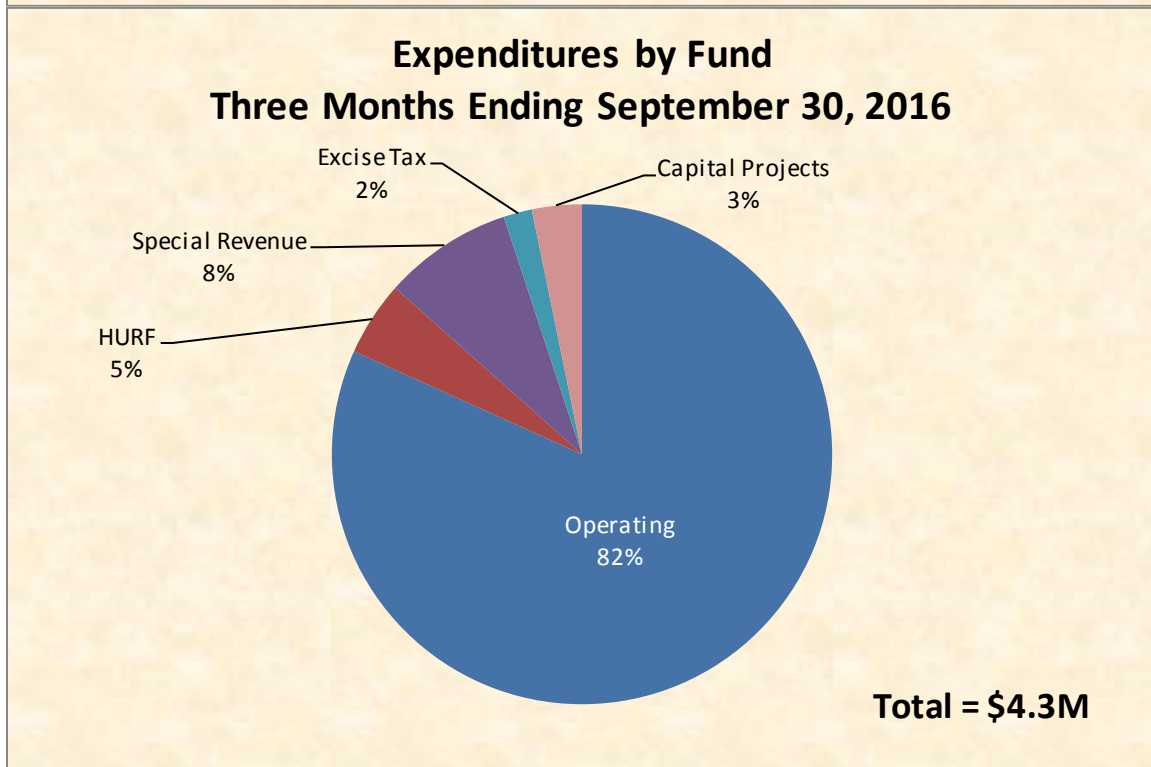
