

TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
MARCH 2013



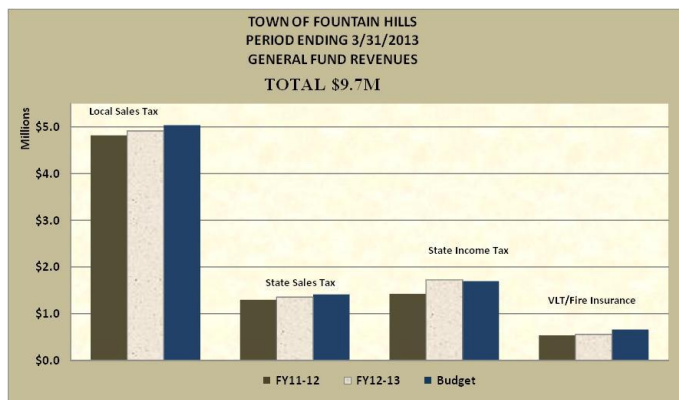


General Fund

General Fund Revenues

For the nine month fiscal period ending March 31, 2013, revenues were received at 94.8% of budgeted amounts but \$601,575 higher than the same time period last fiscal year (an increase of 7%). The increase is the result of three categories where revenues are higher than the previous year – the State vehicle license tax (up 4%), State income tax (up 21%) and State sales tax (up 4.5%) revenues. Total General Fund revenues for this period are \$5,998,576. Projections for year-end are that General Fund revenues will be less than budgeted by approximately \$450,000 – expenditures will be adjusted accordingly.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
General Fund	\$9,068,716	\$9,670,291	94.8%	\$13,161,000



The four revenues in the chart on the left represent 88.4% 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 (2%) over the same period last year (includes construction activity of which 50% is transferred to the Capital Project Fund). State sales tax is 4.5% higher and income taxes are 21% higher than last year as projected; vehicle license taxes are about 4% higher compared to last year (this revenue source is derived from vehicle registrations). Overall, General Fund revenues are at 94.8% for the first three quarters 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 \$3,632,602 which is \$379,019 or 11.6% more than the same time period last year – the increase in revenue was anticipated based on projections by the Arizona League of Cities and Towns.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
State Income Tax	\$1,423,547	\$1,722,902	101.7%	\$2,259,840
State Sales Tax	\$1,295,121	\$1,353,653	96.0%	\$1,825,000
Vehicle License Fees/ Insurance Premium Tax	\$534,915	\$556,047	84.7%	\$750,000

Local Sales Tax (2.6%)

The fiscal period revenue for this category total \$5,769,904 (including all funds), which is 98.8% of projections. Compared to the same time period as last year the total revenues are 0.6% 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

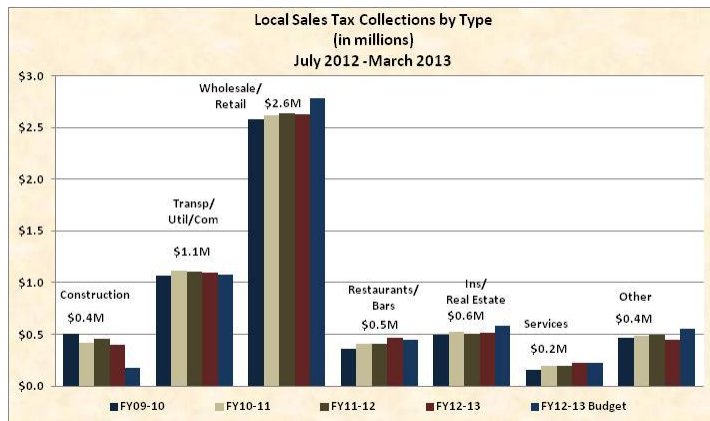
one fiscal year to another. The revenues for this category total \$2,629,310 which is 94.5% of projections; compared to last fiscal year revenues are down 0.3%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$467,114, which is 104.8% of projections; compared to last fiscal year revenues are up by 13.6%.

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 \$1,096,154, which is 102.1% of what was anticipated; compared to last fiscal year revenues are down 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 \$394,591, which is 219.3% of what was budgeted; compared to last fiscal year revenues are down by 13.9%. 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	\$5,805,086	\$5,769,907	98.8%	\$7,785,744



Local sales tax makes up 54.4% of General Fund revenues; for the period ending March 31, 2013 collections were \$5.8M for all funds (\$4.9M in the General Fund). Retail and restaurant/bar activities represent 53.7% of total collections; telecommunications and utilities represent another 19.0%. Construction revenues collected this fiscal period total \$395K, which is a 13.9% decrease over last fiscal year. Retail sales tax collections decreased by 0.3% over the same period last year; restaurant/bar collections are up 13.6% 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 period, revenues for this category total \$60,078 or 95% of the period budget. Housing permits issued for the fiscal period are 8 single family, 6 multi family and 1 commercial.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Building Permit Fees	\$39,774	\$60,078	95%	\$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	\$156,146	\$135,485	62%	\$208,400

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 \$69,178 or 85% of the fiscal period budget.

