

# TOWN OF FOUNTAIN HILLS



**Information Meetings**  
**April 11, April 30, 2018**

# Major Expense Drivers

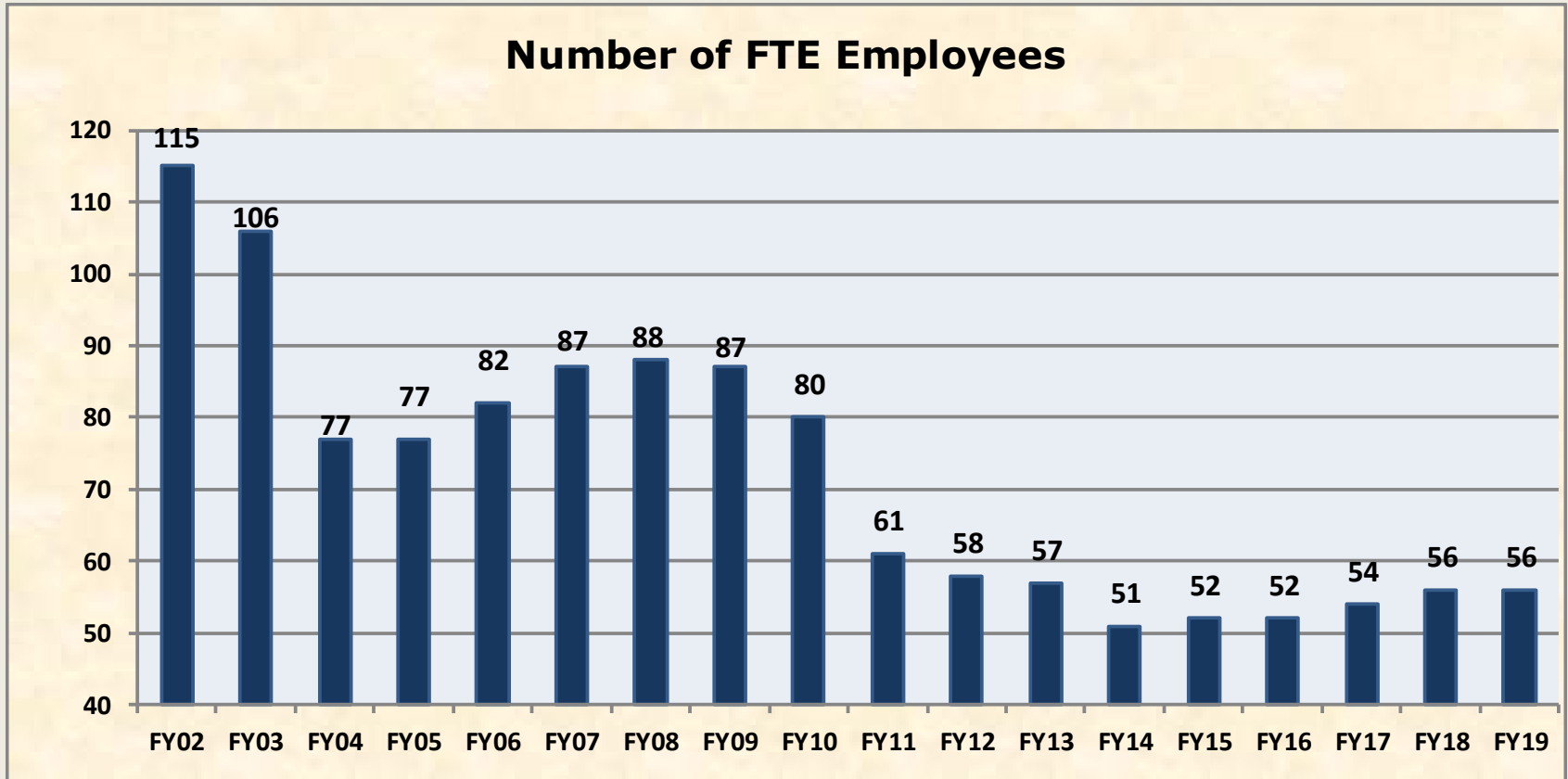
<u>Major Drivers of Future Budgets</u>	<u>Anticipated Annual Cost</u>	<u>10 Year Cost</u>
pavement management program		
pavement replacement - new program	\$2M	\$20M
increased pavement maintenance	\$2M	\$20M
public safety		
Rural/Metro	\$3,613,295 - 3% annual increase	\$42.7M
MCSO	\$4,096,992 - 10% increase annually due to unfunded PSPRS costs	\$54.1M
Capital Reserve		
Facilities replacement funding	\$960K	\$9.6M
Fire Department - starting in FY21-22		
staffing for Station #3	\$1.3M	\$8.6M
operating costs	\$370K	\$2.4M
TOTAL	\$14.3M	\$157.4M

Updated to reflect FY18-19 budgeted costs for public safety – prior figures were FY17-18 budgeted costs.

