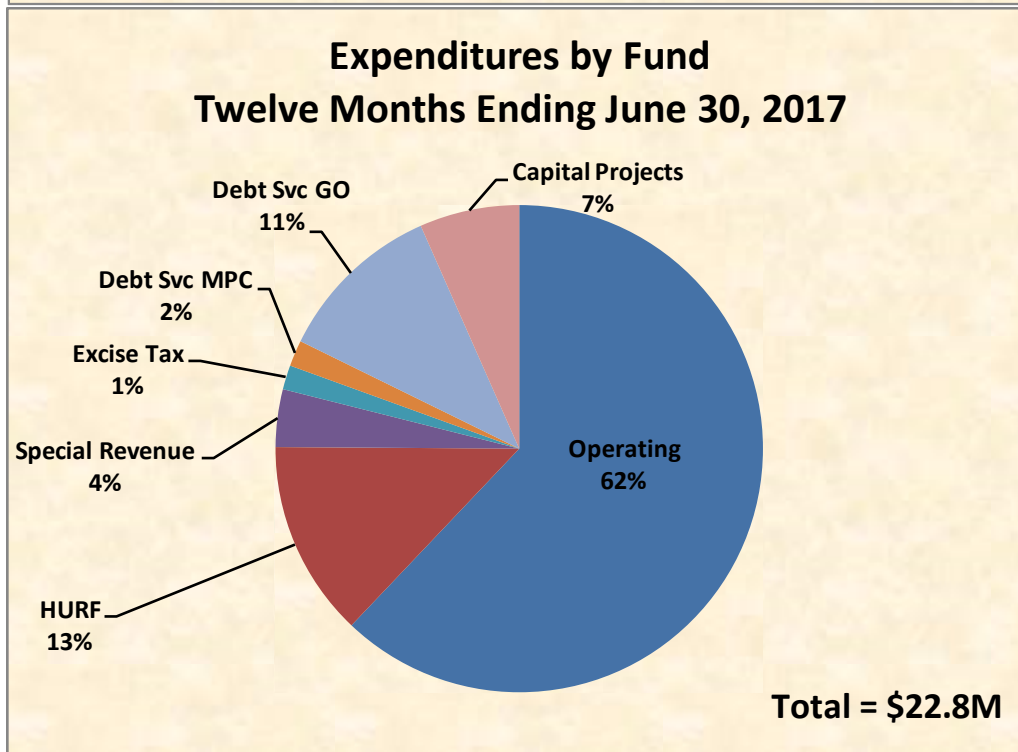
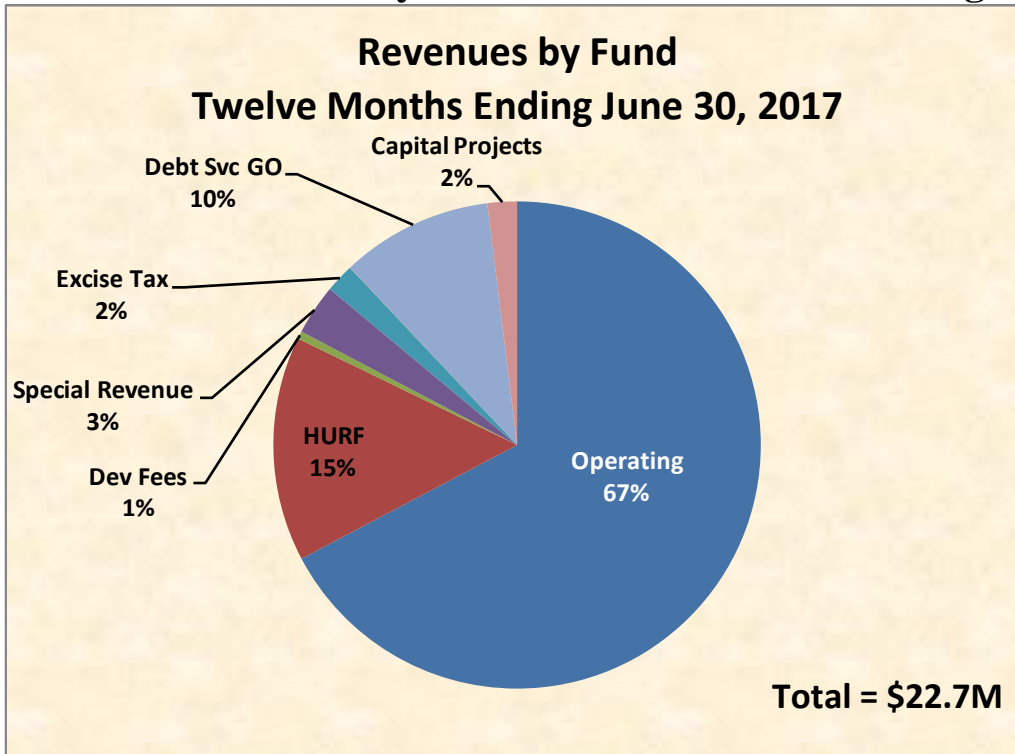


