

TOWN OF FOUNTAIN HILLS
BUDGET REPORT – JUNE 2011





General Fund Revenues

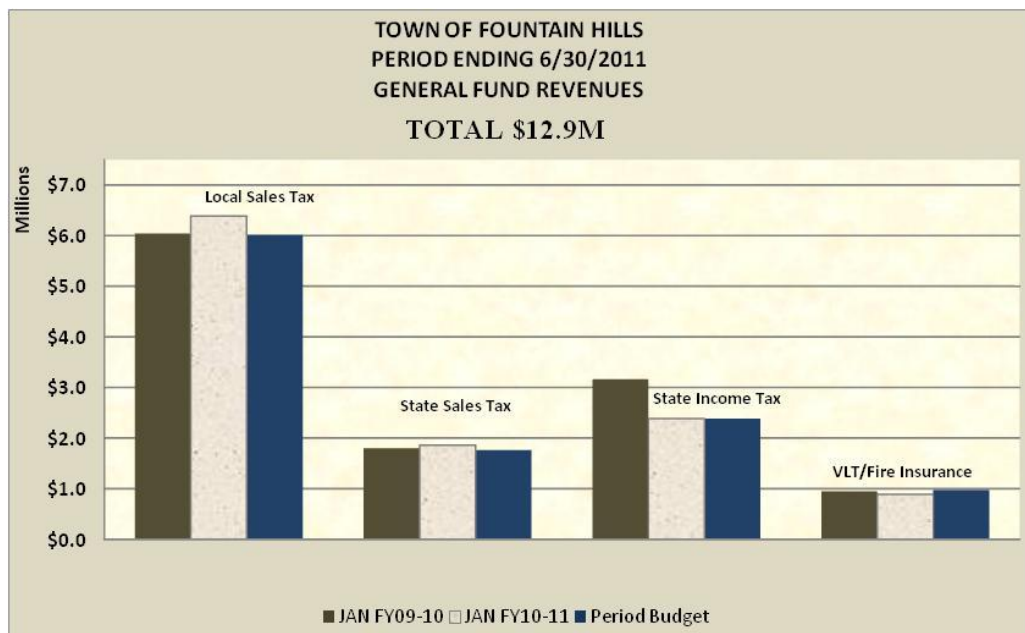
General Fund Revenues

For the fiscal period ending June 30, 2011 (twelve months), revenue receipts continue to show signs of an economic recovery. Revenues have exceeded projections and expenses are less than budgeted resulting in a surplus in the General Fund of approximately \$875,000. The increase in revenues can be attributed primarily to better than projected local and State sales tax revenues in addition to some plan review fees that would be further indications of an improving economy. However, with the steep reduction in Stated shared revenues beginning next year it is unlikely that the Town will continue to experience surpluses in future years unless new revenue sources are incorporated into the Town budget.

General Fund Revenues were at 102.8% of budget as summarized below:

	FY2010-11 Budget	FY2010-11 Actual	Compared to Budget	Annual Estimate
General Fund	\$12,638,768	\$12,912,560	102.8%	\$12,912,560

The four revenues in the chart below represent 90% 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 show signs of economic recovery with a 5.7% increase over the same period last year (excluding construction activity). State sales taxes appear to show a sustained sign of a recovery with an annualized increase of 3.6%. Although residential construction (permit) revenues were only 41% of projections, the plan review fees were significantly higher than what was anticipated (\$121,305 actual versus \$10,506 budgeted) which provides a leading indicator of future permit activity. Vehicle license taxes lagged compared to budget, and are 7% less than anticipated; this revenue source is derived from vehicle registrations. Overall, General Fund revenues exceeded the budgeted amount by an estimated \$273,800.



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 fiscal year revenues from these categories total \$5,032,733 which is \$648,750 or 12% less than last year's distribution - this was anticipated with the decrease in income tax revenue.

	FY2010-11 Budget	FY2010-11 Actual	Compared to Budget	Annual Estimate
State Income Tax	\$2,384,218	\$2,383,874	100.0%	\$2,384,218
State Sales Tax	\$1,765,065	\$1,861,432	105.5%	\$1,861,432
Vehicle License Fees	\$850,000	\$787,427	93.5%	\$787,427

Local Sales Tax (2.6%)

The annual revenue for this category total \$7,862,025, with all categories except Communications/Utilities/Transportation and Other exceeding projections. The total annual local sales tax revenue is 9.7% higher than what was budgeted.