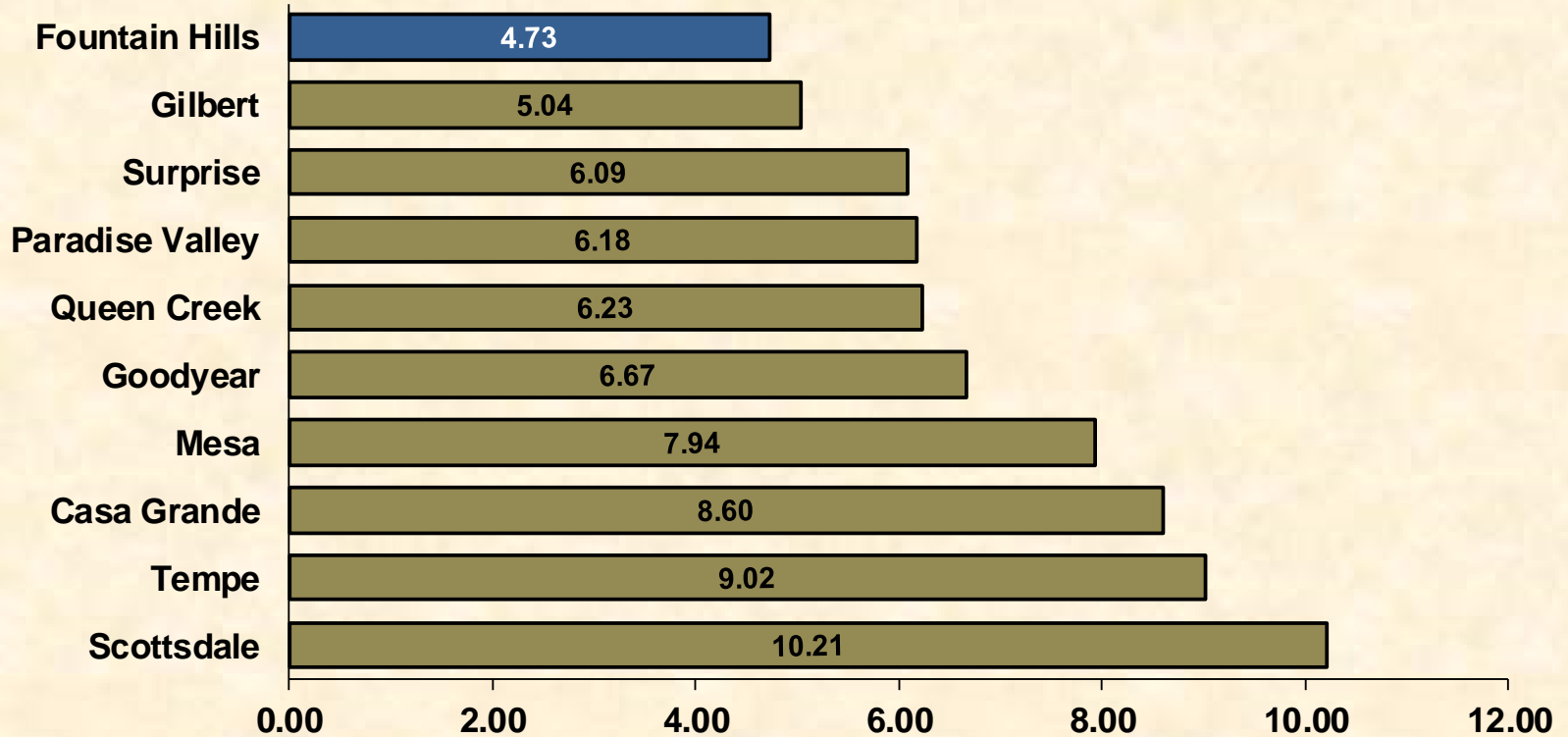
# MCSO Contract Costs

<u>MCSO Contract</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>% Change</u>
Part 1 - Personnel Costs			
salary costs	\$ 3,174,251	\$ 3,362,643	5.94%
variable benefits	<u>228,066</u>	<u>316,603</u>	<u>38.82%</u>
Part 1 - Total Personnel Costs	\$ 3,402,317	\$ 3,679,246	8.14%
Part 2 - Supplies and Rent	\$ 41,210	\$ 35,435	-14.01%
Part 3 - Communications and IT	\$ 79,099	\$ 139,090	75.84%
Part 4 - Vehicles and Equipment	<u>\$ 192,823</u>	<u>\$ 237,159</u>	<u>22.99%</u>
	<u>\$ 3,715,449</u>	<u>\$ 4,090,930</u>	<u>10.11%</u>

