

**TOWN OF FOUNTAIN HILLS**  
**BUDGET REPORT – JUNE 2012**





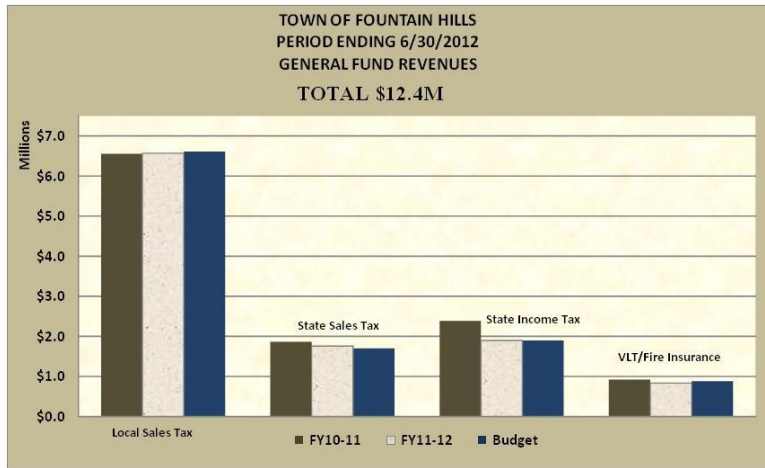
## **General Fund Revenues**

## All Funds Summary

### General Fund Revenues

For the fiscal year ending June 30, 2012, revenues were received at 98.5% of projections and \$717,822 less than the same time period last fiscal year. The decrease is due primarily to the reduction in State income tax which is dependent upon Fountain Hills’ population (the 2010 census counted 8% less residents). Total General Fund revenues are estimated to be \$12,502,490 – slightly less than the projected \$12,624,479.

	<b>FY10-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>YTD to Budget</b>	<b>Year End Estimate</b>
General Fund	\$13,154,313	\$12,502,490	99%	\$12,502,490



The four revenues in the chart on the left represent 88.9% 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 revenues from these categories total \$4,490,037 which is \$675,817 or 13% less than the same time period last year – the decrease in revenue was anticipated with the decrease in Fountain Hills’ population.

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>FY2011-12 Budget</b>	<b>Actual to Estimate</b>
State Income Tax	\$2,383,874	\$1,898,088	\$1,898,160	100%
State Sales Tax	\$1,860,421	\$1,758,004	\$1,701,480	103%
Vehicle License Fees/ Insurance Premium Tax	\$921,559	\$833,945	\$882,630	95%

**Local Sales Tax (2.6%)**

The annual revenue for this category total \$7,861,482 (including all funds), which is 104.3% of projections. Compared to the same time period as last year the total revenues are 0.5% higher.

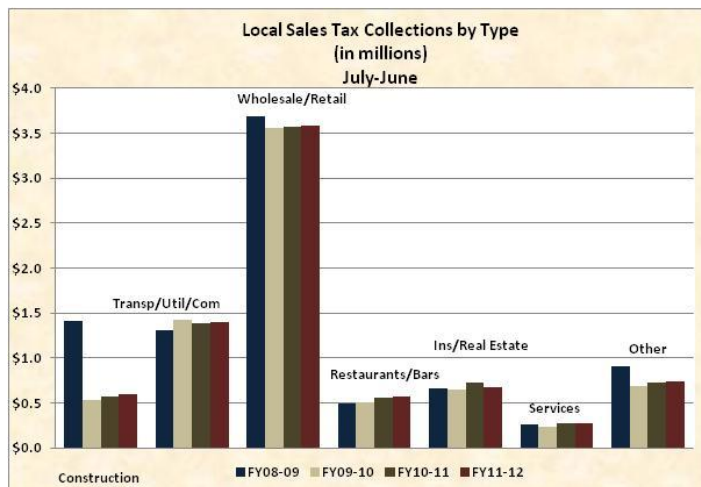
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The revenues for this category total \$3,581,201 which is 96.6% of projections; compared to last fiscal year revenues are up by 0.4%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$573,737, which is 108.1% of projections; compared to last fiscal year revenues are up by 2.5%.

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 \$1,405,002, which is 95.1% of what was anticipated; compared to last fiscal year revenues are up by 1.2%.

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 \$599,787, which is 344.4% of what was budgeted; compared to last fiscal year revenues are up by 5.8%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

	FY2010-11 Actual	FY2011-12 Actual	FY2011-12 Budget	Actual to Estimate
Local Sales Tax	\$6,556,254	\$6,568,761	\$6,611,688	99.4%



Local sales tax makes up 53.4% of General Fund revenues; for the annual period ending June 30, 2012 collections were \$7.9M for all funds (\$6.6M in the General Fund). Retail and restaurant/bar activities represent 52.9% of total collections; telecommunications and utilities represent another 17.9%. Construction revenues collected this fiscal year total \$600K, which is an 5.8% increase over last fiscal year. Retail sales tax collections increased by 0.4% over the same period last year; restaurant/bar collections are up 2.5% 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 \$121,733 or 58% of the annual budget. Housing permits issued for the fiscal period are 6 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.