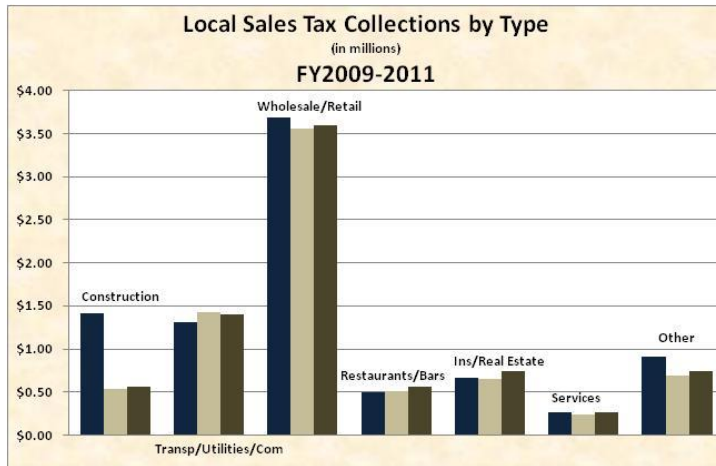
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. The annual revenues for this category total \$3,600,186, which is 103.2% of projections.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. The annual revenues for this category total \$559,600, which is 119.8% of projections.

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. For the fiscal year revenues for this category total \$1,394,700, which is 98.9% of what was anticipated.

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 annual revenues for this category total \$566,133, which is 424.5% of what was budgeted; 50% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Local Sales Tax	\$7,169,714	\$7,862,025	1.10%	\$7,862,025



Local sales tax makes up 49.5% of General Fund revenues; for the fiscal year ending June 30, 2011 collections were \$7.9M for all funds (\$6.4M in the General Fund). Retail and restaurant/bar activities represent 52.5% of total collections; telecommunications and utilities represent another 17.7%. Construction revenues collected this fiscal year total \$566K, which is a 5% increase over last fiscal year. Retail sales tax collections increased by 1.2% over the same period last year; restaurant/bar collections are up 9.8% 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 \$66,287 or 43% of the annual budget. Housing starts for the fiscal period are 7 single family, 0 multi family and 3 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.

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Building Permit Fees	\$155,140	\$66,287	43%	\$66,287
Plan Review Fees	\$4,506	\$97,448	2163%	\$97,448

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 \$210,419, which is \$55,313 (22%) less than last year's same fiscal period.

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Court Fines & Fees	\$255,078	\$210,419	83%	\$210,419

License Revenue

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. Current fiscal year revenues for these two categories total \$150,716 or 98% of the fiscal period budget. While business license renewals and new applications are down slightly, the number of animal licenses has increased over the last year.

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Business License Fees	\$109,180	\$102,404	94%	\$102,404
Animal License Fees	\$45,088	\$48,312	108%	\$48,312



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 fiscal year 96% of the budget has been expended.

Expenditures by Function	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Salaries & Benefits	\$3,479,407	\$3,346,977	97%	\$3,346,977
Contractual Services	\$6,986,611	\$6,915,587	99%	\$6,915,587
Maintenance/Repair	\$392,311	\$347,638	89%	\$347,638
Utilities	\$532,499	\$474,041	89%	\$474,041
Services & Supplies	\$424,801	\$365,132	84%	\$365,132
Internal Service Charges to Other Funds	\$175,631	\$184,650		\$184,650
Transfers and Other	\$446,309	\$387,000	87%	\$387,000
Contingency	\$197,475	\$0	0%	\$0
TOTAL	\$12,635,044	\$12,021,024	96%	\$12,021,024

- ◆ Salaries and benefits represent slightly more than one fourth (28%) of the total General Fund operating budget. It is not anticipated that any staff reductions will be necessary this fiscal year with the current economic recession – the prior years’ reduction in force (RIF) resulted in cumulative savings into the current fiscal year.
- ◆ Contractual services represent 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 3% 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 7% 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 were made from the General Fund (Community Center) to the Debt Service Fund for the semi-annual bond repayment due in December (\$387,000 annually).