TOWN OF FOUNTAIN HILLS
QUARTERLY BUDGET REPORT
TWELVE MONTHS ENDING JUNE 30, 2017





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

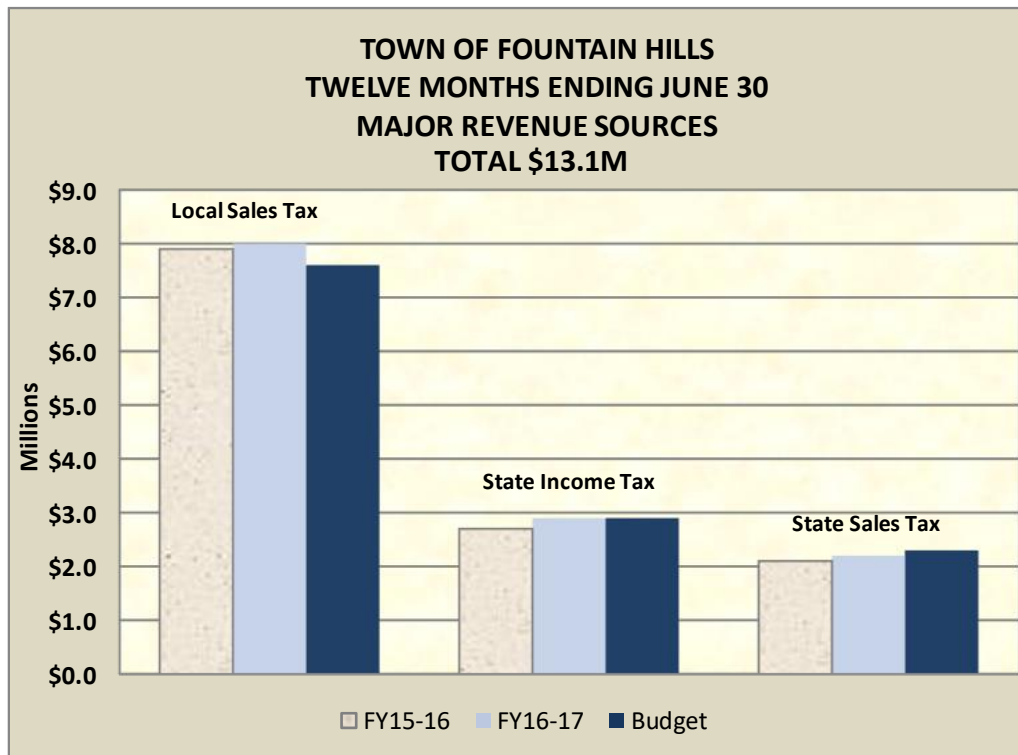




Operating Fund Revenues

For the fiscal YTD period ending June 30, 2017, total Operating Fund revenues (General Fund, Public Art Fund, Internal Service Funds) were received at 99.2% of budgeted amounts and \$309,769 higher than the same time period last fiscal year (an increase of 2.1%). Categories where revenues are higher than the previous year are the local sales tax (up 1.3%), State sales tax (up 2.8%), State income tax (up 8.0%), leases & rents (up 12.6%), as well as charges for services (up 6.9%). Total Operating Fund revenues for this fiscal period are \$15,280,075.

Current Year Revenues - Fiscal YTD Ending June 30 - All Funds					
FUND	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget	Incr/(Decr) from Prior Year
Operating Funds	\$ 14,970,306	\$ 15,280,075	\$ 15,399,234	99.2%	2.1%



The three major revenues in the chart above represent 85.7% 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 (1.3% 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 2.8% higher and State income taxes are 8.0% higher than last year. Overall, these major revenue sources are at 102.9% of the budget for this fiscal period.



