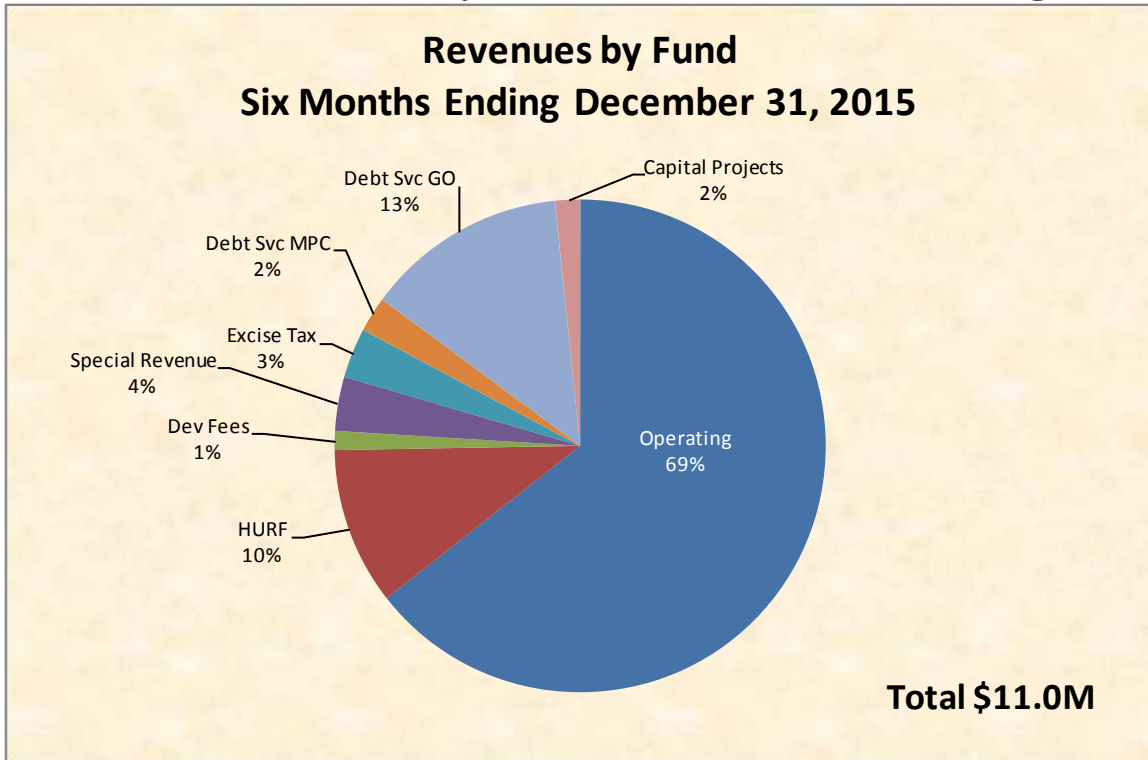


**TOWN OF FOUNTAIN HILLS**  
**QUARTERLY BUDGET REPORT**  
**SIX MONTHS ENDING DECEMBER 31, 2015**





## Where does the money come from and where does it go?

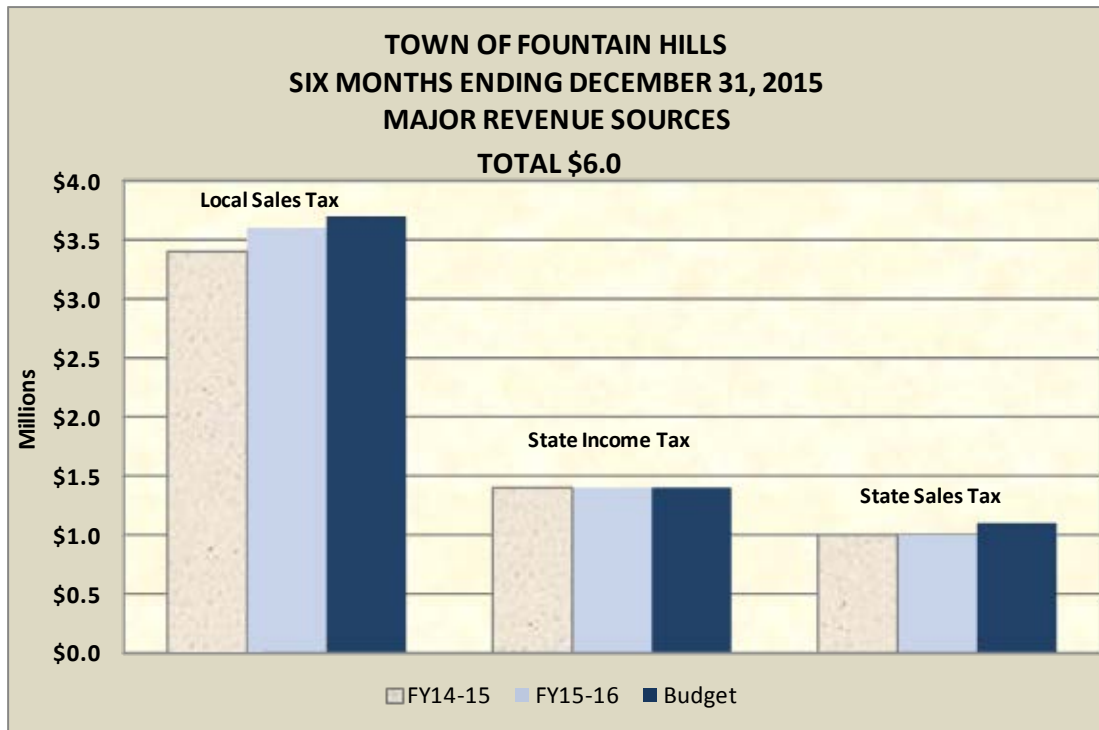




## **Operating Fund Revenues**

For the twelve month period ending December 31, 2015, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 99.5% of budgeted amounts and \$362,452 higher than the same time period last fiscal year (an increase of 5.4%). Categories where revenues are higher than the previous year are the local sales tax (up 4.9%), fines & forfeitures (up 34.7%), licenses and permits (up 19.8%) as well as other revenue (up 84.8%). Total Operating Fund revenues for this fiscal period are \$7,060,191.

<b>Current Year Revenues - YTD Ending December 31 - All Funds</b>				
<b>FUND</b>	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>YTD FY15-16 Budget</b>	<b>% YTD FY15-16 Budget</b>
Operating Funds	\$ 6,697,739	\$ 7,060,191	\$ 7,096,742	99.5%



The three major revenues in the chart above represent 84.1% of Operating Fund revenues, and, as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections have increased back to FY09 levels (4.9% over the same period last year). This total includes construction activity of which 50% is transferred to the Capital Projects Fund. State sales tax is 5.4% higher but State income taxes are 0.5% lower than last year. Overall, these major revenue sources are at 96.3% of the YTD budget for the fiscal year.



**State Shared Revenues**

State Shared Revenues include a distribution of the State income and sales 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 \$2,379,247 which is \$45,470 or 1.9% higher than the same time period last year – the increase in revenue was anticipated based on projections by the Arizona League of Cities and Towns.

<b>Operating Funds Revenue Report - YTD Ending December 31</b>				
	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>YTD FY15-16 Budget</b>	<b>% YTD FY15-16 Budget</b>
Local Sales Tax	\$ 3,389,422	\$ 3,556,567	\$ 3,658,684	97.2%
State Sales Tax	972,561	1,025,411	1,074,222	95.5%
State Income Tax	1,361,216	1,353,836	1,353,837	100.0%

**Local Sales Tax (2.6%)**

The fiscal year to date revenue for this category totals \$3,556,567 (including all funds), which is 97.2% of projections. Compared to the same time period as last year, the total revenues are 4.9% higher.

Wholesale/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 \$1,786,218 which is 87.7% of projections; compared to last fiscal year, revenues increased by 3.5%.