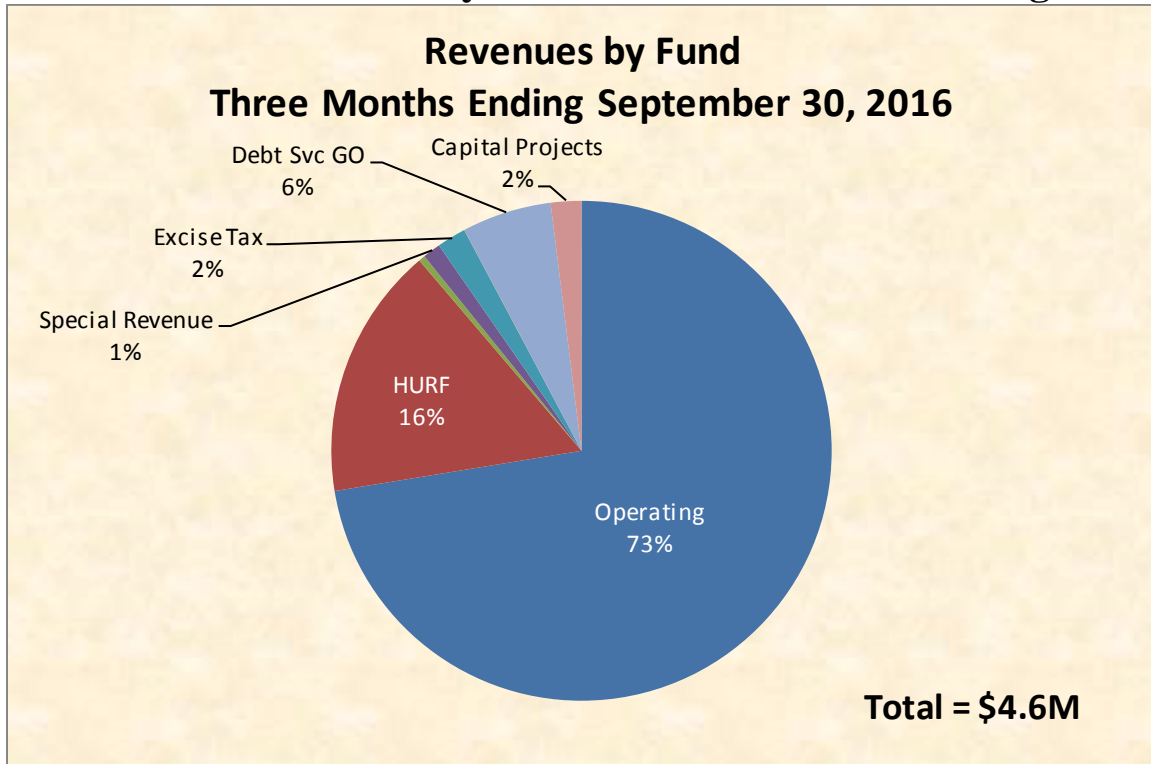