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 \$5,115,914, which is \$276,757 or 5.7% 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 - Fiscal YTD Ending June 30					
	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget	Incr/(Decr) from Prior Year
State Sales Tax	2,131,484	2,192,044	2,250,724	97.4%	2.8%
State Income Tax	2,707,673	2,923,870	2,925,453	99.9%	8.0%

Local Sales Tax (2.6%)

The fiscal YTD revenue for this category totals \$9,185,854 (including all funds), which is 102.0% of projections. Compared to the same time period as last year, the total sales tax 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 \$4,944,459, which is 125.5% of projections; compared to last fiscal year, revenues increased by 2.7%.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The revenues for this category total \$804,721, which is 105.0% of projections; compared to last fiscal year, revenues are up by 8.4% and higher than any other previous year.

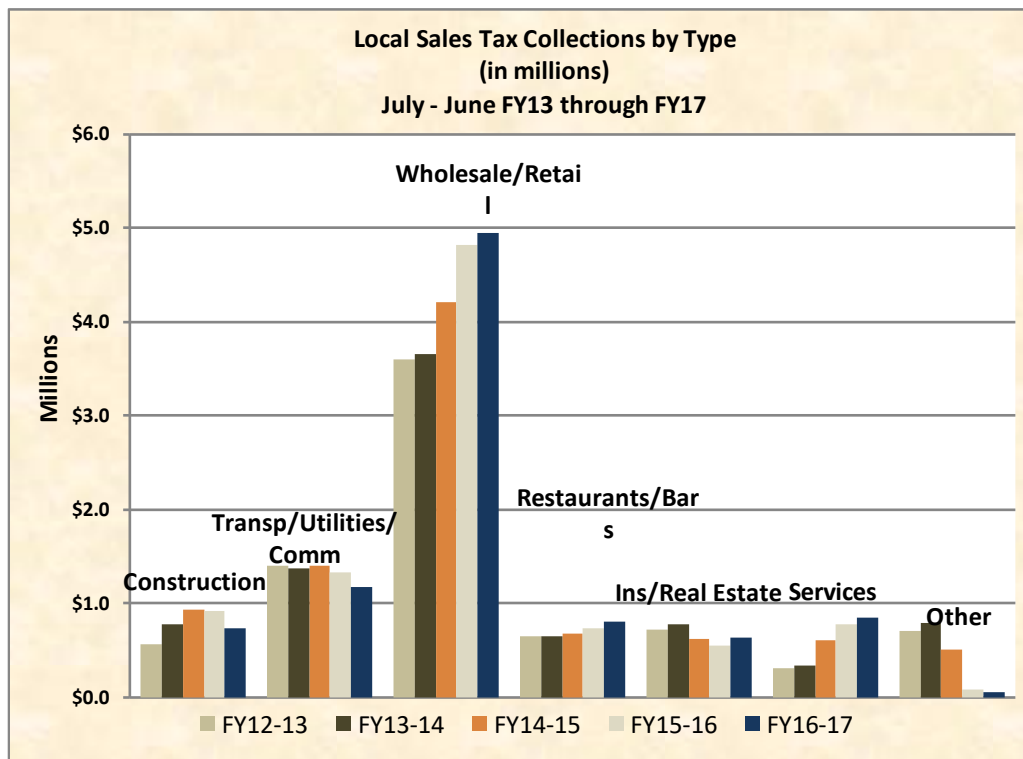
Communications/Utilities/Transportation: Utilities, such as EPCOR (Chaparral City Water), cellular telephone companies and Century Link, are taxed at a rate of 2.6% in the Town as well as cellular phone charges. The revenues for this category total \$1,171,483 which is 85.2% of what was anticipated; compared to last fiscal year, revenues are down by 11.7%.

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 \$729,462, which is 84.2% of what was budgeted; compared to last fiscal year, revenues are down 20.6%. The Council has dedicated 50% of this revenue to the Capital Projects Fund for future appropriation.