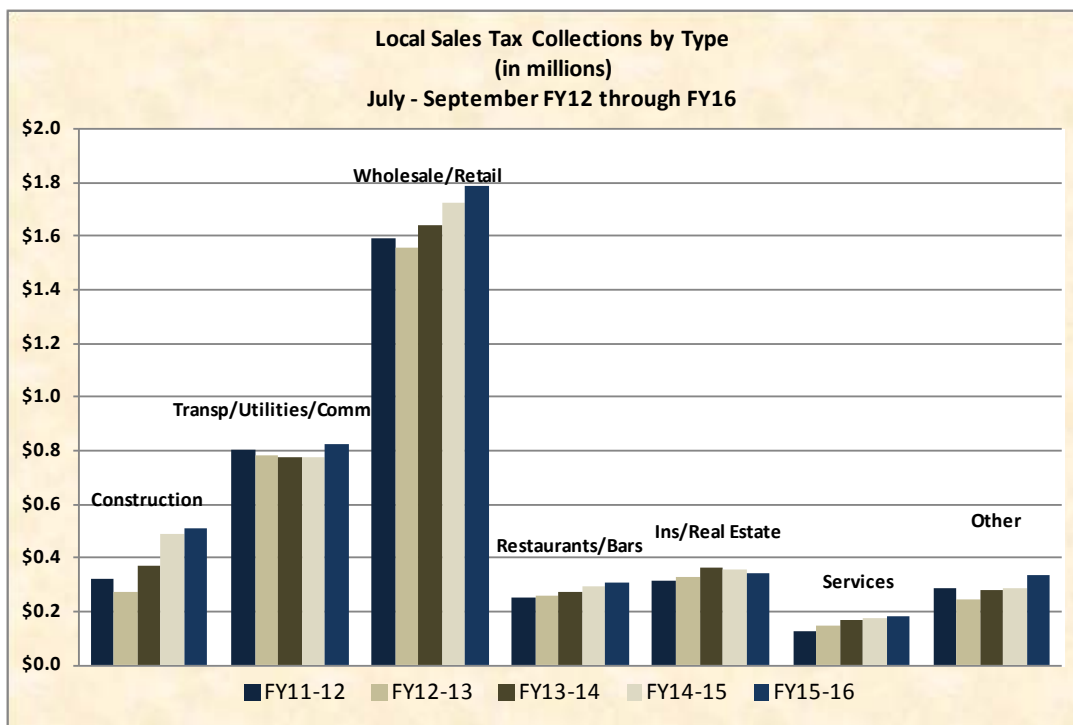
Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$304,429, which is 84.9% of projections; compared to last fiscal year, revenues are up by 4.3% and higher than any other previous year.

Communications/Utilities/Transportation: Utilities, such as Chaparral City Water, cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$822,012, which is 114.1% of what was anticipated; compared to last fiscal year, revenues are up by 6.1%.



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 \$508,632, which is 153.2% of what was budgeted; compared to last fiscal year, revenues are up 4.0%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Operating Funds Revenue Report - YTD Ending December 31				
	YTD FY14-15	YTD FY15-16	YTD FY15-16 Budget	% YTD FY15-16 Budget
Local Sales Tax	\$ 3,389,422	\$ 3,556,567	\$ 3,658,684	97.2%



Local sales tax makes up 50.4% of Operating Fund revenues; for the period ending December 31, 2015, collections were \$4.3M for all funds (\$3.6M in the Operating Fund). Retail and restaurant/bar activities represent 48.8% of total collections; telecommunications and utilities represent another 19.2%. Construction revenues collected this fiscal year to date total \$508,632, which is a 4.0% increase from last fiscal year. Retail sales tax collections increased 3.5% over the same period last year; restaurant/bar collections are up 4.3% 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 year to date, revenues for this category total \$54,048 or 41.9% of the YTD budget. New housing permits issued fiscal year-to-date are 16 single family, 7 multi-family and 2 commercial.

	<b>FY14-15 Actual</b>	<b>FY15-16 Actual</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Building Permit Fees	\$83,478	\$54,048	41.9%	\$257,755

**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 to date, revenues for this category total \$89,549 which is \$23,049 (34.7%) more than last year’s same fiscal period and 121.8% of the fiscal year to date budget amount.

	<b>FY14-15 Actual</b>	<b>FY15-16 Actual</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Court Fines & Fees	\$66,500	\$89,549	121.8%	\$147,011

**License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current fiscal revenues for these two categories total \$77,175 or 101.9% of the fiscal year to date budget.

	<b>FY14-15 Actual</b>	<b>FY15-16 Actual</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Business License Fees	\$50,905	\$58,551	106.9%	\$109,575
Animal License Fees	19,259	18,624	89.0%	41,932



## **Operating Fund Expenditures**

The Operating Fund accounts for most of the day to day operations of the Town, including Police, Fire and Emergency Medical Services, Development Services, Community Services, Municipal Court, Town Council and Administration functions. At the end of the period, 100.2% of the fiscal year to date budget has been expended.

