

# Annual Financial Status Report

## Fountain Hills Economic Indicators

### December 31, 2009

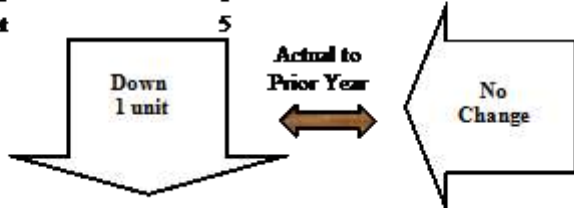
#### Housing Starts:



SF MF

#### QTR 12/31/2009

<b>FY09 Actual</b>	2	2
<b>FY10 Actual</b>	1	2
<b>FY10 Budget</b>	5	2



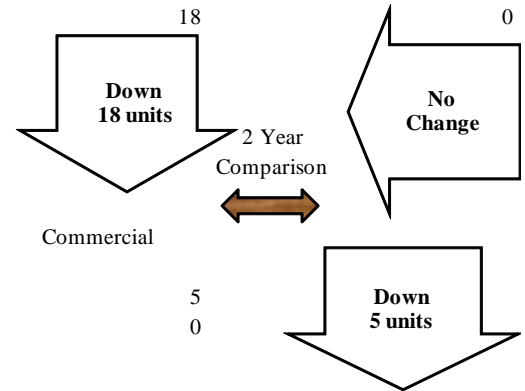
#### Certificates of Completion (Units)



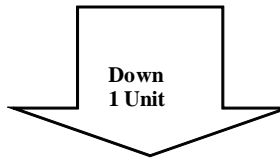
SF MF

#### QTR 12/31/2009

FY08 Actual	36	0
FY09 Actual	18	0



#### Commercial Starts:



Actual to Prior Year

#### QTR 12/31/2009

FY09 Actual	2
FY10 Actual	1
FY10 Budget	2

#### Fountain Hills Local Tax:

##### Construction

##### Retail

#### QTR 12/31/2009

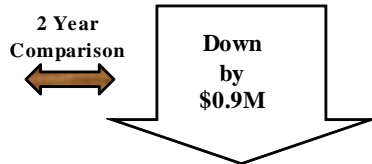
<b>FY09 Actual</b>	<b>\$319,861</b>	<b>\$1,697,322</b>
<b>FY10 Actual</b>	<b>\$416,511</b>	<b>\$1,563,989</b>
<b>FY10 Budget</b>	<b>\$388,888</b>	<b>\$1,628,984</b>



#### Over/Under

**-49.2%** **2 Year Comparison** **-7.6%**

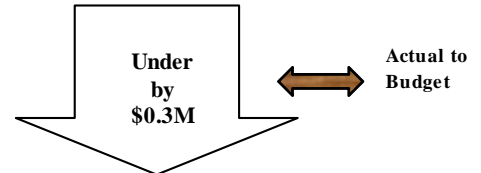
#### General Fund Revenues



#### QTR 12/31/2009

FY09 Actual	\$7,516,293 M
FY10 Actual	\$6,587,139 M
FY10 Budget	\$7,293,690 M

#### General Fund Expenditures



#### QTR 12/31/2009

FY09 Actual	\$8,132,442 M
FY10 Actual	\$6,979,821 M
FY10 Budget	\$7,262,826 M

These indicators show changes from the same time period from the previous fiscal year or comparison of current year actual to current year budget.