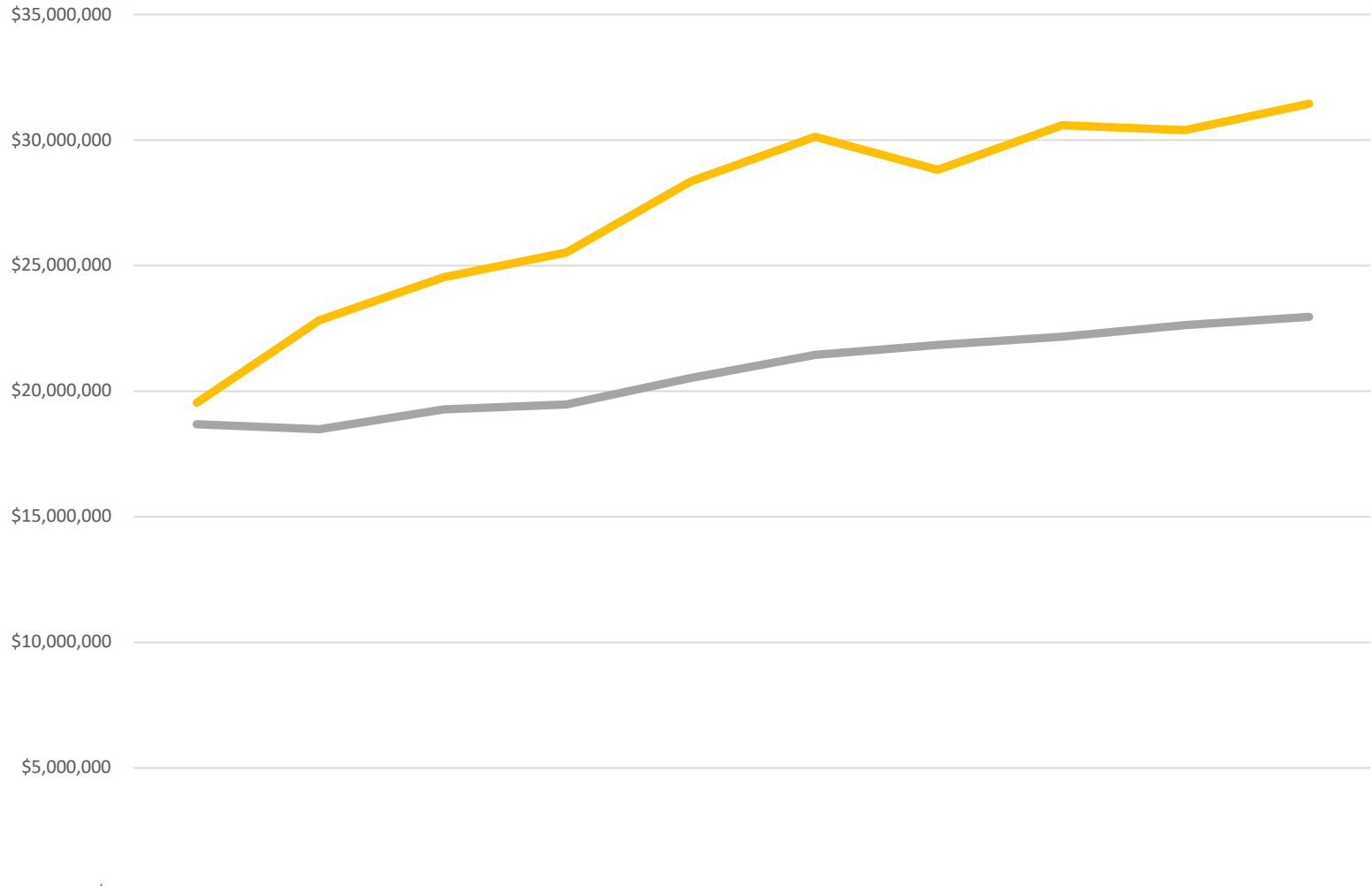
# Employee Staffing



## Employees Per 1,000 Citizens in AZ per 2015 Census Estimate

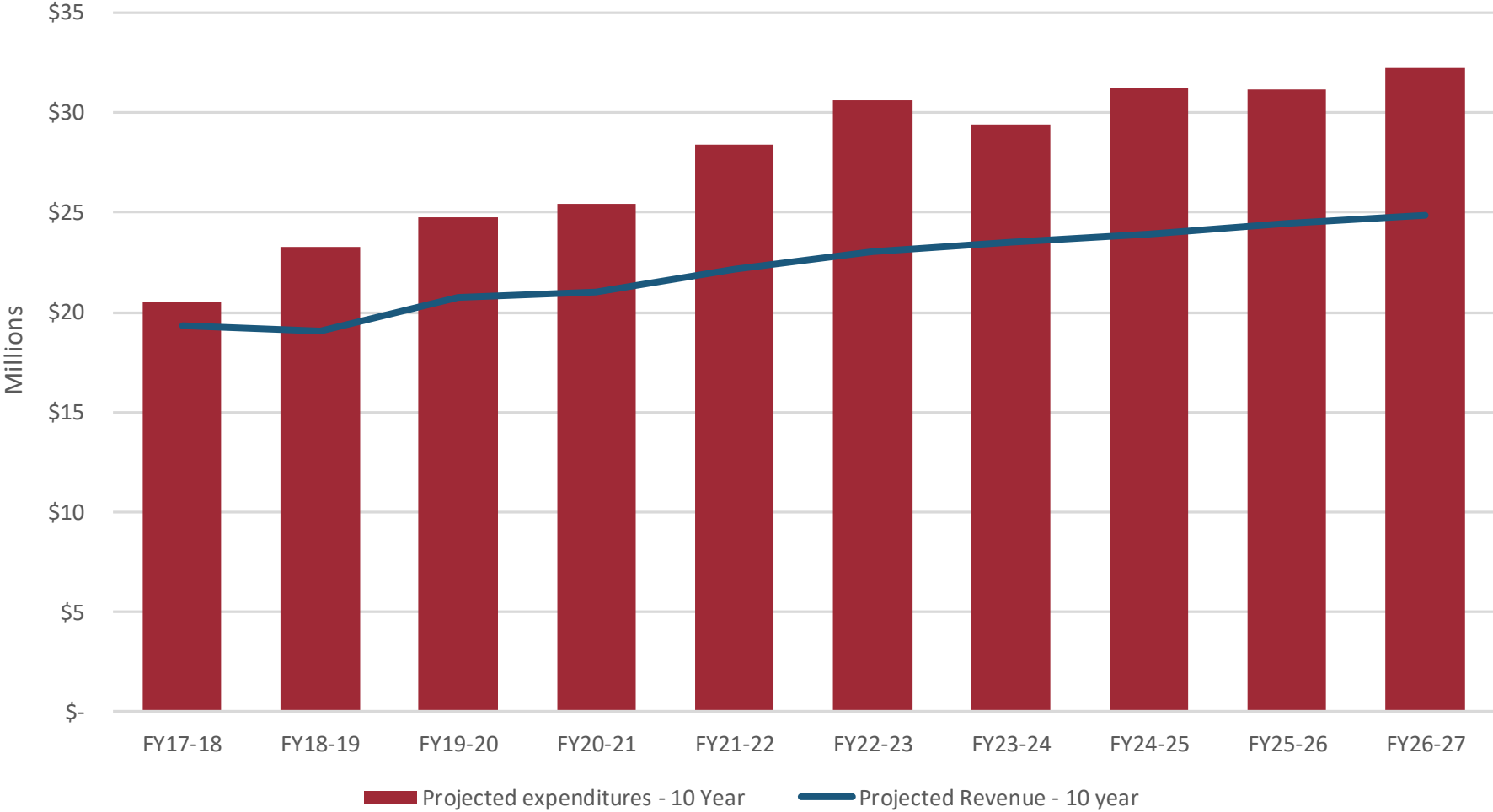


# 10 Year Financial Projection



	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 Projection