Expenditures by Category - YTD Ending December 31				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Wages and Benefits	\$ 1,569,042	\$ 1,575,527	97.2%	\$ 3,241,546
Supplies and Services	309,425	260,947	98.9%	527,586
Contractual Services	3,966,922	4,295,988	101.4%	8,473,814
Maintenance/Utilities	503,955	468,886	88.6%	1,058,985
Capital Expenditures	23,586	57,075	249.4%	45,775
Internal Transfers/Contingency	903,689	420,992	126.6%	665,220
<b>TOTAL</b>	<b>\$ 7,276,619</b>	<b>\$ 7,079,415</b>	<b>101.0%</b>	<b>\$ 14,012,926</b>

- Wages and benefits represent one fifth (22.3%) of the total Operating Fund budget and accounts for all staff with the exception of streets' employees who are funded through a separate Highway User Revenue Fund (HURF).
- Supplies and Services represents 3.7% of the total Operating Fund budget and includes items such as dues and memberships, education and training, office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 60.7% of the Operating Fund budget and include 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/Utilities represent 6.6% of the Operating Fund budget and include facility maintenance and utilities.
- Capital Expenditures are only 0.8% of the Operating Fund and include those purchases of small items that do not meet the Town's capitalization threshold.
- Internal Transfers/Contingency (5.9%) includes transfers that are made at the end of the fiscal year from the Operating Fund (Community Center) to the Debt Service Fund for the annual bond repayment due in September as well as charges to the Operating Fund budget by department and transfers to provide monies for future scheduled replacement of vehicles and equipment. Also includes contingency funding.



## Department summary

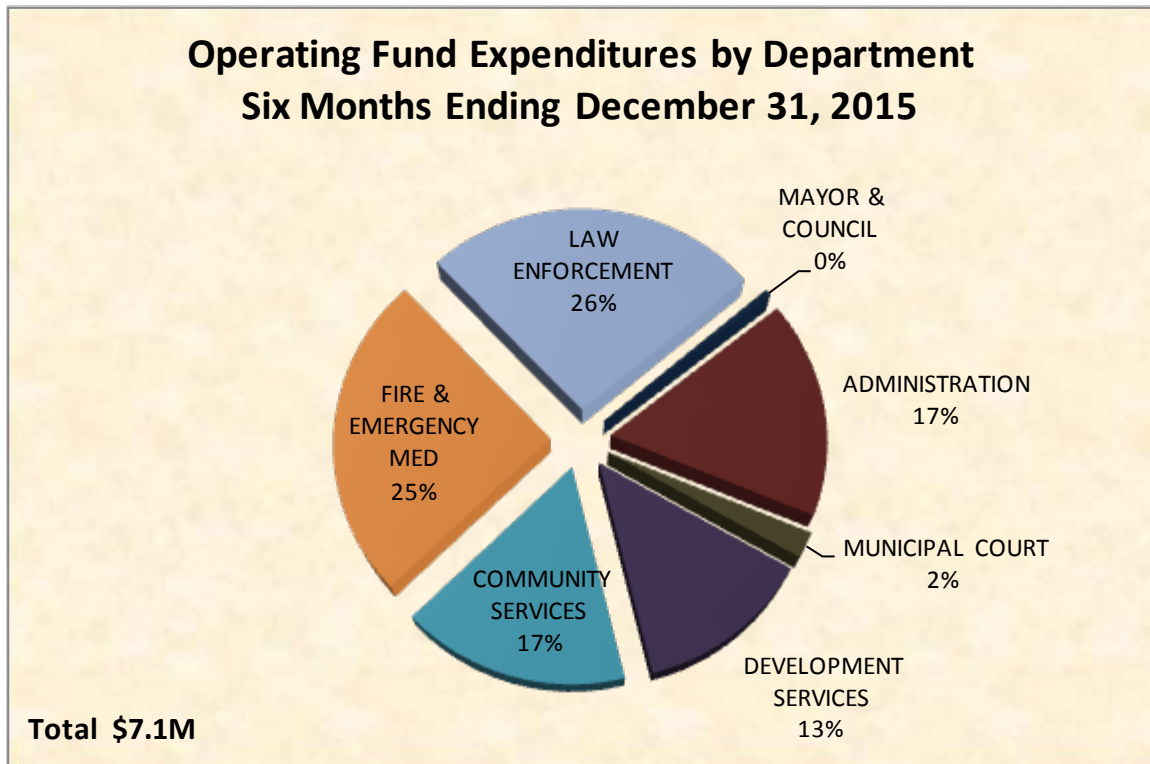
Expenditures by Department - YTD Ending December 31				
	FY14-15 Actual	FY15-16 Actual	% YTD FY15-16 Budget	FY15-16 Budget
Mayor & Council	\$ 45,797	\$ 34,184	85.4%	\$ 80,084
Administration	1,471,610	1,192,063	99.7%	2,390,670
Municipal Court	145,342	143,891	103.9%	277,107
Development Services	925,329	916,099	101.6%	1,803,724
Community Services	1,264,010	1,174,155	103.2%	2,275,574
Fire & Emergency Medical Services	1,757,888	1,782,217	101.8%	3,501,797
Law Enforcement	1,666,641	1,836,806	99.7%	3,683,970
<b>TOTAL</b>	<b>\$ 7,276,617</b>	<b>\$ 7,079,415</b>	<b>101.0%</b>	<b>\$ 14,012,926</b>