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
THREE MONTHS ENDING SEPTEMBER 30,
2016





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

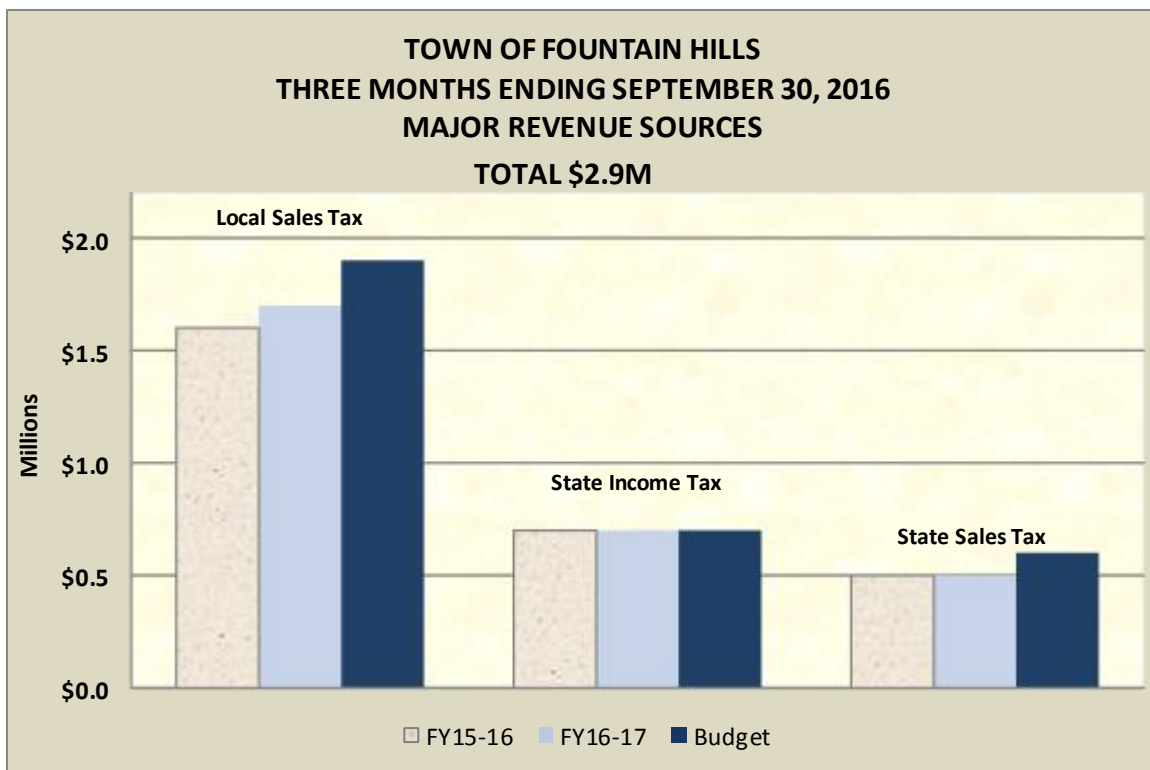




Operating Fund Revenues

For the fiscal YTD period ending September 30, 2016, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 85.7% of budgeted amounts and \$114,282 higher than the same time period last fiscal year (an increase of 3.6%). Categories where revenues are higher than the previous year are the local sales tax (up 5.4%), State sales tax (up 3.3%), State income tax (up 8.1%), leases & rents (up 13.7%) as well as charges for services (up 49.3%). Total Operating Fund revenues for this fiscal period are \$3,297,992.

FUND	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Operating Funds	\$ 3,183,710	\$ 3,297,992	\$ 3,849,809	85.7%



The three major revenues in the chart above represent 90.6% 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 (5.4% 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 3.3% higher and State income taxes are 8.1% higher than last year. Overall, these major revenue sources are at 93.9% of the budget for the fiscal year.



State Shared Revenues

State Shared Revenues include a distribution of the State income and State 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 \$1,253,603 which is \$71,116 or 6.0% 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.

Operating Funds Revenue Report - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
State Sales Tax	505,569	522,168	562,681	92.8%
State Income Tax	676,918	731,435	731,363	100.0%

Local Sales Tax (2.6%)

The fiscal YTD revenue for this category totals \$1,954,837 (including all funds), which is 86.8% of projections. Compared to the same time period as last year, the total revenues (all funds) are 0.3% lower. It must be pointed out that the Department of Revenue has changed its reporting method on a monthly basis beginning in June 2016. Consequently, amounts prior to February 2015 are not comparable to current amounts.

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 \$955,745 which is 97.0% of projections; compared to last fiscal year, revenues decreased by 0.3%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$150,808, which is 78.7% of projections; compared to last fiscal year, revenues are up by 11.4% and higher than any other previous year.