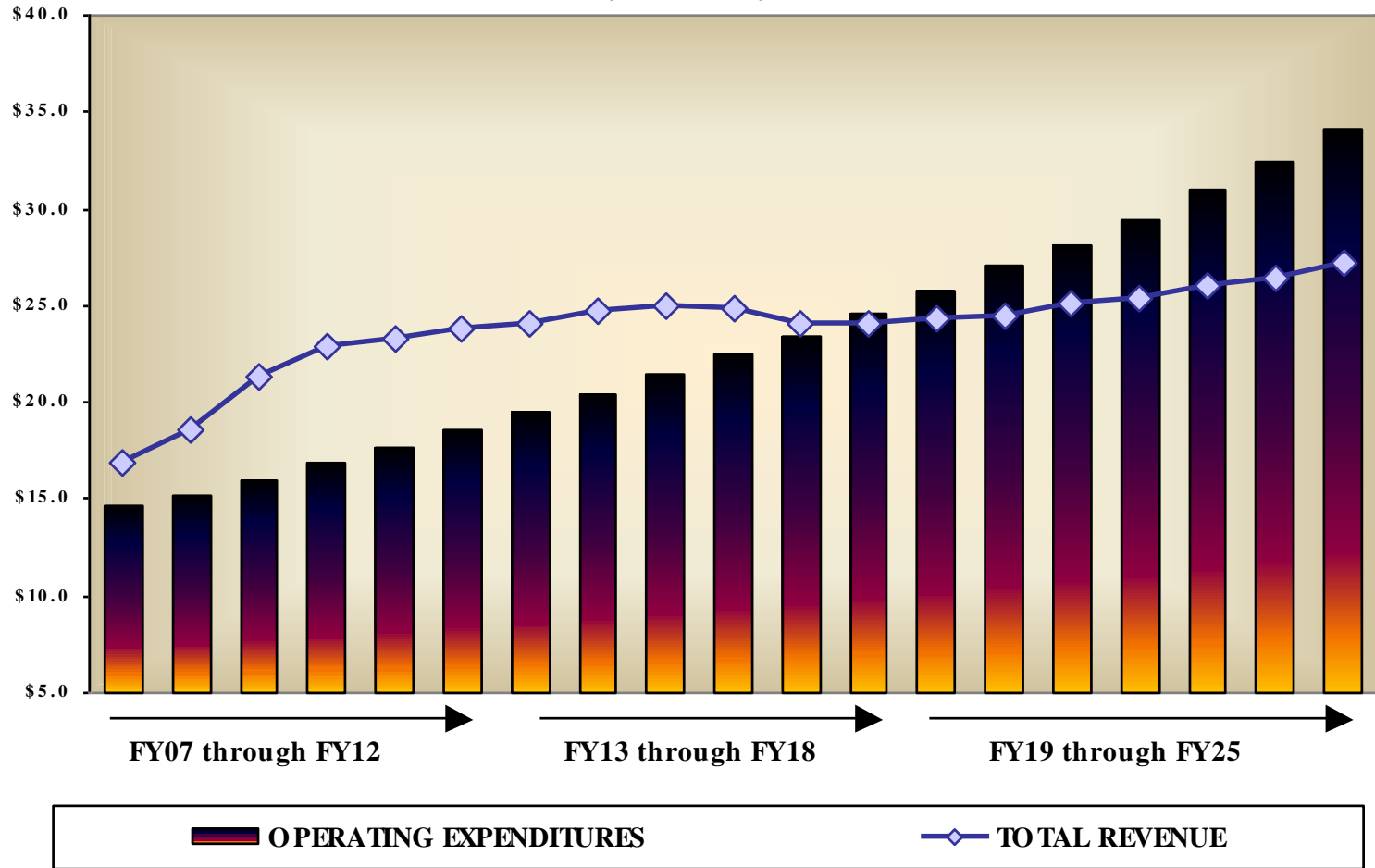
# RECAP – 10 Year Financial Projection

	June, 2017 Projection
10 year Projected Revenue	\$222.0M
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 (originally projected in 2006)