- The Mayor & Council and Municipal Court budgets represent a total 2.5% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 16.8% of the Operating Fund budget. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, and liquor), customer service, audits, public meetings, Channel 11, Town website, elections, Town Attorney, Town Prosecutor, budget and financial reporting, etc.
- Development Services (12.9% of Operating 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 (16.6% of Operating 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 that is transferred to the Debt Service Fund each year to cover the semi-annual payments in December and September.
- Fire & Emergency Medical Services represents 25.2% of the Operating Fund 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.





- Law Enforcement represents 25.9% of the Operating Fund budget and includes the contract with Maricopa County Sheriff's Office as well as costs for jail incarceration 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.



## **Other Funds:**

- Highway User Revenue Fund (Streets)
- Excise Tax (Downtown Strategy, Economic Development and Tourism)
- Special Revenue (Grants)
- Capital Projects
- Development Fees





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

<b>HURF Revenues by Program - YTD Ending December 31</b>				
	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
State Shared Revenues	\$ 1,056,955	\$ 1,122,862	98.0%	\$ 2,292,162
In Lieu Fees	2,732	5,640	94.0%	12,000
Transfers	562	-	0.0%	-
Miscellaneous & Other	7,245	6,527	207.2%	6,300
<b>Grand Total HURF</b>	<b>\$ 1,067,494</b>	<b>\$ 1,135,029</b>	<b>98.3%</b>	<b>\$ 2,310,462</b>

This fund supports most of the Town’s street and traffic operations and is managed by the Development Services Department. Revenues were received more than budgeted. The fund is primarily supported by the State Highway User Revenue Fund (59.8%), Vehicle License Taxes (39.2%) 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. The Town bills contractors when they make cuts in the Town’s rights of way and has recovered \$5,640 of in-lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous & other.

<b>HURF Expenditures by Program - YTD Ending December 31</b>				
	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Administration	\$ 94,608	\$ 152,766	138.3%	\$ 220,860
Adopt A Street	1,647	1,588	75.1%	4,227
Legal Services	16,145	13,939	86.8%	32,136
Open Space	119,421	142,087	81.1%	350,309
Pavement Maintenance	130,404	1,544,753	175.4%	1,761,276
Street Signs	39,098	37,214	78.3%	95,098
Street Sweeping	45,806	-	0.0%	-
Traffic Signals	63,546	80,008	57.5%	278,145
Vehicle Maintenance	40,860	45,008	84.9%	106,070
<b>Grand Total HURF</b>	<b>\$ 551,535</b>	<b>\$ 2,017,363</b>	<b>141.7%</b>	<b>\$ 2,848,121</b>



- The Administration program for the Streets division includes activities that are not directly related to a program (for example, insurance, fuel, utilities, etc.).
- Adopt A Street includes expenses incurred to support the program by the same name.
- Legal Services represent an allocation of the Town Attorney's fees.
- Open Space program includes maintenance of the medians; the largest component of this category is the contract for landscaping and water usage.
- Pavement Maintenance program includes personnel costs related to road repair and maintenance, such as pot holes and curb replacement. A major expenditure for pavement maintenance has been deferred until the next fiscal year to allow funds to accumulate.
- Street Signs program includes personnel and maintenance costs for the Town's 8,500 street signs.
- Street Sweeping program's major expenditure is the contract costs for street sweeping. Arterial streets are swept every three 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 40 vehicles and heavy equipment.