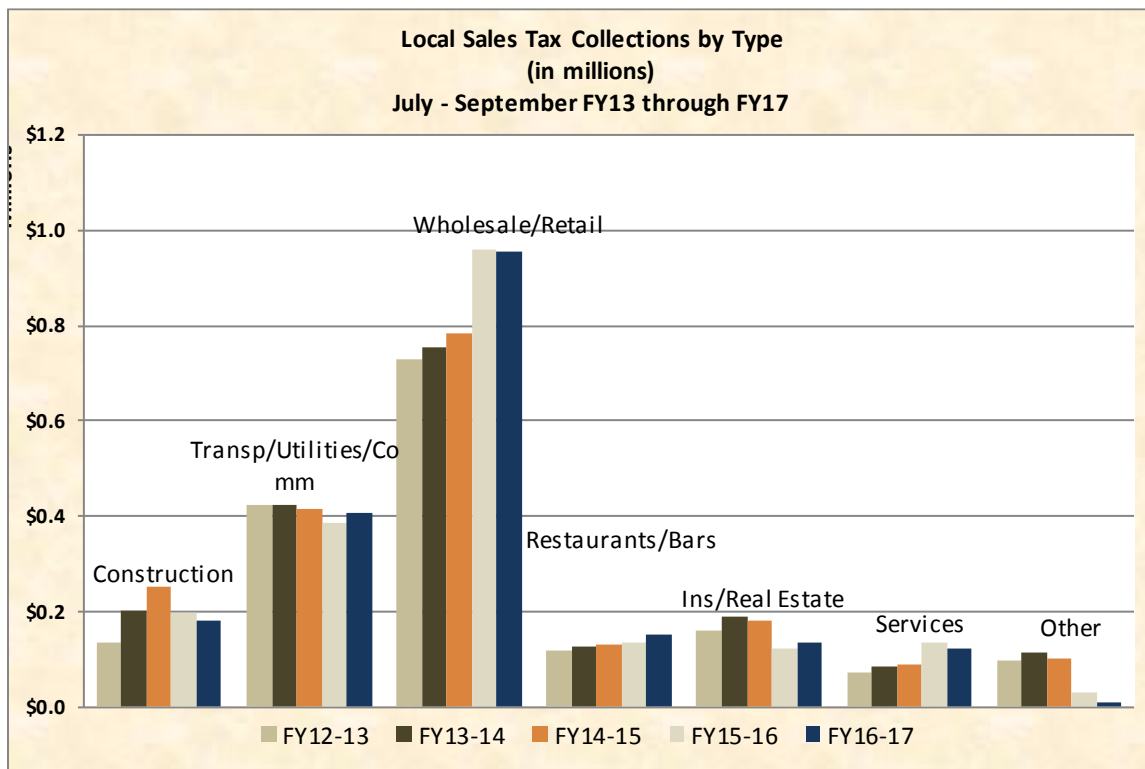
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$405,208, which is 117.9% of what was anticipated; compared to last fiscal year, revenues are up by 5.4%.

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 \$180,338, which is 83.3% of what was budgeted; compared to last fiscal year, revenues are down 8.1%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Operating Funds Revenue Report - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Local Sales Tax	\$ 1,645,165	\$ 1,733,591	\$ 1,887,764	91.8%



Local sales tax makes up 52.6% of Operating Fund revenues; for the period ending September 30, 2016, collections were \$2.0M for all funds (\$1.7M in the Operating Fund). Retail and restaurant/bar activities represent 56.6% of total collections; telecommunications and utilities represent another 20.7%. Construction revenues collected this fiscal period total \$180,338, which is an 8.1% decrease from last fiscal year. Wholesale/retail sales tax collections decreased 0.3% from the same period last year; restaurant/bar collections are up 11.4% 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 \$42,112 or 30.3% of the period budget. New housing permits issued for the fiscal period are 8 single family, 1 multi-family and 1 commercial.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Building Permit Fees	\$27,711	\$42,112	\$139,128	30.3%

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 \$41,189 which is \$1,990 (4.6%) less than last year's same fiscal period and 84.2% of the budgeted amount.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Court Fines & Fees	\$43,179	\$41,189	\$48,921	84.2%

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 \$29,510 or 82.1% of the fiscal period budget.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Business License Fees	\$25,995	\$20,740	\$25,875	80.2%
Animal License Fees	9,478	8,770	10,080	87.0%



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, Court, Council and Administration functions. At the end of the first quarter, 91.9% of the period budget has been expended.

Expenditures by Category - YTD Ending September 30				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Wages and Benefits	\$ 702,935	\$ 687,896	81.7%	\$ 3,366,038
Supplies and Services	148,775	189,069	124.8%	605,982
Contractual Services	2,155,178	2,329,825	102.9%	9,058,022
Maintenance/Utilities	235,780	317,155	104.6%	1,213,036
Capital Expenditures	11,028	-	0.0%	200,000
Internal Transfers/Contingency	19,340	16,177	6.7%	960,995
TOTAL	\$ 3,273,036	\$ 3,540,122	91.9%	\$ 15,404,073

- Wages and benefits represent one fifth (19.4%) 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) and the Tourism Coordinator.
- Supplies and Services, including Utilities represents 5.3% of the total Operating Fund 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.
- Contractual services represent 65.8% 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 account for the charges associated with maintenance of facilities as well as utilities and represent 9.0% of the total expenditures.
- Internal Transfers are charged to the Operating Fund budget by department and transferred to provide monies for future scheduled replacement of vehicles and equipment. Also 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 June as well as contingency and other minor expenditures.