	FY11-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Business License Fees	\$82,437	\$79,623	93%	\$108,000
Animal License Fees	\$34,054	\$33,295	94%	\$45,000

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 third fiscal quarter 92.9% of the period budget has been expended.

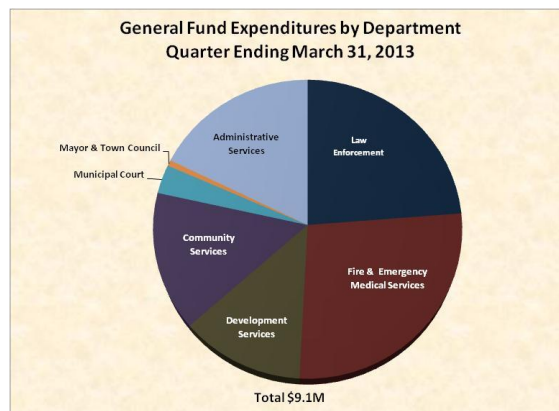
FY2012-13 Expenditures by Category - General Fund				
	Jul-March Actual FY12	Jul - March Actual FY13	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$2,346,754	\$2,391,411	\$2,477,632	96.5%
Supplies and Services	\$953,170	\$1,064,313	\$1,349,420	78.9%
Contractual Services	\$5,303,252	\$5,379,463	\$5,562,465	96.7%
Internal Services	\$183,486	\$185,107	\$152,009	121.8%
Other	\$1,818,560	\$117,713	\$295,187	39.9%
Grand Total all Funds	\$10,605,222	\$9,138,007	\$9,836,714	92.9%

- ◆ 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 Montly Expenditure Report - March 2013					
	Jul-Dec Actual FY12	Jul - Dec Actual FY13	FY2012-13 Budget	% of Budget	+ /(-) from Prior Year
Mayor & Council	\$50,653	\$57,641	\$62,108	92.8%	13.8%
Administration	\$3,346,368	\$1,624,830	\$1,931,266	84.1%	-51.4%
Municipal Court	\$288,322	\$285,616	\$302,200	94.5%	-0.9%
Development Services	\$1,051,751	\$1,156,738	\$1,539,433	75.1%	10.0%
Community Services	\$1,351,890	\$1,369,291	\$1,675,379	81.7%	1.3%
Fire & Emergency Medical	\$2,393,143	\$2,472,765	\$2,441,501	101.3%	3.3%
Law Enforcement	\$2,123,094	\$2,171,125	\$2,209,577	98.3%	2.3%
Period Total	\$10,605,222	\$9,138,007	\$10,161,464	89.9%	-13.8%

- ◆ 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 (13% 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 (\$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 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, 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 (3%)



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	\$806,767	\$876,693	92%	\$1,265,640
In Lieu Fees	\$45,481	\$4,796	13%	\$10,000
Miscellaneous & Other	\$15,401	\$7,199	154%	\$7,500

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 (98%) 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 three quarter revenues in the HURF fund are \$888,688 which is 2% more than last fiscal year. The Town bills contractors when they make cuts in the Town's rights of way which has recovered \$4,796 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 3/31/2013				
Expenditures by Program	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Administration	\$101,908	\$121,343	\$143,243	84.7%
Adopt A Street	\$2,363	\$2,442	\$2,395	102.0%
Legal Services	\$20,744	\$18,547	\$16,200	114.5%
Open Space	\$202,575	\$201,719	\$227,024	88.9%
Pavement Management	\$100,536	\$318,081	\$254,450	125.0%
Street Signs	\$48,993	\$60,739	\$64,854	93.7%
Street Sweeping	\$107,471	\$118,591	\$95,104	124.7%
Traffic Management	\$69,859	\$0	\$0	#DIV/0!
Traffic Signals	\$110,869	\$79,238	\$127,752	62.0%
Vehicle Maintenance	\$56,034	\$57,470	\$60,389	95.2%
Grand Total HURF	\$821,351	\$978,171	\$991,410	98.7%

- ◆ 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	\$229,037	\$229,837	103.7%	\$300,000

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 3/31/2013				
Expenditures by Category	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Salaries and Benefits	\$36,457	\$6,961	\$37,630	18.5%
Supplies and Services	\$5,229	\$7,381	\$5,853	126.1%
Contractual Services	\$45,955	\$38,545	\$93,177	41.4%
Internal/Transfers	\$202	\$108,943	\$1,316	8276.8%
Grand Total all Categories	\$87,843	\$161,831	\$137,976	117.3%