**Excise Tax - All Funds (Downtown Strategy, Economic Development, Tourism)**

<b>Excise Tax Revenues - All Funds - YTD Ending December 31</b>				
	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Revenues	\$ 354,571	\$ 362,487	123.7%	\$ 586,000
<b>Grand Total Excise Tax Funds</b>	<b>\$ 354,571</b>	<b>\$ 362,487</b>	<b>123.7%</b>	<b>\$ 586,000</b>

These funds are separate operating funds from the Town’s Operating Fund and they support the Town’s downtown strategy, economic development including business retention program, and tourism. Beginning in FY14-15, the Excise Tax Fund was separated into two separate functions supported by a portion of the local sales (excise) tax (.1% of the 2.6%). Downtown Strategy focus is for infrastructure improvements and development; Economic Development focus is dedicated to Town-wide economic development and the Economic Development Plan implementation. The Economic Development Fund also provides the funding for the Tourism Fund.

<b>Excise Tax Funds Expenditures by Category - YTD Ending December 31</b>				
	<b>YTD FY14-15</b>	<b>YTD FY15-16</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Wages and Benefits	\$ 45,441	\$ 82,895	98.0%	\$ 169,218
Supplies and Services	9,170	17,378	96.3%	36,076
Contractual Services	81,136	103,255	103.2%	200,055
Maintenance/Utilities	520	5,573	21.8%	51,050
Internal Transfers	1,182,277	199,884	64.7%	617,826
<b>Grand Total all Categories</b>	<b>\$ 1,318,544</b>	<b>\$ 408,985</b>	<b>76.1%</b>	<b>\$ 1,074,225</b>

- Wages and benefits, which represent 20.3% of the total Excise Tax operating budget, replaced contractual services after the hiring of the Town’s Economic Development Specialist and Tourism Coordinator.
- Supplies and Services represents 4.2% of the total Excise Tax budget and includes items such as office supplies, insurance, software, etc. These types of expenditures can be controlled to avoid expending more than revenues received.
- Contractual services represent 25.2% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities (1.4%) include sign repair and replacement in addition to telecommunication charges.
- Internal Transfers (48.9%) reflect the transfer of funds to the Tourism Fund.



## Development Fees

These fees are placed into restricted funds with revenues paid by developers at the time of new residential and commercial construction permits. The decrease in permit activity over the same time period as last year is related to the development fee study that implemented new fees as of August 1, 2014. The study was presented to the public at a Public Hearing in February, 2014 and resulted in the elimination of several categories of fees and changes in the remaining categories.

During this fiscal year, there have been twenty five (25) permit applications including development fees.

<b>FY15-16 Revenues by Category - YTD Ending December 31 - Development Fees</b>				
	<b>FY14-15 Actual</b>	<b>FY15-16 Actual</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Law Enforcement	\$ 730	\$ -	0.0%	\$ -
Fire/Emergency	13,021	25,880	194.7%	26,580
Streets	33,804	-	0.0%	-
Parks/Rec	36,126	28,374	72.7%	78,060
Open Space	3,751	(297)	(9.9%)	6,000
Library/Museum	487	-	0.0%	-
General Government	-	-	0.0%	-
<b>Grand Total All Funds</b>	<b>\$ 87,919</b>	<b>\$ 53,957</b>	<b>97.5%</b>	<b>\$ 110,640</b>

<b>FY15-16 Expenditures by Category - YTD Ending December 31 - Development Fees</b>				
	<b>FY14-15 Actual</b>	<b>FY15-16 Actual</b>	<b>% YTD FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Law Enforcement	\$ -	\$ -	0.0%	\$ 203,484
Fire/Emergency	-	-	0.0%	67,202
Streets	-	-	0.0%	-
Parks/Rec	-	-	0.0%	-
Open Space	268	269	100.6%	535
Library/Museum	-	-	0.0%	-
<b>Grand Total All Funds</b>	<b>\$ 268</b>	<b>\$ 269</b>	<b>0.2%</b>	<b>\$ 271,221</b>



## **Capital Projects Fund**

Capital projects are funded with accumulated reserves that were surplus revenues in the Operating Fund in addition to 50% of sales tax revenues that are derived from construction activity. Some projects are funded with proceeds from grants or developers; the table below is a summary of revenues for fiscal year to date ending December 31, 2015.