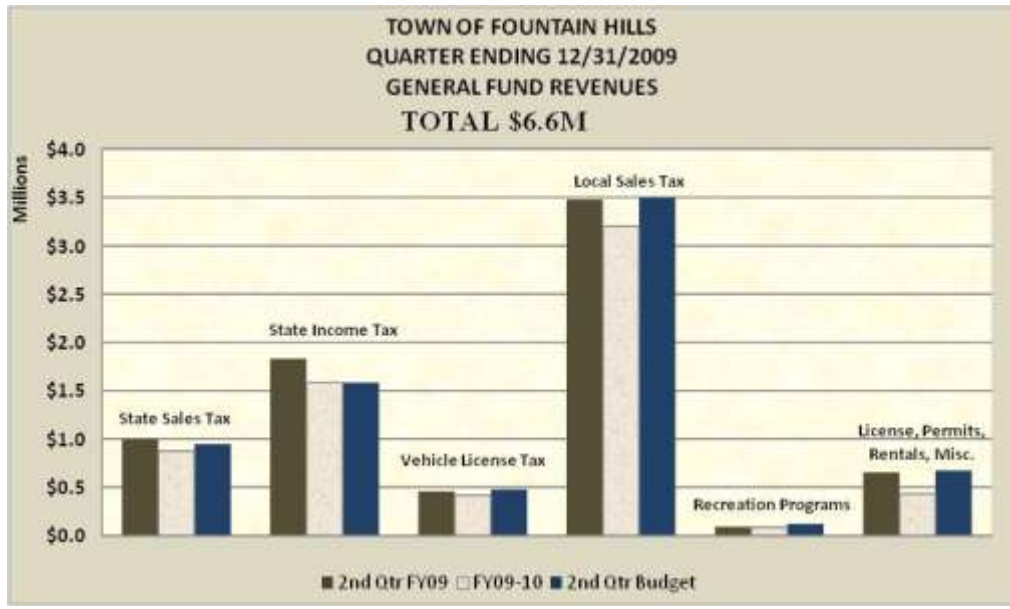


## **General Fund Revenues**

## General Fund Revenues

For the first six months of Fiscal Year 2009-10, General Fund Revenues are at 45% of budget as summarized below:

	FY2009-10 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
Revenues	\$14,696,229	\$6,587,139	45%	\$14,255,350



## 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. Through the second quarter of the fiscal year revenues from these categories total \$2,872,986 which is \$416,386 or 14.5% less than last year's second quarter distribution.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
State Income Tax	\$3,163,367	\$1,581,071	50%	\$3,163,367
State Sales Tax	\$1,894,032	\$875,000	47%	\$1,894,032
Vehicle License Fees	\$953,455	\$412,209	44%	\$900,000

**Local Sales Tax (2.6%)**

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. Through the second quarter of this fiscal year revenues for this category total \$1,568,989, which is \$128,333 or 7.6% less than the same time period last fiscal year.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. Through the second quarter of this fiscal year revenues for this category total \$220,652, which is \$4,190 or 1.9% less than the same time period last fiscal year.

Communication/Utilities/Transportation: Utilities such as Chaparral City Water and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. Through the second quarter of this fiscal year revenues for this category total \$731,752, which is \$25,448 or 3.4% less than the same time period last fiscal year.

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. Through the second quarter of this fiscal year revenues for this category total \$416,511, which is \$403,350 or 49.2% less than the same time period last fiscal year. 85% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Local Sales Tax	\$6,628,911	\$3,049,300	46%	\$6,628,911



Total local sales tax revenues in the General Fund are \$3M for the period ending December 31, 2009 compared to \$3.3M last fiscal year (8% decline). Retail and restaurant/bar activities represent 48% of the total; telecommunications and utilities represent another 22%.

## **Building Permit Revenue**

Revenues in this category include both commercial and residential permitting activity with the majority of revenues coming from residential activity. Through the second quarter of this fiscal year, revenues for this category total \$62,180 or 18.8% of the annual budget, which is \$126,880 or 67.1% less than the same time period last fiscal year. Housing starts for the fiscal period (3 single family, 2 multi family and 1 commercial) remained level with the prior fiscal period with one less commercial permit issued.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Building Permit Fees	\$330,120	\$63,541	19%	\$150,000

## **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. Through the second quarter of this fiscal year, revenues for this category total \$124,298, which is \$22,204 less than last year's same fiscal period.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Court Fines & Fees	\$239,292	\$128,012	54%	\$239,292

## **License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Through the second quarter of this fiscal year, revenues for this category total \$64,385 or 39.7% of the annual budget, which is \$7,277 or 10.1% less than the same time period last fiscal year.

