

TOWN OF FOUNTAIN HILLS

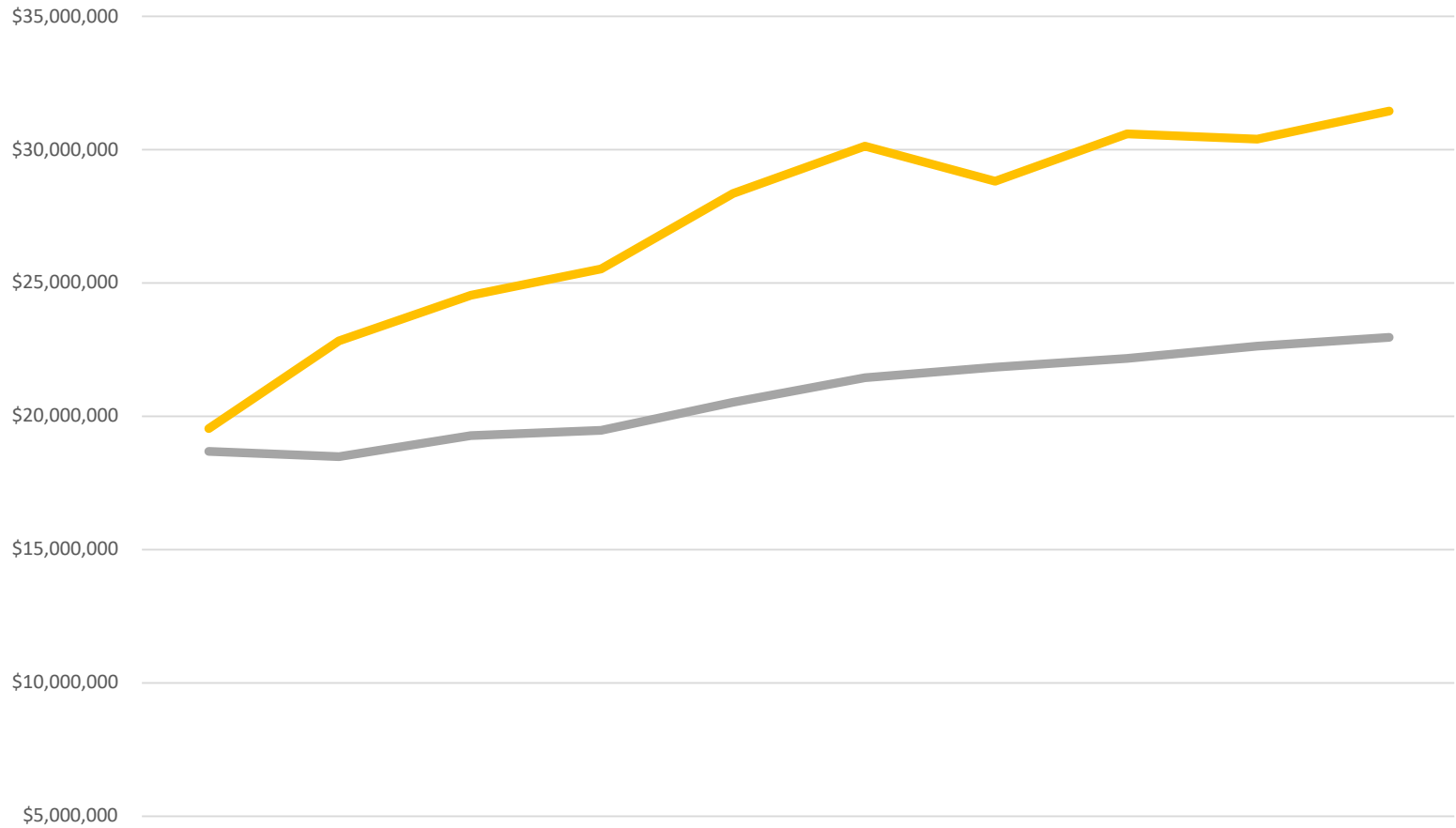


November 21, 2017

Major Expense Drivers

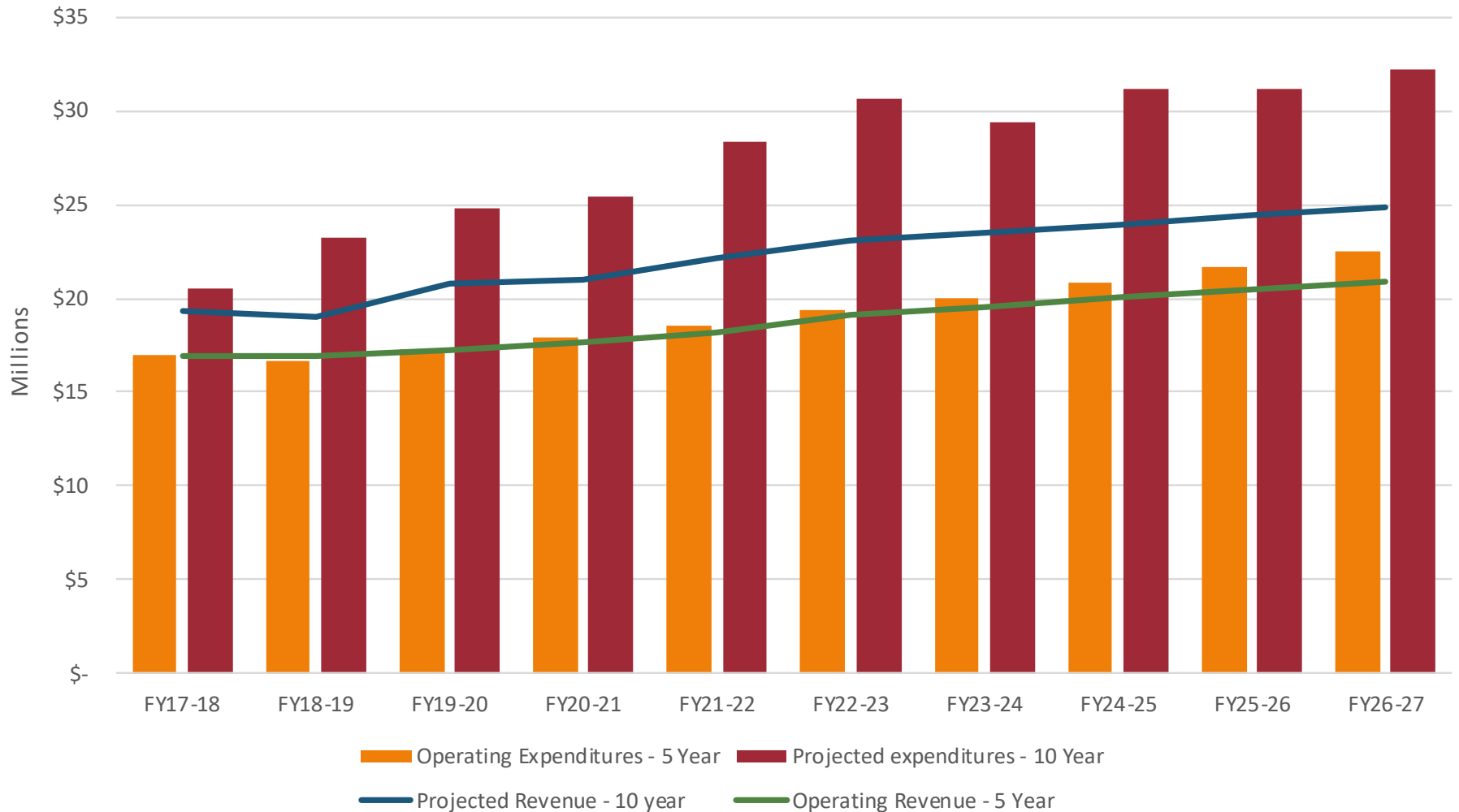
<u>Major Drivers of Future Budgets</u>	<u>Annual Cost</u>	<u>10 Year Cost</u>
pavement management program		
pavement replacement	\$2M	\$20M
increased pavement maintenance	\$2M	\$20M
public safety		
Rural/Metro	\$3,508,054 - 3% annual increase	\$40M
MCSO	\$3,715,447 - 5% increase annually due to unfunded PSPRS costs	\$47M
Capital Reserve		
Facilities replacement funding	\$960K	\$10M
Fire Department		
staffing for Station #3	\$1.3M	\$8.6M
operating costs	\$370K	\$2.4M
TOTAL	\$13.9M	\$148M

10 Year Financial Projection



	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
— Total Revenues	\$18,690,617	\$18,446,200	\$19,279,826	\$19,444,266	\$20,516,556	\$21,425,517	\$21,830,558	\$22,180,292	\$22,648,155	\$22,954,019
— Total Expenditures	\$19,563,047	\$22,847,592	\$24,525,484	\$25,519,522	\$28,388,520	\$30,138,528	\$28,827,455	\$30,574,918	\$30,430,475	\$31,426,714