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>FY2011-12 Budget</b>	<b>Actual to Estimate</b>
Building Permit Fees	\$93,740	\$121,733	\$210,586	58%

## **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 \$210,371 which is \$4,668 (2%) less than last year's same fiscal period but 19% less than budgeted.

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>FY2011-12 Budget</b>	<b>Actual to Estimate</b>
Court Fines & Fees	\$215,039	\$210,371	\$260,160	81%

## **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 \$150,144 or 94.8% of the fiscal period budget. Business license renewals and new applications have increased over the same period last fiscal year (an increase of 1%), animal license revenue has decreased 4%.

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>FY2011-12 Budget</b>	<b>Actual to Estimate</b>
Business License Fees	\$102,795	\$103,648	\$113,544	92%
Animal License Fees	\$48,842	\$46,496	\$46,896	99%



## **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 current fiscal year 95.6% of the fiscal budget has been expended.

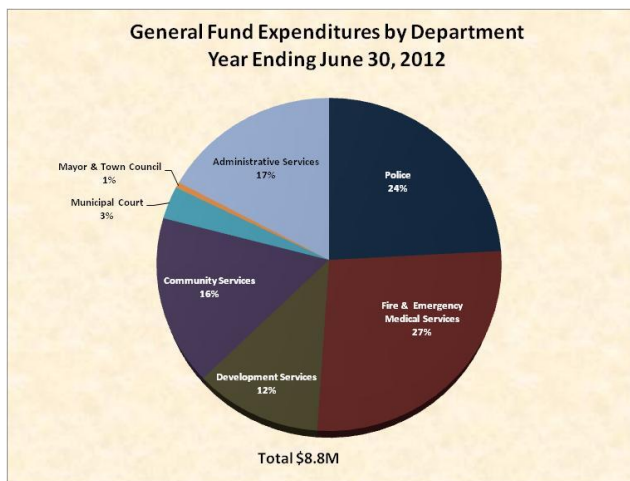
<b>FY2011-12 Expenditures by Category - General Fund</b>				
	<b>FY10-11 Actual</b>	<b>FY11-12 Actual</b>	<b>FY11-12 Budget</b>	<b>% of Budget</b>
Salaries and Benefits	\$3,382,227	\$3,064,758	\$3,461,283	88.5%
Supplies and Services	\$1,154,212	\$1,177,847	\$1,407,022	83.7%
Contractual Services	\$6,772,467	\$6,976,051	\$7,282,652	95.8%
Internal Services	\$204,671	\$194,785	\$206,279	94.4%
Other	\$476,342	\$277,978	\$265,757	104.6%
<b>Grand Total all Funds</b>	<b>\$11,989,919</b>	<b>\$11,691,419</b>	<b>\$12,622,994</b>	<b>92.6%</b>

- ◆ 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 resulted in savings through 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:

<b>Expenditures by Department</b>	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>YTD to Budget</b>	<b>Annual Budget</b>
Police	\$2,712,284	\$2,822,135	97.3%	\$2,899,522
Fire & Emergency Medical Services	\$3,060,292	\$3,148,622	99.8%	\$3,156,212
Development Services	\$1,565,364	\$1,359,335	84.9%	\$1,600,490
Community Services	\$2,207,718	\$1,913,914	87.4%	\$2,189,948
Municipal Court	\$410,903	\$372,398	86.0%	\$432,844
Mayor & Town Council	\$66,759	\$65,971	87.1%	\$75,745
Administrative Services	\$1,966,600	\$2,009,045	89.6%	\$2,241,390
<b>TOTAL</b>	<b>\$11,989,919</b>	<b>\$11,691,419</b>	<b>92.8%</b>	<b>\$12,596,151</b>

- ◆ 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

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>Annual Budget</b>	<b>% of Budget</b>
State Shared Revenues	\$1,396,075	\$1,201,786	\$1,132,332	107%
In Lieu Fees	\$63,016	\$68,054	\$25,200	270%
Miscellaneous & Other	\$22,185	\$16,761	\$4,920	341%

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. Annual revenues in the HURF fund are \$1,201,786, which is 14% 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 \$68,054 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.