	FY2009-10 Budget	FY2009-10 YTD	YTD to Budget	Year End Estimate
Business License Fees	\$122,715	\$43,955	36%	\$122,715
Animal License Fees	\$39,505	\$21,922	56%	\$39,505



## **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, Public Works, Parks & Recreation, Community Center, Planning and Zoning, Building Safety, Senior Programs, Court, Council and Administrative functions. Through the second quarter 48% of the budget was expended.

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$4.6M	\$2.3M	50%	\$4.5M
Contractual Services	\$7.6M	\$3.3M	44%	\$7.5M
Services & Supplies	\$1.6M	\$0.6M	39%	\$1.5M
Transfers	\$0.7M	\$0.6M	86%	\$0.7M
<b>TOTAL</b>	<b>\$14.4M</b>	<b>\$6.9M</b>	<b>48%</b>	<b>\$14.2M</b>

- ◆ Salaries and benefits, which represent 32% of the total General Fund operating budget were at 50% of budget. A savings in personnel costs is estimated at \$128,000 mainly due from changes in personnel that were made in November? The personnel changes were a result of decreased workload primarily in the Building Safety division; a total of two building inspectors, one building permit technician and a CAD/GIS operator were eliminated.
- ◆ Contractual services represent 53% 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. The savings projected includes a reduction in the scope for sales tax auditing services, cancellation of the bond election for Saguaro Boulevard and savings on median maintenance.
- ◆ Services and Supplies, which represents 12% of the total General Fund operating budget, were at 39% of budget and includes items such as utilities, maintenance and repair, office supplies, insurance, software, etc. The savings projected includes the deferment of any additional software until at least next fiscal year as long as the economy recovers.
- ◆ Transfers includes debt service payment for the Community Center that is transferred to the Debt Service Fund for the semi-annual payment, transfers to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and contingency. If the economy worsens and revenues are significantly reduced we will postpone the transfer of the VRF until the economy recovers.



**Department highlights:**

<b>Expenditures by Department</b>	<b>FY2009-10 Budget</b>	<b>FY2009-10 YTD</b>	<b>YTD to Annual Budget</b>	<b>Year End Estimate</b>
Law Enforcement	\$2.8M	\$1.3M	47%	\$2.8M
Fire & Emergency Medical Services	\$3.1M	\$1.6M	52%	\$3.1M
Public Works	\$1.4M	\$0.6M	41%	\$1.3M
Parks & Recreation	\$1.7M	\$0.8M	48%	\$1.6M
Community Center	\$1.0M	\$0.7M	68%	\$1.0M
Planning & Zoning	\$1.1M	\$0.5M	51%	\$0.85M
Administrative	\$3.5M	\$1.5M	43%	\$3.3M
<b>TOTAL</b>	<b>\$14.4M</b>	<b>\$6.9M</b>	<b>48%</b>	<b>\$14.0M</b>