Operating Funds Revenue Report - Fiscal YTD Ending June 30					
	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget	Incr/(Decr) from Prior Year
Local Sales Tax	\$ 7,869,026	\$ 7,974,977	\$ 7,551,057	105.6%	1.3%



Local sales tax makes up 52.2% of Operating Fund revenues; for the period ending June 30, 2017, collections were \$9.2M for all funds (\$8.0M in the Operating Fund). Wholesale/retail and restaurant/bar activities represent 62.6% of total collections; telecommunications and utilities represent another 12.8%. Construction revenues collected this fiscal period total \$729,462, which is a 20.6% decrease from last fiscal year. Wholesale/retail sales tax collections increased 2.7% from the same period last year; restaurant/bar collections are up 8.4% 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 \$212,413 or 38.2% of the YTD budget. New housing permits issued for the fiscal period are 55 single family, 10 multi-family and 6 commercial.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Building Permit Fees	\$116,731	\$212,413	\$556,512	38.2%

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 \$211,190, which is \$25,911 (14.0%) more than last year's same fiscal period and 107.9% of the budgeted amount.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Court Fines & Fees	\$185,279	\$211,190	\$195,685	107.9%

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 \$174,027 or 121.0% of the fiscal period budget.

	YTD FY15-16	YTD FY16-17	YTD FY16-17 Budget	% YTD FY16-17 Budget
Business License Fees	\$134,873	\$134,864	\$103,500	130.3%
Animal License Fees	40,247	39,163	40,320	97.1%



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, Public Works, Community Services, Court, Council and Administration functions. At the end of the year, 92.4% of the fiscal YTD budget had been expended.

Expenditures by Category - YTD Ending June 30				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Wages and Benefits	\$ 3,242,772	\$ 3,263,402	97.0%	\$ 3,366,038
Supplies and Services	428,243	525,032	81.7%	642,412
Contractual Services	8,278,060	8,768,326	95.8%	9,148,722
Maintenance/Utilities	894,424	1,073,727	87.2%	1,230,795
Capital Expenditures	88,644	217,264	95.6%	227,300
Internal Transfers/Contingency	211,574	280,155	41.1%	680,827
TOTAL	\$ 13,143,717	\$ 14,127,906	92.4%	\$ 15,296,094

- Wages and Benefits represent slightly more than one-fifth (23.1%) 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), the Communications and Marketing Coordinator, and the Economic Development Director.
- Supplies and Services represents 3.7% of the total Operating Fund 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 62.1% 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 7.6% of the total expenditures.
- Capital Expenditures represent the purchase of assets, primarily vehicle purchases for the operating departments, which account for 1.5% of total expenditures.
- Internal Transfers/Contingency 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

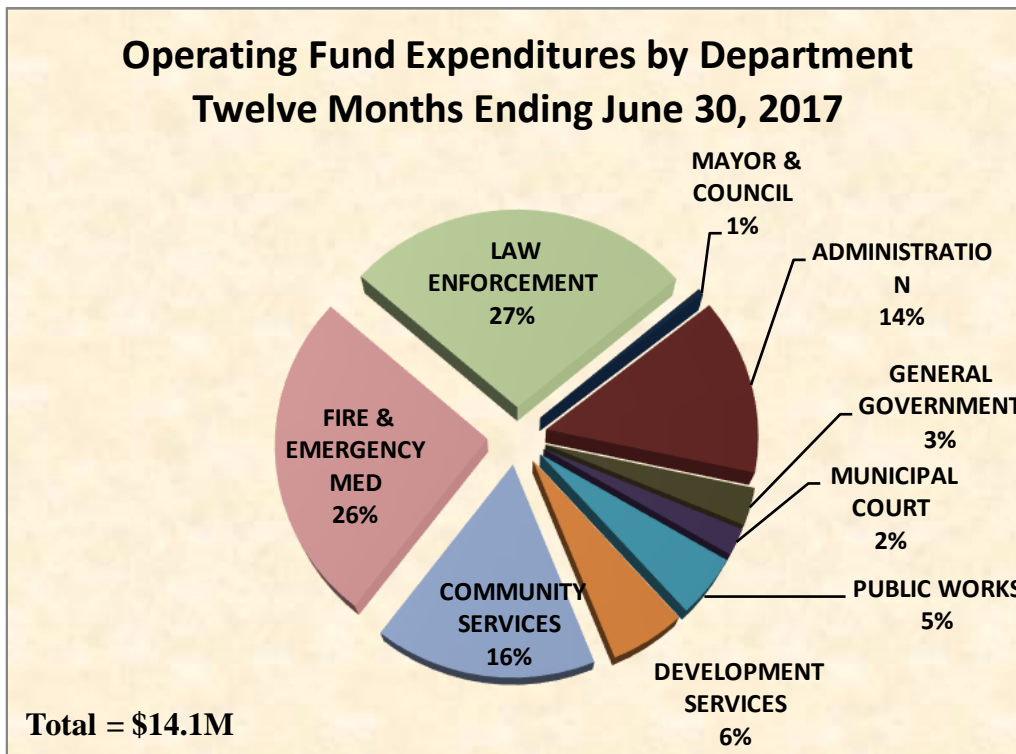
Expenditures by Department - YTD Ending June 30				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Mayor & Council	\$ 72,094	\$ 71,213	98.2%	\$ 72,545
Administration	1,972,700	1,975,179	91.3%	2,164,280
General Government	27,899	417,746	51.5%	810,664
Municipal Court	301,299	300,515	93.5%	321,254
Public Works	1,506,384	689,356	83.0%	830,201
Development Services	-	790,733	83.8%	944,139
Community Services	2,127,987	2,323,617	92.4%	2,514,182
Fire & Emergency Medical Services	3,481,017	3,674,953	99.1%	3,708,717
Law Enforcement	3,654,337	3,884,593	98.8%	3,930,111
TOTAL	\$ 13,143,717	\$ 14,127,905	92.4%	\$ 15,296,093