- ◆ Salaries and benefits, which represent 28% of the total Economic Development operating budget, are at 18% 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 increase in permit activity has resulted in more development fees collected over the same time period as last year. The 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 six months of this fiscal year there have been six (8) 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	\$587	\$1,636	\$11,895	13.8%
Streets	\$1,399	\$69,955	\$71,102	98.4%
Parks	\$1,479	\$28,173	\$11,093	254.0%
Open Space	\$6,476	\$7,521	\$0	#DIV/0!
General Government	\$1,136	\$0	\$0	#DIV/0!
Library	\$198	\$1,065	\$1,305	81.6%
Fire	\$129	\$2,829	\$2,655	106.5%
Grand Total All Funds	\$11,404	\$111,178	\$98,049	113.4%

FY2012-13 Expenditures by Category - Development Fees				
	FY2011-12 Actual	FY2012-13 Actual	FY2012-13 Budget	% of Budget
Law Enforcement	\$771	\$740	\$3,750	19.7%
Streets	\$2,143	\$3,360	\$15,000	22.4%
Parks	\$2,314	\$2,955	\$11,250	26.3%
Open Space	\$11,495	\$3,494	\$0	826.0%
General Government	\$527,868	\$0	\$0	0.0%
Library	\$257	\$740	\$3,750	19.7%
Fire	\$171	\$740	\$3,750	19.7%
Grand Total All Funds	\$545,019	\$12,030	\$37,500	32.1%

Capital Projects Fund

Capital projects are funded with accumulated with reserves that were accumulated from surplus revenues in the General 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 nine month period ending March 31, 2013.

FY2012-13 Capital Projects Fund Revenues				
Revenue	FY2011-12 Actual	FY2012-13 Actual	YTD to Budget	Year End Estimate
Construction Sales Tax	\$229,266	\$197,300	219.2%	\$250,000
Grants	\$88,881	\$40,001	0.9%	\$40,000
Misc.	\$200,000	\$0	0.0%	\$89,000
Interest Income	\$20,110	\$30,573	100.0%	\$45,000
Transfers In	\$0	\$108,943	11.2%	\$108,943
Grand Total CIP Fund	\$538,257	\$376,817	7.0%	\$532,943

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 anticipated fiscal year end expenditures. Some of the projects will be carried over until the next fiscal year.

FY2012-13 Expenditures by Category - Capital Projects				
	FY2012-13 Actual	YTD to Budget	Annual Budget	Year End Estimate
UNDEFINED	\$2,244	6.7%	\$33,281	\$2,500
D6047 MISC DRAINAGE IMPROVEMENTS	\$4,666	7.2%	\$65,000	\$5,000
E8504 AOTF MEDIAN & RIGHT-OF-WAY IMPRVMT	\$112,183	6.3%	\$1,792,000	\$175,000
F4012 LIBRARY EVENT CIRCLE	\$38,000	79.2%	\$48,000	\$38,000
F4015 FIRE STATION 1 RENOVATION	\$51,102	10.3%	\$495,000	\$87,850
F4020 VOICE & DATA COMMUNICATIONS	\$23,683	94.7%	\$25,000	\$25,000
P3008 FOUR PEAKS PARK IMPROVEMENTS	\$43,502	87.0%	\$50,000	\$43,500
P3022 FOUNTAIN LAKE WATER QUALITY IMPRVMT	\$27,330	10.9%	\$250,000	\$33,000
S6001 SHEA BLVD TRUCK CLIMBING LANE	-\$11,695	0.0%	\$0	-\$11,695
S6005 SHEA BLVD WIDENING	\$15,584	0.4%	\$3,903,000	\$44,000
S6053 FOUNTAIN HILLS BLVD SHOULDER PAVING	\$23,506	36.2%	\$65,000	\$65,000
Grand Total Capital Projects	\$350,712	3.1%	\$11,253,281	\$619,725

Fund Balances/Reserves

Fiscal Quarter Fund Balances 31-Mar-13

General Fund	\$5,590,833
HURF	\$481,557
Special Revenue Funds	\$241,109
Economic Dev/Downtown Fund	\$2,103,453
Public Art	\$1,454
Development Fees:	
Law Enforcement	\$201,981
Fire & Emergency	\$42,242
Streets	\$120,724
Parks & Recreation	\$35,519
Open Space	\$1,650,178
Library/Museum	\$42,244
Debt Service	\$1,341,441
Capital Projects	\$9,328,932
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$882,841
Total	\$23,409,708

The Town maintains several funds, some of which are restricted for specific purposes; the General 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 Fund is designated for downtown development.