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

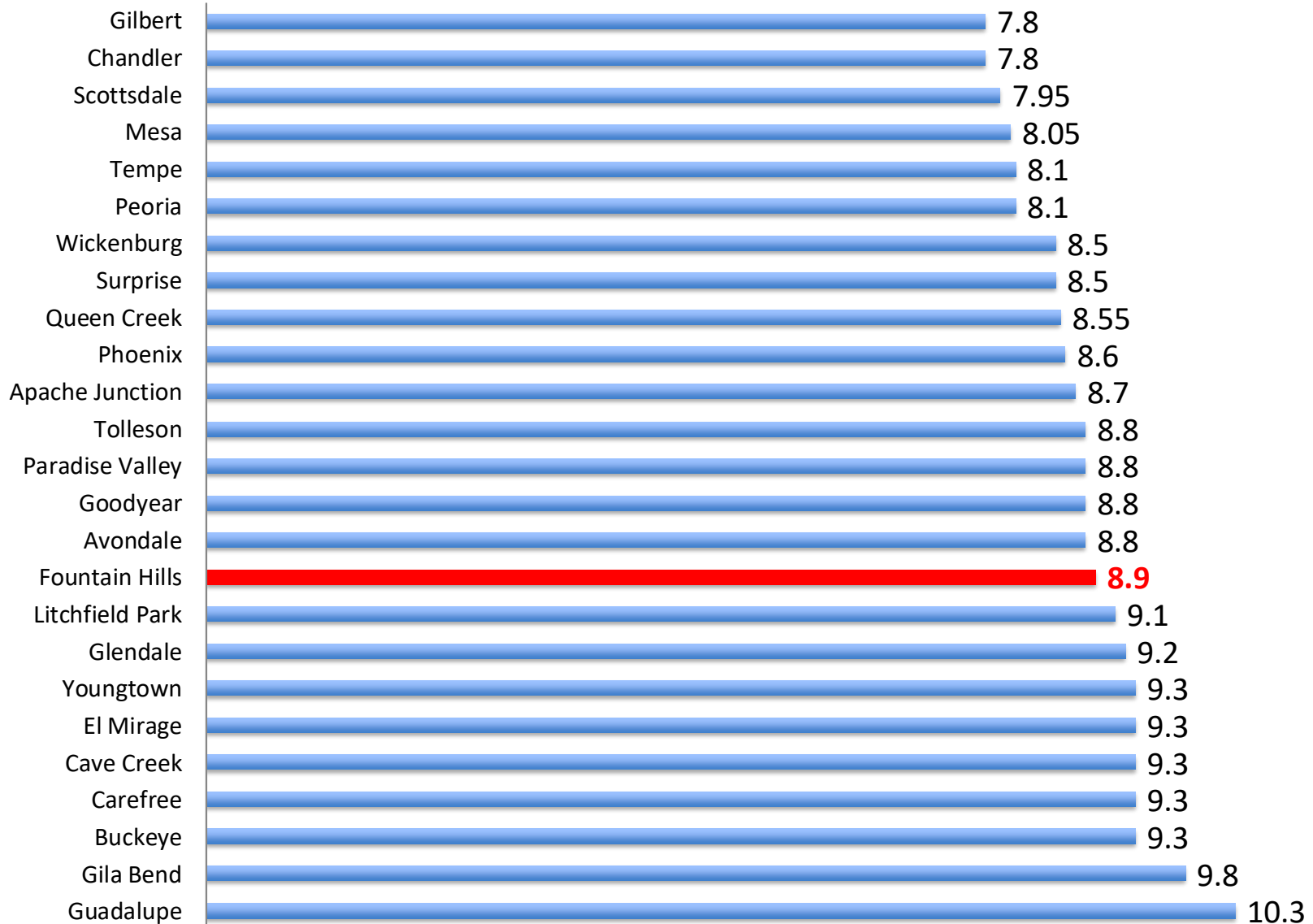
- At the Town Council meetings on October 10, 2017, November 21, 2017, and again on January 30, 2018, the Town Council unanimously came to the conclusion that the best option for addressing the revenue shortfall was to ask voters to approve a primary property tax of \$7,000,000 annually
- A primary property 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

TPT (Sales) Tax Rates - effective February 1, 2018

**Total Rate**

<u>City/Town Name</u>	<u>Location</u>		<u>Retail Tax</u>	<u>Total Rate</u>	<u>P-Primary</u>
	<u>E-East Valley</u>	<u>W-West Valley</u>	<u>Rate</u>		<u>S-Secondary</u>
Guadalupe	E		4.00%	10.30%	-
Carefree	E		3.00%	9.30%	-
Cave Creek	E		3.00%	9.30%	-
Fountain Hills	E		2.60%	8.90%	S
Paradise Valley	E		2.50%	8.80%	-
Apache Junction	E		2.40%	8.70%	-
Queen Creek	E		2.25%	8.55%	P
Mesa	E		1.80%	8.10%	S
Tempe	E		1.80%	8.10%	P - S
Scottsdale	E		1.65%	7.95%	P - S
Chandler	E		1.50%	7.80%	P - S
Gilbert	E		1.50%	7.80%	S
Phoenix	E/W		2.30%	8.60%	P - S