- ◆ Law Enforcement represents 19% of the General Fund operating budget and is at 47% of the budget at the end of the second quarter. Law Enforcement also includes costs for jails incarcerate fees, which are costs for holding individuals at the jails and billed by Maricopa County. The Town has a contract with Maricopa County for animal control and shelter services that is included within the Law Enforcement budget. This department is on track to expend 100% of their budget.
- ◆ Fire & Emergency Medical Services represents 23% of the General Fund operating budget and is at 52% of the budget at the end of the second quarter. In addition to the contract with Rural Metro the department is also responsible for maintenance of the fleet, fire stations and equipment. This department is on track to expend 100% of their budget.
- ◆ Public Works includes programs such as engineering associated with traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Savings in this department will be due to reduced level of service in custodial services due to the elimination of two part-time custodians.
- ◆ Parks & Recreation includes Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park as well as 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 is at 68% of the annual budget primarily due to the annual debt service payment (\$387,000) transferred to the Debt Service Fund in July, 2009 to cover the semi-annual payment in December. It is anticipated that this department will be within budget by the end of the fiscal year.
- ◆ Planning & Zoning represents 8% of the General Fund operating budget and is at 51% of the budget at the end of the second quarter. Programs included in Planning & Zoning are Code Enforcement, Planning, Environmental, Building Safety, and Mapping & Graphics.
- ◆ Administrative includes the Town Council, Municipal Court, Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Media Relations, Information Technology and Customer Service and represents 21% of the General Fund operating budget. Savings in this department will include deferral of software enhancement programs, reduced scope of work for sales tax audits, reduction in intergovernmental relations, Community Center marketing, elections





## **Other Funds:**

Streets

Excise Tax (Economic  
Development)

Special Revenue (Grants)

Development Fees

Capital Projects

## Highway User Revenue Fund (HURF) – Streets

	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Revenues	\$1,600,545	\$787,600	49%	\$1,600,545

This fund supports most of the Town's street and traffic operations and is run by the Public Works 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. Year to date HURF revenues are \$734,000, which is 2% higher than the same time period last year.

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$607,151	\$275,665	46%	\$582,600
Contractual Services	\$316,294	\$126,924	41%	\$316,294
Services & Supplies	\$309,300	\$116,790	38%	\$309,300
Transfers	\$367,800	\$368,200	100%	\$368,200
<b>TOTAL</b>	<b>\$1,600,545</b>	<b>\$887,579</b>	<b>56%</b>	<b>\$1,576,394</b>

- ◆ Salaries and benefits, which represent 38% of the total HURF operating budget, were at 46% of budget. A savings in personnel costs is estimated at \$24,551 mainly due from changes in personnel (elimination of one Street Maintenance Technician) that were made in November.
- ◆ Contractual services represents 20% of the HURF budget and includes contracts for median maintenance, proportionate share of annual audit and attorney costs as well as engineering costs for capital projects. The Town utilizes contracts for specialized or one-time services that do not require the addition of full time staff.
- ◆ Services and Supplies, which represents 20% of the total HURF operating budget, were at 34% of budget and includes items such as utilities, road and equipment maintenance and repair, office supplies, insurance, etc.
- ◆ Transfers includes debt service payment for road bonds that is transferred to the Debt Service Fund for the semi-annual payment, transfers to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and transfers to the Capital Projects Fund for major road projects.

## Excise Tax Fund – Economic Development

	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Revenues	\$295,859	\$136,100	46%	\$295,859

This is a separate operating fund from the General Fund and supports the Town’s economic development and business retention programs. This fund is supported by a portion of the local sales (excise) tax (.1% of the 2.6%).

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Salaries & Benefits	\$45,739	\$24,070	53%	\$45,739
Contractual Services	\$79,035	\$30,047	38%	\$79,035
Services & Supplies	\$7,901	\$2,345	30%	\$7,901
Transfers	\$250,000	\$0	0%	\$15,000
<b>TOTAL</b>	<b>\$382,675</b>	<b>\$56,462</b>	<b>15%</b>	<b>\$147,675</b>

- ◆ Salaries and benefits, which represent 7% of the total Economic Development operating budget, were at 53% of budget. A percentage of the Economic Development Administrator and Administrative Assistant’s salary and benefit is allocated to this fund; the remainder is paid through the General Fund.
- ◆ Contractual services represent 21% of the budget and include contracts for downtown holiday lighting, marketing, town center advertising and trade analysis for potential economic development opportunities.
- ◆ Services and Supplies, which represents 2% of the total operating budget, were at 30% of budget and include items such as training, publications, and office supplies.
- ◆ Transfers included a transfer to the Capital Projects Fund for a project committed through a development agreement that has since expired. The Council approved an expenditure of \$15,000 from this transfer to contribute to the Greening of the Downtown project.