10 Year Financial Projection

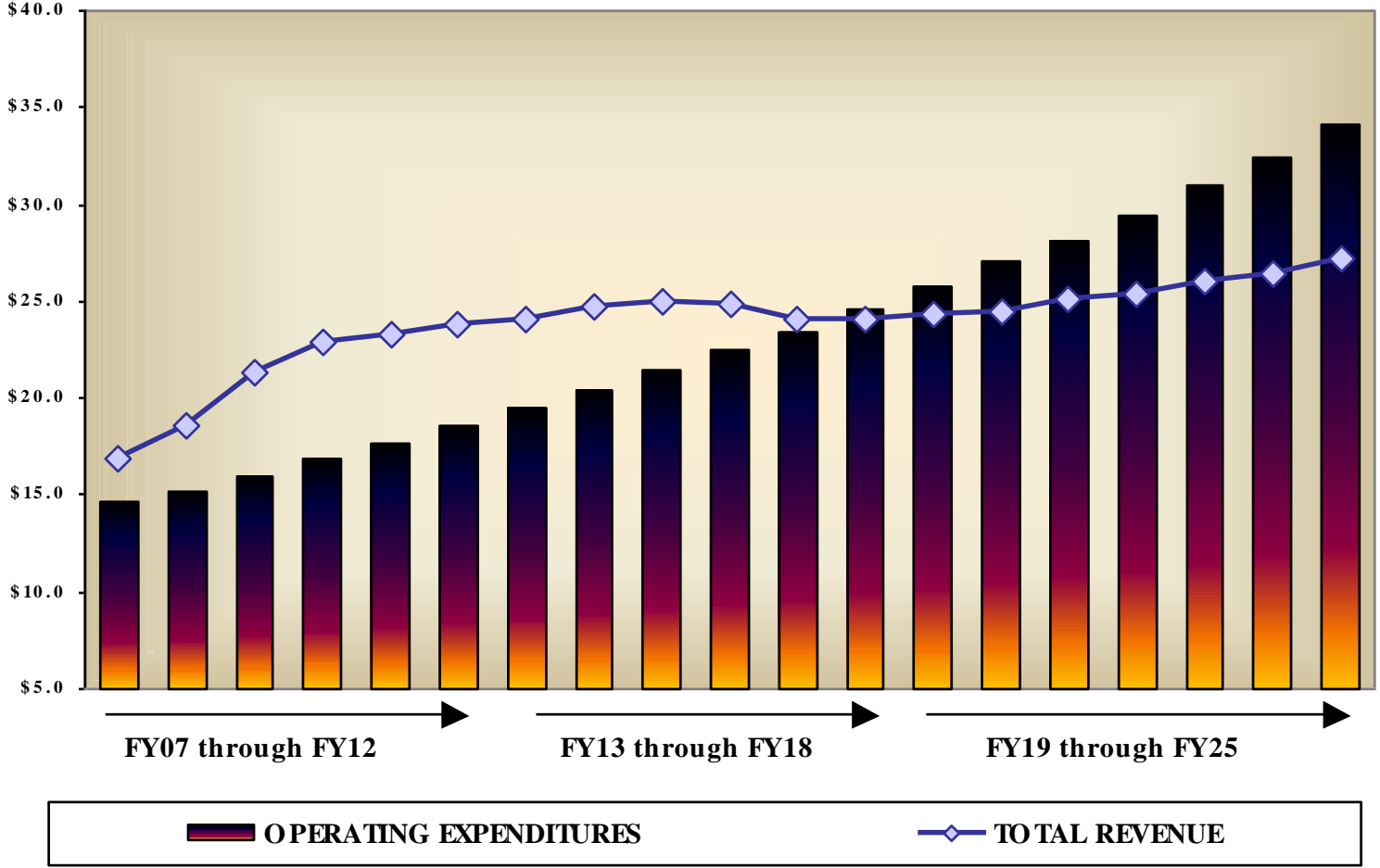


RECAP – 10 Year Financial Projection

	June Projection
10 year Operating Revenue	\$186.9M
10 year Projected Revenue	\$222.0M
10 year Operating Expenditures	\$191.7M
10 year Projected Expenditures	\$286.5M
10 year average projected revenue	\$22.2M
10 year average projected expenditure	\$28.6M
10 year average annual projected deficit	<\$6.4M>

Long Term Financial Picture

GENERAL FUND PROJECTED OPERATING REVENUES & EXPENDITURES
FY 2007 - FY2025
(in millions)



Addressing the Revenue Shortfall Issue

- Over the past two years, the Town Council has studied the revenue shortfall issue and evaluated the following options to address the problem:
 - Raise local sales tax rate
 - Impose a public safety fee
 - Levy a primary property tax
 - Create a special district, such as a fire district or a community facilities district
 - Implement a franchise fee
 - Increase Town fees
 - Expenditures - Reduce service levels or staff

Addressing the Revenue Shortfall Issue

- At the Town Council meeting on October 10, 2017, the Town Council unanimously came to the conclusion that the best option for addressing the revenue shortfall was to ask voters to approve a primary property tax of \$7,000,000 annually
- A primary property tax has the following advantages over other options reviewed by the Town Council:
 - It is viable, equitable, and sustainable
 - State law limits property tax increases
 - Ease of collection and high collection rate
 - Tax deductible versus a fee which is not

Primary Property Tax

- Consider a primary property tax – would require a vote of the residents
- FY 17-18 assessed valuation \$444,649,617 for Fountain Hills
- (FY 16-17 valuation was \$423,652,443 – increase of 5% for FY17-18)

Impact of Property Tax (per annum)

Home Value	\$7 Million
\$250,000	\$393.57
\$350,000	\$551.00
\$550,000	\$865.85
\$1 Million	\$1,574.27