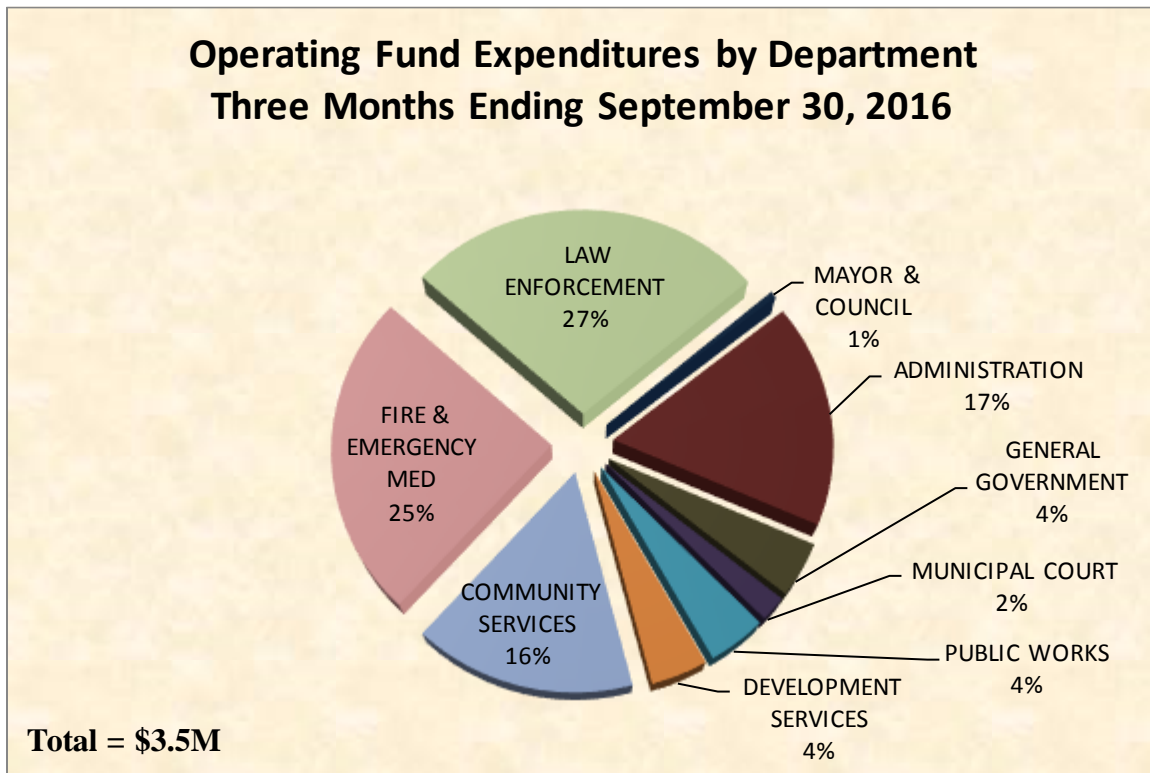
Department Summary

Expenditures by Department - YTD Ending September 30				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Mayor & Council	\$ 16,310	\$ 18,076	99.7%	\$ 72,545
Administration	587,095	605,655	106.5%	2,275,280
General Government	-	148,716	69.0%	862,532
Municipal Court	66,383	67,965	84.6%	321,254
Public Works	-	149,314	64.9%	920,201
Development Services	323,210	144,028	62.1%	927,139
Community Services	517,234	562,143	94.2%	2,386,294
Fire & Emergency Medical Services	847,952	876,777	94.6%	3,708,717
Law Enforcement	914,851	967,449	98.5%	3,930,111
TOTAL	\$ 3,273,035	\$ 3,540,123	91.9%	\$ 15,404,073