## Total Sales Tax Rates



## Maricopa County Municipal Tax Rates - 2017

<u>Municipality</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
Apache Junction	0.0000	0.0000	0.0000
Carefree	0.0000	0.0000	0.0000
Cave Creek	0.0000	0.0000	0.0000
Guadalupe	0.0000	0.0000	0.0000
Litchfield Park	0.0000	0.0000	0.0000
Paradise Valley	0.0000	0.0000	0.0000
Youngtown	0.0000	0.0000	0.0000
Gila Bend	0.4158	0.0000	0.4158
<b>Fountain Hills</b>	<b>0.0000</b>	<b>0.4259</b>	<b>0.4259</b>
Wickenburg	0.5270	0.0000	0.5270
Surprise	0.7591	0.0000	0.7591
Gilbert	0.0000	1.0281	1.0281
Scottsdale	0.4956	0.5889	1.0845
Mesa	0.0000	1.0968	1.0968
Chandler	0.2700	0.8700	1.1400
Peoria	0.1900	1.2500	1.4400
Avondale	0.7501	0.8499	1.6000
Goodyear	1.1344	0.6005	1.7349
Buckeye	1.8000	0.0000	1.8000
Queen Creek	1.9500	0.0000	1.9500
Glendale	0.4632	1.6140	2.0772
Phoenix	1.3359	0.8241	2.1600
Tempe	0.9246	1.5688	2.4934
El Mirage	1.6319	2.0018	3.6337
Tolleson	1.8325	2.1570	3.9895