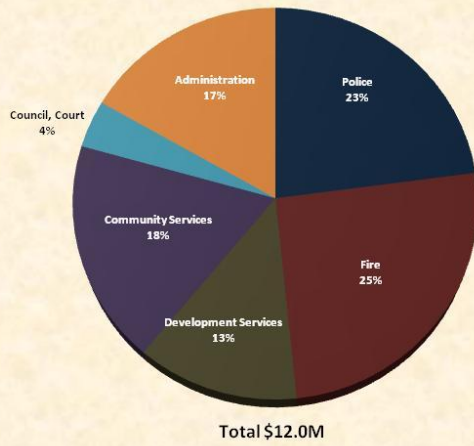
Department highlights:

Expenditures by Department	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Police	\$2,751,687	\$2,754,593	101%	\$2,754,593
Fire & Emergency Medical Services	\$3,062,411	\$3,059,606	100%	\$3,062,411
Development Services	\$1,589,757	\$1,517,355	96%	\$1,517,355
Community Services	\$2,348,680	\$2,204,073	94%	\$2,204,073
Municipal Court	\$421,291	\$404,140	96%	\$404,140
Mayor & Town Council	\$72,427	\$65,913	85%	\$65,913
Administrative Services	\$2,388,791	\$2,015,344	85%	\$2,015,344
TOTAL	\$12,635,044	\$12,021,024	96%	\$12,021,024

*Revised budget

- ◆ Law Enforcement represents 23% 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 25% 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 (18% 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 (\$387,000) that has been transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- ◆ Administrative Services (17% of General Fund expenditures) includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 19% 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.

**General Fund Expenditures by Department
FYE June 30, 2011**



Other Funds:

Streets

Excise Tax (Economic
Development)

Special Revenue (Grants)

Development Fees

Capital Projects



Highway User Revenue Fund (HURF) – Streets

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$1,338,590	\$1,401,096	105%	\$1,401,096
In Lieu Fees	\$15,068	\$62,180	413%	\$62,180
Restitution	\$0	\$16,270	16,270%	\$16,270

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 (95%) 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 end revenues in the HURF fund are projected to be \$1,401,096, which is 1% more than last fiscal year. 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 \$62,180 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.

HURF Expenditures by Program - Fiscal Year Ending 6/30/2011				
Expenditures by Program	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Administration	\$176,276	\$134,539	76.3%	\$134,539
Adopt A Street	\$19,319	\$20,022	103.6%	\$20,022
Legal Services	\$21,400	\$21,400	100.0%	\$21,400
Open Space	\$300,825	\$316,686	105.3%	\$316,686
Pavement Management	\$98,049	\$70,974	72.4%	\$70,974
Street Signs	\$106,336	\$89,015	83.7%	\$89,015
Street Sweeping	\$206,023	\$138,517	67.2%	\$138,517
Traffic Management	\$97,446	\$93,456	95.9%	\$93,456
Traffic Signals	\$166,407	\$148,895	89.5%	\$148,895
Vehicle Maintenance	\$92,131	\$89,546	97.2%	\$89,546
Grand Total HURF	\$1,284,212	\$1,123,050	87.5%	\$1,123,050

- ◆ 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 (\$134,160).
- ◆ Pavement Management program includes personnel costs related to road maintenance in addition to any contribution to the Capital Projects Fund for major road projects such as slurry seal - \$20,000 is all that is available in FY10-11 for the transfer.
- ◆ 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 (\$79,876).



Shea Boulevard Construction – May 2011

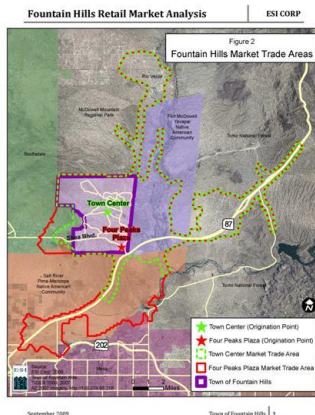
Excise Tax Fund – Economic Development

	FY2010-11 Budget	FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$270,600	\$292,250	108%	\$292,250

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%).