- 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 14.0% 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 (3.0%).
- Municipal Court represents all the costs of the operations of the court (2.1%).
- Public Works (4.9% 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 (5.6% 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 (16.4% 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 26.0% 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 27.5% 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 - Fiscal YTD Ending June 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Sales Tax	\$ -	\$ 719,662	103.9%	\$ 692,778
State Shared Revenues	2,378,871	2,480,304	104.5%	2,373,986
In Lieu Fees	18,985	178,768	68.2%	262,000
Miscellaneous & Other	25,172	10,409	41.1%	25,300
Grand Total HURF	\$ 2,423,028	\$ 3,389,143	101.0%	\$ 3,354,064

This fund supports most of the Town’s street and traffic operations and is managed by the Public Works Department. Fewer revenues were received than budgeted; however, expenditures also exceeded the anticipated resources. The fund is primarily supported by the State Highway User Revenue Fund (45.4%), Vehicle License Taxes (27.8%) and from a portion of the dedicated sales tax (21.2%). 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 \$178,768 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 - Fiscal YTD Ending June 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Administration	\$ 171,026	\$ 290,357	87.6%	\$ 331,598
Adopt A Street	3,164	-	0.0%	1,010
Legal Services	29,454	-	0.0%	-
Open Space	294,114	383,541	85.7%	447,562
Pavement Maintenance	1,639,467	2,052,176	78.4%	2,618,080
Street Signs	75,508	66,091	94.7%	69,767
Traffic Signals	-	-	0.0%	-
Vehicle Maintenance	254,935	110,664	67.7%	163,483
Grand Total HURF	\$ 2,467,668	\$ 2,902,829	79.9%	\$ 3,631,500

- 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 potholes and curb replacement.
- Street Signs program includes personnel and maintenance costs for the Town's street signs.
- 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 - Fiscal YTD Ending June 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Revenues	\$ 419,883	\$ 433,496	100.8%	\$ 430,091
Grand Total Excise Tax Funds	\$ 419,883	\$ 433,496	100.8%	\$ 430,091

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 - Fiscal YTD Ending June 30				
	YTD FY15-16	YTD FY16-17	% YTD FY16-17 Budget	FY16-17 Budget
Wages and Benefits	\$ 169,325	\$ 169,095	99.8%	\$ 169,451
Supplies and Services	40,763	38,673	156.0%	24,792
Contractual Services	180,711	152,968	79.2%	193,101
Maintenance/Utilities	20,899	2,849	25.2%	11,320
Internal Transfers	4,467	2,925	46.7%	6,265
Grand Total all Categories	\$ 416,165	\$ 366,510	90.5%	\$ 404,929

- Wages and Benefits, which represent 46.1% of the total Excise Tax operating budget, is the largest component of expenditures, just ahead of contractual services.
- Supplies and Services represents 10.6% 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 41.7% of the budget and includes contracts for downtown holiday lighting 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 twelve months of this fiscal year, there have been seventy-one (71) permit applications including development fees.