# Where Your Property Tax Dollar Goes



Education, \$0.53

Maricopa County,  
\$0.19

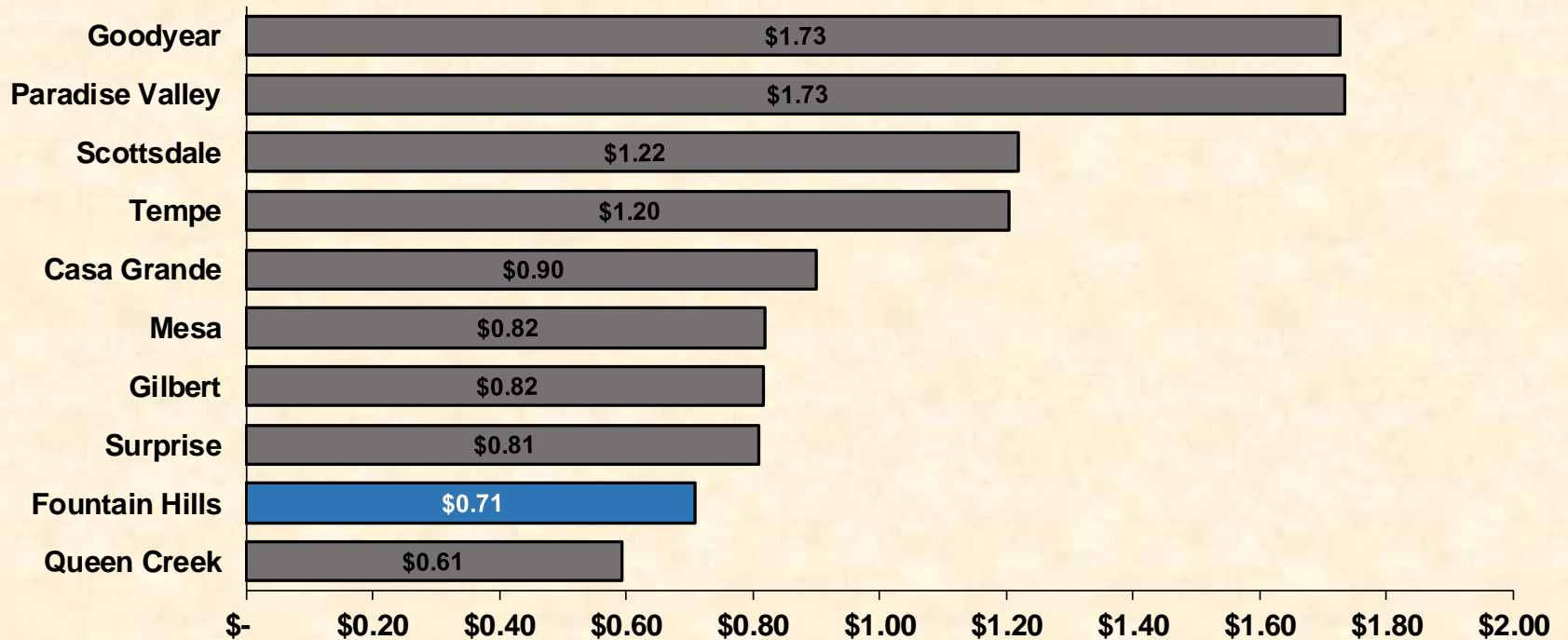
Sanitary District,  
\$0.13

Other, \$0.06

Town of Fountain Hills,  
\$0.09

# Operating Costs per capita

Comparison of FY17-18 General Fund Operating Cost Per 1,000 Citizens



Source: Auditor General's Official City-Town Budget Forms-Schedule A for FY17-18



# Primary Property Tax

- Consider a primary property tax – would require a vote of the residents
- FY 18-19 assessed valuation \$466,639,047 for Fountain Hills
- (FY 17-18 valuation was \$444,649,617 – increase of 4.9% for FY18-19)
- Town Council passed Resolution 2017-47 and Resolution 2018-01 ordering a special election
- Resolution states that the proceeds are to be used for road maintenance, public safety costs, maintaining infrastructure assets, and environmental costs

# Primary Property Tax - continued

## Impact of Property Tax (per annum)

Estimated Taxable Value of Home (Limited Property Value – LPV)	Estimated Annual Primary Property Tax	Monthly Amount
\$150,000	\$225.02	\$18.75
\$250,000	\$375.03	\$31.25
\$350,000	\$525.04	\$43.75
\$450,000	\$675.05	\$56.25
\$550,000	\$825.06	\$68.76
\$750,000	\$1,125.08	\$93.76

# Primary Property Tax - continued

## Impact of Property Tax (per annum)

Estimated Taxable Value of Home (Limited Property Value – LPV)	Estimated Annual Primary Property Tax	Secondary Property Tax – will be eliminated 7/1/2020	Total Estimated Town’s Annual Property Tax	New Estimated Town’s Annual Property Tax – effective 7/1/2020
\$150,000	\$225.02	\$63.89	\$288.91	\$225.02
\$250,000	\$375.03	\$106.48	\$481.51	\$375.03
\$350,000	\$525.04	\$149.07	\$675.11	\$525.04
\$450,000	\$675.05	\$191.66	\$866.71	\$675.05
\$550,000	\$825.06	\$234.24	\$1,059.30	\$825.06
\$750,000	\$1,125.08	\$319.42	\$1,444.50	\$1,125.08

22.1% reduction effective 7/1/2020

# Where Your Property Tax Dollar Goes With Fountain Hills Primary Tax



Education, \$0.45

Town of Fountain  
Hills, \$0.21

Maricopa County,  
\$0.16

Sanitary District,  
\$0.11

Other, \$0.07

# Assistance Programs

- **Seniors Valuation Protection**
  - The Seniors Valuation Protection program is designed “to freeze the full cash value of a primary residence owned by seniors based on income and age.”