- The Mayor & Council and Municipal Court budgets represent a total 0.5% of the Operating Fund expenditures.
- Administration includes the Town Clerk, Town Manager, Finance, Administrative Services, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 17.1% of the Operating Fund budget. The Department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), customer service, audits, public meetings, Channel 11, Town website, elections, Town Attorney, Town Prosecutor, budget and financial reporting, etc.
- General Government is a new department and will include costs that are common to the Town as a whole (4.2%).
- Municipal Court represents all the costs of the operations of the court (1.9%).
- Public Works (4.2% of Operating Fund expenditures) was broken out from Development Services in the prior years. This department includes public works, open space maintenance, stormwater management, and facilities maintenance.
- Development Services (4.1% of Operating Fund expenditures) includes programs such as engineering, building safety, and traffic and capital projects. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Building Safety, and Mapping & Graphics.
- Community Services (15.9% 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 June.



- Fire & Emergency Medical Services represents 24.8% 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 27.3% 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 (Capital Projects and Facilities Replacement)
- Development Fees





Highway User Revenue Fund (HURF) – Streets

HURF Revenues - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Sales Tax	\$ -	\$ 154,687	89.3%	\$ 692,778
State Shared Revenues	565,137	577,558	97.3%	2,373,986
In Lieu Fees	5,640	10,298	15.7%	262,000
Miscellaneous & Other	1,317	2,063	32.6%	25,300
Grand Total HURF	\$ 572,094	\$ 744,606	88.8%	\$ 3,354,064

This fund supports most of the Town’s street and traffic operations and is managed by the Public Works Department. Less revenues were received than budgeted; however, expenditures did not exceed the anticipated resources. The fund is primarily supported by the State Highway User Revenue Fund (46.7%), Vehicle License Taxes (30.9%) and from a portion of the dedicated sales tax. 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 \$10,298 for in lieu fees. Restitution fees are recovered from damage to Town property as a result of vehicle accidents and included in miscellaneous & other.

HURF Expenditures by Program - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Administration	\$ 26,377	\$ 82,700	99.8%	\$ 331,598
Adopt A Street	736	-	0.0%	1,010
Legal Services	4,665	-	0.0%	-
Open Space	51,391	56,372	66.4%	339,583
Pavement Maintenance	38,639	25,310	3.9%	2,618,080
Street Signs	12,434	9,046	51.9%	69,767
Street Sweeping	-	-	0.0%	-
Traffic Signals	20,648	22,970	56.2%	163,483
Vehicle Maintenance	14,538	12,387	69.6%	71,175
Grand Total HURF	\$ 169,428	\$ 208,785	23.2%	\$ 3,594,696

- 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 is the cost of administering and maintaining the Adopt A Street program.



- Legal Services represent the allocated portion of the Town attorney 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.
- Street Signs program includes personnel and maintenance costs for the Town's 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 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 vehicles and heavy equipment.



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

Excise Tax Revenues - All Funds - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Revenues	\$ 87,950	\$ 85,713	81.7%	\$ 419,521
Grand Total Excise Tax Funds	\$ 87,950	\$ 85,713	81.7%	\$ 419,521

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’s focus is for infrastructure improvements and development; Economic Development’s 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.

Excise Tax Funds Expenditures by Category - YTD Ending September 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Wages and Benefits	\$ 38,061	\$ 35,942	84.8%	\$ 169,451
Supplies and Services	15,337	7,734	124.8%	24,792
Contractual Services	67,205	34,621	75.9%	182,530
Maintenance/Utilities	5,284	353	12.5%	11,320
Internal Transfers	637	1,123	71.7%	6,265
Grand Total all Categories	\$ 126,524	\$ 79,773	80.9%	\$ 394,358

- Wages and benefits, which represent 45.1% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 9.7% 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 and supplies represent 43.4% of the budget and include contracts for downtown holiday lighting, Greater Phoenix Economic Council (GPEC), and planned professional services for marketing strategies.
- Maintenance/Utilities include costs for lighting and sign repairs.
- Internal/Transfers reflect the expenditures in the Capital Projects Fund for minor costs.