## Development Fees

Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Law Enforcement	\$13,767	\$3,534	26%	\$13,767
Fire & Emergency	\$3,153	\$814	26%	\$3,153
Streets	\$74,316	\$8,945	12%	\$15,000
Parks & Recreation	\$14,664	\$7,846	54%	\$14,664
Open Space	\$9,390	\$4,280	46%	\$9,390
Library & Museum	\$1,740	1,346	77%	\$1,740
General Government	\$28,440	\$6,325	22%	\$28,440
<b>TOTAL</b>	<b>\$145,470</b>	<b>\$33,090</b>	<b>23%</b>	<b>\$86,154</b>

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. Each category had an incurred expenditure due to additional work requested for the development fee analysis.

Expenditures by Category	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Law Enforcement	\$0	\$384	%	\$384
Fire & Emergency	\$0	\$85	%	\$85
Streets (transfer to CIP)	\$142,400	\$143,466	101%	\$143,466
Parks & Recreation	\$0	\$1,151	%	\$1,151
Open Space	\$0	\$682	%	\$682
Library & Museum	\$0	\$128	%	\$128
General Government	\$0	\$767	%	\$767
<b>TOTAL</b>	<b>\$142,400</b>	<b>\$146,663</b>	<b>101%</b>	<b>\$146,663</b>

## Capital Projects

Revenue	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Construction Sales Tax	\$510,000	\$354,034	70%	\$510,000
Stimulus Funding	\$2,537,717	\$0	0%	\$3,245,714
Bond Proceeds	\$4,500,000	\$0	0%	\$0
Transfers	\$2,981,190	\$322,190	11%	\$322,190
<b>TOTAL</b>	<b>\$10,528,907</b>	<b>\$676,224</b>	<b>7%</b>	<b>\$4,077,904</b>

Expenditures	FY2009-10 Budget	FY2009-10 YTD*	YTD to Annual Budget	Year End Estimate
Downtown Improvements	\$250,000	\$0	0%	\$15,000
Street Projects	\$10,177,221	\$59,346	1%	\$1,303,231
Traffic Signals	\$142,400	\$143,466	100%	\$143,466
Drainage	\$86,000	\$0	0%	\$86,000
General Government	\$100,000	\$10,168	10%	\$15,000
Fire & Emergency	\$1,536,103	\$114,999	8%	\$145,850
Contingency	\$433,710	\$255,269	59%	\$255,269
<b>TOTAL</b>	<b>\$12,725,434</b>	<b>\$439,782</b>	<b>4%</b>	<b>\$1,942,148</b>

## Fund Balance as of December 31, 2009

The Town has adopted financial policies that establish a level of reserves (fund balance) that provide future financial stability for the Town. The policy requires that the Town set aside designated unreserved funds of a minimum 10% of average revenues, reserved funds of 20% of average revenues and a Rainy Day Fund of \$1.3M. The reserved funds are not available for appropriation. When reserves exceed policy requirements the surplus is transferred at year-end to the Capital Projects Fund for future appropriation.

The following table is a summary by fund of all fund balances as of December 31, 2009; each fund should be viewed individually and balances cannot be transferred between the funds. The fund balances will change each month as revenues and expenditures are recorded.

Fund Balances as of 12/31/2009	
General Fund	\$5,589,875
HURF	\$79,354
Special Revenue Funds	\$214,811
Economic Development Fund	\$1,586,092
Public Art	\$1,314
Development Fees:	
Law Enforcement	\$190,456
Fire & Emergency	\$37,213
Streets	(\$167,818)
Parks & Recreation	(\$22,734)
Open Space	\$1,633,533
Library/Museum	\$38,066
General Government	\$505,937
Debt Service	\$3,165,446
Capital Projects	\$10,421,266
Vehicle Replacement Fund	\$480,070
Total	<u>\$23,752,881</u>