<b>HURF Expenditures by Program - Fiscal Year Ending 6/30/2012</b>				
<b>Expenditures by Program</b>	<b>FY10-11 Actual</b>	<b>FY11-12 Actual</b>	<b>FY11-12 Budget</b>	<b>% of Budget</b>
Administration	\$133,110	\$116,248	\$200,017	58.1%
Adopt A Street	\$19,262	\$2,974	\$3,297	90.2%
Legal Services	\$22,591	\$24,234	\$21,408	113.2%
Open Space	\$310,621	\$252,518	\$299,644	84.3%
Pavement Management	\$70,081	\$128,534	\$149,041	86.2%
Street Signs	\$89,952	\$54,548	\$74,821	72.9%
Street Sweeping	\$141,605	\$124,223	\$150,188	82.7%
Traffic Management	\$93,494	\$90,233	\$96,355	93.6%
Traffic Signals	\$153,697	\$139,088	\$200,694	69.3%
Vehicle Maintenance	\$88,817	\$73,320	\$82,834	88.5%
<b>Grand Total HURF</b>	<b>\$1,123,229</b>	<b>\$1,005,920</b>	<b>\$1,278,299</b>	<b>78.7%</b>

- ◆ 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**

	<b>FY2010-11 Actual</b>	<b>FY2011-12 Actual</b>	<b>Annual Budget</b>	<b>% of Budget</b>
Revenues	\$293,415	\$301,224	\$272,136	111%

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%).

<b>FY11-12 Expenditures for the fiscal year ending 6/30/2012 - Economic Development Fund</b>				
<b>Expenditures by Category</b>	<b>FY10-11 Actual</b>	<b>FY11-12 Actual</b>	<b>FY11-12 Budget</b>	<b>% of Budget</b>
Salaries and Benefits	\$58,429	\$47,284	\$49,588	95.4%
Supplies and Services	\$70,321	\$6,348	\$15,512	40.9%
Contractual Services	\$379	\$52,565	\$142,366	36.9%
Internal Services	\$2,501	\$4,779	\$3,898	122.6%
Grand Total all Categories	\$131,631	\$110,977	\$211,364	52.5%

- ◆ 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.

During the current fiscal year the Town utilized reserve funds in the General Government development fee fund to pay off the debt on the Town Hall (\$526,326). Effective January 1, 2012 cities and towns are prohibited from collecting a development fee for the General Government category but any dollars in the fund could be used to pay off debt related to a project that was included in the infrastructure improvement plan that was related to growth.

<b>FY2011-12 Revenues by Category - Development Fees</b>				
	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>Budget</b>	<b>% of Budget</b>
Law Enforcement	\$5,397	\$1,390	\$8,376	16.6%
Streets	\$14,157	\$25,928	\$49,344	52.5%
Parks	\$14,203	\$9,312	\$8,874	104.9%
Open Space	\$8,927	\$9,499	\$5,400	175.9%
General Government	\$10,672	\$1,304	\$17,772	7.3%
Library	\$1,977	\$615	\$1,044	58.9%
Fire	\$1,220	\$1,074	\$1,878	57.2%

<b>FY2011-12 Expenditures by Category - Development Fees</b>				
	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>Budget</b>	<b>% of Budget</b>
Law Enforcement	\$0	\$771	\$5,000	15.4%
Streets	\$0	\$2,143	\$20,000	10.7%
Parks	\$0	\$2,314	\$15,000	15.4%
Open Space	\$0	\$11,495	\$15,000	76.6%
General Government	\$0	\$1,542	\$5,000	30.8%
Library	\$0	\$257	\$5,000	5.1%
Fire	\$0	\$171	\$5,000	3.4%
<b>Grand Total All Funds</b>	<b>\$0</b>	<b>\$18,693</b>	<b>\$70,000</b>	<b>26.7%</b>

## Capital Projects

Revenue	FY2010-11 Actual	FY2011-12 Actual	YTD to Budget	Annual Estimate
Construction Sales Tax	\$283,567	\$275,804	263%	\$300,000
Grants	\$267,464	\$121,924	3%	\$150,000
Interest	\$10,357	\$30,242	100%	\$25,000
Transfers from Other Funds	\$0	\$200,000	100%	\$200,000
<b>TOTAL</b>	<b>\$561,389</b>	<b>\$627,970</b>	<b>4%</b>	<b>\$675,000</b>

FY2011-12 Expenditures by Category - Capital Projects				
	FY11-12 Budget	FY11-12 Actual	YTD to Budget	Annual Budget
CAPITAL PROJECTS ADMIN	\$168,713	(\$810)	-0.5%	\$136,945
DOWNTOWN CAP PROJECTS	\$805,000	\$19,727	2.5%	\$805,000
FIRE CAP PROJECTS	\$387,000	\$30,063	7.8%	\$387,000
GEN GOVT CAP PROJECTS	\$297,500	\$217,670	73.2%	\$297,500
IT CAPITAL PROJECTS	\$0	\$110,000	100.0%	\$111,893
LIBRARY CAPITAL PROJECTS	\$75,000	\$109,128	144.9%	\$150,175
PARK & REC CAP PROJECTS	\$155,000	\$108,690	235.7%	\$14,876,826
STREETS CAP PROJECTS	\$14,876,826	\$365,396	0.1%	\$75,000
STORMWATER CAP PROJ	\$75,000	\$20,558	80.0%	\$200,000
TRAFFIC CAP PROJECTS	\$200,000	\$60,013	0.0%	\$17,040,339
Grand Total Capital Projects	\$17,040,039	\$1,040,435	6.1%	\$34,080,678

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.