Revenues by Category - YTD Ending June 30 - Development Fees				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Law Enforcement	\$ -	\$ -	0.0%	\$ -
Fire/Emergency	33,237	22,078	37.8%	58,421
Parks/Rec	56,370	91,211	74.5%	122,414
Open Space	21,858	2,564	42.7%	6,000
Grand Total All Funds	\$ 111,465	\$ 115,853	62.0%	\$ 186,835

Expenditures by Category - YTD Ending June 30 - Development Fees				
	FY15-16 Actual	FY16-17 Actual	% YTD FY16-17 Budget	FY16-17 Budget
Law Enforcement	\$ -	\$ 203,484	100.0%	\$ 203,484
Fire/Emergency	-	51,822	100.0%	51,822
Parks/Rec	-	144,897	99.9%	144,987
Open Space	536	19,532	1.2%	1,672,204
Grand Total All Funds	\$ 536	\$ 419,735	20.3%	\$2,072,497



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 ending June 30, 2017.

FY16-17 Capital Projects Fund Revenues - Fiscal YTD Ending June 30			
	YTD FY16-17 Actual	% FY16-17 Budget	FY16-17 Budget
Construction Sales Tax	\$ 365,082	84.3%	\$ 433,023
Grants	-	0.0%	255,000
Misc.	54,136	36.1%	150,000
Interest Income	23,898	398.3%	6,000
Grand Total Capital Projects	\$ 443,116	52.5%	\$ 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 - Fiscal YTD Ending June 30 - Capital Projects			
	YTD FY16-17 Actual	% FY16-17 Budget	FY16-17 Budget
D6030 DRAINAGE-ASHBROOK WASH C	\$ 132,600	24.1%	\$ 550,000
D6047 MISC DRAINAGE IMPROVEMEN	48,937	97.9%	50,000
E8502 DOWNTOWN VISION PLAN-PHA	-	0.0%	400,000
E8505 DOWNTOWN LIGHTING	24,000	12.0%	200,000
F4005 FIRE STATION 2 RELOCATIO	368,109	9.7%	3,800,000
F4030 CHILLER INSTALLATION	224,729	74.9%	300,000
F4032 LIGHTING UPGRADES	97,144	64.8%	150,000
P3022 FOUNTAIN LAKE WATER QUAL	173,504	84.6%	205,000
P3025 ADERO CANYON TRAILHEAD	163,984	7.2%	2,285,000
P3026 FOUNTAIN PARK ACCESS IMP	22,019	5.9%	375,000
P3027 FOUR PEAKS PARK-PHASES I	48,680	64.9%	75,000
S6003 UNPAVED ALLEY PAVING PRO	14,658	5.7%	255,000
S6053 FOUNTAIN HILLS BLVD SHOU	28,395	5.7%	500,000
S6057 MCDOWELL MOUNTAIN ROAD R	64,387	85.8%	75,000
CONTINGENCY	95,292	20.1%	474,885
Grand Total Capital Projects	\$ 1,506,438	15.5%	\$ 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) June 30, 2017

Operating Funds		
Rainy Day Fund	\$2,711,008	
General Fund	4,075,242	
Public Art Fund	3,127	
Internal Service Fund	-	
Vehicle Replacement Fund	695,726	\$ 7,485,103
Highway User Revenue Fund (HURF)	1,995,090	1,995,090
Special Revenue Funds		
Special Revenue Fund	-	
Court Enhancement Fund	343,182	
Environmental Fund	457,771	
Cottonwoods Maintenance District	16,073	817,026
Excise Tax Funds		
Downtown Strategy Fund	932,888	
Economic Development Fund	160,300	
Tourism Fund	13,053	1,106,241
Debt Service		
General Obligation Debt Service Fund	261,414	
Eagle Mountain CFD Debt Service	47,322	
MPC Debt Service Fund	169,563	478,299
Capital Projects		
Capital Projects Fund	7,127,301	
Facilities Replacement Fund	1,019,528	8,146,829
Development Fees		
Fire & Emergency	74,620	
Parks & Recreation	203,649	
Open Space	1,664,979	1,943,248
Grand Total		<u>\$ 21,971,836</u>