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 the three months of this fiscal year, there have been ten (10) permit applications including development fees.

Revenues by Category - YTD Ending September 30 - Development Fees				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	23,147	3,665	6.3%	58,421
Parks/Rec	14,330	15,776	12.9%	122,414
Open Space	5,396	(430)	(7.2%)	6,000
Grand Total All Funds	\$ 42,873	\$ 19,011	10.2%	\$ 186,835

Expenditures by Category - YTD Ending September 30 - Development Fees				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	-	-	0.0%	-
Parks/Rec	-	-	0.0%	-
Open Space	135	134	25.0%	535
Grand Total All Funds	\$ 135	\$ 134	25.0%	\$ 535



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 the year-to-date period ending September 30, 2016.

FY16-17 Capital Projects Fund Revenues - YTD Ending September 30			
	YTD FY16-17 Actual	% FY16-17 Budget	FY16-17 Budget
Construction Sales Tax	\$ 90,520	20.9%	\$ 433,023
Grants	-	0.0%	255,000
Misc.	-	0.0%	150,000
Interest Income	(513)	(8.6%)	6,000
Grand Total Capital Projects	\$ 90,007	10.7%	\$ 844,023

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 end expenditures. Some of the projects have not started yet and therefore have no expenditures.

FY16-17 Expenditures by Category - YTD Ending September 30 - Capital Projects			
	YTD FY16-17 Actual	% FY16-17 Budget	FY16-17 Budget
D6030 DRAINAGE-ASHBROOK WASH C	\$ -	0.0%	\$ 700,000
D6047 MISC DRAINAGE IMPROVEMEN	-	0.0%	50,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	400,000
E8505 DOWNTOWN LIGHTING	-	0.0%	200,000
F4005 FIRE STATION 2 RELOCATIO	-	0.0%	3,800,000
F4030 CHILLER INSTALLATION	-	0.0%	300,000
P3022 FOUNTAIN LAKE WATER QUAL	2,000	1.0%	205,000
P3025 ADERO CANYON TRAILHEAD	17,513	0.8%	2,285,000
P3026 FOUNTAIN PARK ACCESS IMP	-	0.0%	375,000
P3027 FOUR PEAKS PARK-PHASES I	-	0.0%	75,000
S6003 UNPAVED ALLEY PAVING PRO	-	0.0%	255,000
S6053 FOUNTAIN HILLS BLVD SHOU	-	0.0%	500,000
S6057 MCDOWELL MOUNTAIN ROAD R	64,387	85.8%	75,000
CONTINGENCY	55,607	11.7%	474,885
Grand Total Capital Projects	\$ 139,507	1.4%	\$ 9,694,885



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) September 30, 2016

Operating Funds			
Rainy Day Fund	\$	2,624,843	
General Fund		4,428,221	
Public Art Fund		38,238	
Internal Service Fund		(1,289)	
Vehicle Replacement Fund		646,348	\$ 7,736,361
Highway User Revenue Fund (HURF)		2,103,994	2,103,994
Special Revenue Funds			
Special Revenue Fund		(219,271)	
Court Enhancement Fund		300,852	
Environmental Fund		354,991	
Cottonwoods Maintenance District Fund		14,618	451,190
Excise Tax Funds			
Downtown Strategy Fund		937,839	
Economic Development Fund		36,127	
Tourism Fund		117,250	1,091,216
Debt Service			
General Obligation Debt Service Fund		692,413	
Eagle Mountain CFD Debt Service Fund		120,980	
MPC Debt Service Fund		561,460	1,374,853
Capital Projects			
Capital Projects Fund		6,160,473	
Facilities Replacement Fund		1,054,312	7,214,785
Development Fees			
Law Enforcement		203,484	
Fire & Emergency		108,062	
Parks & Recreation		273,194	
Open Space		1,681,383	2,266,123
Grand Total	\$		<u>22,238,522</u>