FY2010-11 Expenditures by Category - Economic Development Fund				
	FY2010-11 Budget	FY2010-11 Actual	% of Budget	Annual Estimate
Salaries and Benefits	\$54,714	\$56,463	103.2%	\$56,463
Supplies and Services	\$17,775	\$20,704	116.5%	\$20,704
Contractual Services	\$124,545	\$54,497	43.8%	\$54,497
Internal Services	\$5,943	\$1,035	17.4%	\$1,035
Other	\$370,000	\$0	0.0%	\$0
Grand Total all Categories	\$572,976	\$132,699	23.2%	\$132,699

- ◆ Salaries and benefits, which represent 43% of the total Economic Development operating budget, are at 103% of budget due to the increase in cost for health insurance. A percentage (60%) 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 41% 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 16% of the total operating budget, are at 116% of budget and include items such as the freeway signage, training, publications, and office supplies.
- ◆ Other includes transfers to the Capital Projects Fund for contingency if an opportunity to provide an incentive to a developer arises (would require Council approval) as well as the expenditure for the highway signage.



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. There were no expenditures projected for the current fiscal year from development fees.

FY2010-11 Revenues by Category - Development Fees				
	FY2009-10	FY2010-11	Annual Budget	% of Budget
Law Enforcement	\$8,823	\$4,443	\$7,980	55.7%
Streets	\$181,564	\$11,394	\$48,775	23.4%
Parks	\$22,011	\$11,245	\$7,425	151.4%
Open Space	\$11,441	\$7,117	\$4,835	147.2%
General Government	\$16,666	\$8,662	\$16,910	51.2%
Library	\$3,288	\$1,627	\$875	185.9%
Fire	\$2,012	\$1,006	\$1,795	56.1%
Grand Total All Funds	\$245,806	\$45,494	\$88,595	51.4%

FY2010-11 Expenditures by Category - Development Fees				
	FY2009-10	FY2010-11	Annual Budget	% of Budget
Law Enforcement	\$384	\$0	\$0	0.0%
Streets	\$130,597	\$0	\$0	0.0%
Parks	\$1,151	\$0	\$0	0.0%
Open Space	\$682	\$0	\$0	0.0%
General Government	\$767	\$0	\$0	0.0%
Library	\$128	\$0	\$0	0.0%
Fire	\$85	\$0	\$0	0.0%
Grand Total All Funds	\$133,794	\$0	\$0	0.0%

Capital Projects

Revenue	Annual FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Construction Sales Tax	\$66,678	\$171,479	258%	\$350,000
Grants	\$4,447,451	\$55,664	2%	\$500,000
Interest	\$300	\$7,499	250%	\$10,000
TOTAL	\$4,514,429	\$234,643	6%	\$860,000

Expenditures	Annual FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Downtown Improvements	\$570,000	\$19,946	3%	\$19,946
Street Projects	\$5,507,493	\$957,494	17%	\$957,494
Traffic Signals	\$148,800	\$146,699	99%	\$146,699
General Government	\$90,000	\$6,560	7%	\$6,560
Fire & Emergency	\$66,000	\$85,181	129%	\$85,181
Contingency	\$63,823	\$29,367	46%	\$29,367
TOTAL	\$6,446,116	\$1,245,247	19%	\$1,245,247

Projected Fund Balance as of June 30, 2011

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 operating budget appropriation. The current policy requires reserves that exceed policy requirements be transferred at year-end to the Capital Projects Fund for future appropriation. During the FY11-12 budget process the Council approved using reserves to pay off the Town Hall debt. With an estimated surplus of \$875,000 in the General Fund it will be proposed that those funds be used to retire the debt rather than transferred to the Capital Projects Fund. When the annual audit is completed and the final surplus is available staff will propose this exception.

The following table is a summary by fund of estimated fund balances as of June 30, 2011; the balances may change with the completion of the annual audit and final budget entries.

Project Fund Balances	
30-Jun-11	
General Fund	\$6,136,330
HURF	\$414,145
Special Revenue Funds	\$224,290
Economic Dev/Downtown Fund	\$1,867,220
Public Art	\$0
Development Fees:	
Law Enforcement	\$199,804
Fire & Emergency	\$39,333
Streets	\$29,063
Parks & Recreation	\$1,526
Open Space	\$1,647,520
Library/Museum	\$41,506
General Government	\$524,172
Debt Service	\$43,300
Capital Projects	\$9,702,587
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$670,715
Total	<u>\$22,886,711</u>