<b>FY15-16 Capital Projects Fund Revenues - YTD Ending December 31</b>			
	<b>YTD FY15-16 Actual</b>	<b>% FY15-16 Budget</b>	<b>FY15-16 Budget</b>
Construction Sales Tax	\$ 254,316	76.6%	\$ 332,035
Developer Fee	-	0.0%	-
Bond Proceeds	-	0.0%	-
Grants	(212,953)	(11.9%)	1,790,000
Misc.	82,335	53.4%	154,082
Interest Income	(6,834)	(57.0%)	12,000
Transfers In	59,137	7.9%	745,686
<b>Grand Total CIP Fund</b>	<b>\$ 176,001</b>	<b>5.8%</b>	<b>\$ 3,033,803</b>



The table below summarizes the projects that were included in the current year budget including the original budgeted expenditure, the year to date expenditures and the percentage of fiscal year expenditures to date. Some of the projects have not started yet and therefore have no expenditures.

<b>FY15-16 Expenditures by Category - YTD Ending December 31 - Capital Projects</b>			
	<b>YTD FY15-16 Actual</b>	<b>% FY15-16 Budget</b>	<b>FY15-16 Budget</b>
D6030 DRAINAGE-ASHBROOK WASH C	\$ 565,695	26.4%	\$ 2,145,000
D6047 MISC DRAINAGE IMPROVEMEN	-	0.0%	50,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	200,000
F4005 FIRE STATION 2 RELOCATIO	155	0.0%	3,650,000
P3011 FOUNTAIN PARK, PHASE VI	242,076	26.6%	910,000
P3022 FOUNTAIN LAKE WATER QUAL	13,600	6.8%	200,000
P3025 ADERO CANYON TRAILHEAD	2,394	12.0%	20,000
S6005 SHEA BLVD WIDENING	90,906	9.1%	1,000,000
S6010 SAGUARO BLVD RECONSTRUCT	4,168,783	83.4%	5,000,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	500,000
S6057 MCDOWELL MOUNTAIN ROAD R	-	0.0%	65,000
T5011 TS-PALISADES & SAGUARO	273,968	72.1%	380,000
CONTINGENCY	15,224	5.6%	272,885
<b>Grand Total Capital Projects</b>	<b>\$ 5,372,801</b>	<b>37.3%</b>	<b>\$ 14,392,885</b>





## Fund Balances/Reserves

The Town maintains several funds, some of which are restricted for specific purposes; the Operating Fund is the Town's main operating fund and has sufficient reserves that satisfy the Town's fund balance policy. Development fees are restricted for projects that are related to growth and the Economic Development/Downtown Strategy Funds are designated for downtown development.

### Fiscal Quarter-End Fund Balances (Unaudited) December 31, 2015

<b>Operating Funds</b>		
Rainy Day Fund	\$ 2,624,843	
General Fund	5,621,670	
Public Art Fund	5,919	
Internal Service Fund	(7,395)	
Vehicle Replacement Fund	668,521	\$ 8,913,558
<b>Highway User Revenue Fund (HURF)</b>	668,627	<b>668,627</b>
<b>Special Revenue Funds</b>		
Special Revenue Fund	54,643	
Court Enhancement Fund	284,259	
Environmental Fund	13,711	
Cottonwoods Maintenance District Fund	13,338	<b>365,951</b>
<b>Excise Tax Funds</b>		
Downtown Strategy Fund	886,729	
Economic Development Fund	57,905	
Tourism Fund	88,920	<b>1,033,554</b>
<b>Debt Service</b>		
General Obligation Debt Service Fund	1,530,848	
Eagle Mountain CFD Debt Service Fund	297,157	
MPC Debt Service Fund	426,986	<b>2,254,991</b>
<b>Capital Projects</b>		
Capital Projects Fund	5,599,910	
Facilities Replacement Fund	170,227	<b>5,770,137</b>
<b>Development Fees</b>		
Law Enforcement	203,484	
Fire & Emergency	97,008	
Streets	-	
Parks & Recreation	229,338	
Open Space	1,660,059	
Library/Museum	-	<b>2,189,889</b>
<b>Grand Total</b>		<b>\$ 21,196,707</b>