# Assistance Programs - continued

- **Widows/Widowers/Disabled Exemption**
  - The Arizona Statutes §42-11111 provides in part:  
"The property of widows, widowers and disabled persons who are residents of this state is exempt from taxation to the extent allowed by article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and subject to the conditions and limitations prescribed by this section."

# Assistance Programs - continued

- **Elderly Assistance Fund (EAF)**

- The Elderly Assistance Fund (EAF) was established by the Board of Supervisors in February 2007. The Maricopa County Treasurer's Office administers the fund to reduce the property tax of qualified elderly taxpayers. Qualified applicants who have limited income, live within an organized school district, and have enrolled in the Seniors Valuation Protection program are eligible.

# Next Steps

- Implement a Public Information Plan
  - Hold public information meetings
  - Distribute Frequently Asked Questions (FAQs)
  - Publish and distribute an information pamphlet
  - Send out informational postcard to all residents
  - Establish a Town website [www.fhvote2018.com](http://www.fhvote2018.com)
- Coordinate with Maricopa County Elections, Assessor and Treasurer
- Plan for all ballot-by-mail election for a Special Election on May 15, 2018



# Accountability

- Quarterly report by Finance Director
  - Present to Town Council
  - Post to Town's website
- Segregate public safety funding in financial reports
- Pavement analysis currently underway
  - Identify cost impacts and prioritize needs
  - Conclusions and work plan available by end of April

# Sources and Uses

## Proposed Sources and Uses of Primary Property Tax

### SOURCE:

primary property tax levy	\$ 7,000,000
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### USES:

additional funding for street maintenance	\$ 4,000,000
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offsetting of public safety costs (Rural metro and MCSO)	1,500,000
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funding for Facilities Replacement Fund	1,000,000
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replacement of environmental fee	500,000
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TOTAL	\$ 7,000,000
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***QUESTIONS?***