

Town of Fountain Hills, AZ

FY18-19 PROPOSED BUDGET IN BRIEF

The Budget in Brief provides an overview of the Town's Operating Budget and Capital Projects. To view all of the Town's financial documents, visit the following web site:

<http://www.fh.az.gov/financial-reports>





FY18-19 PROPOSED BUDGET IN BRIEF

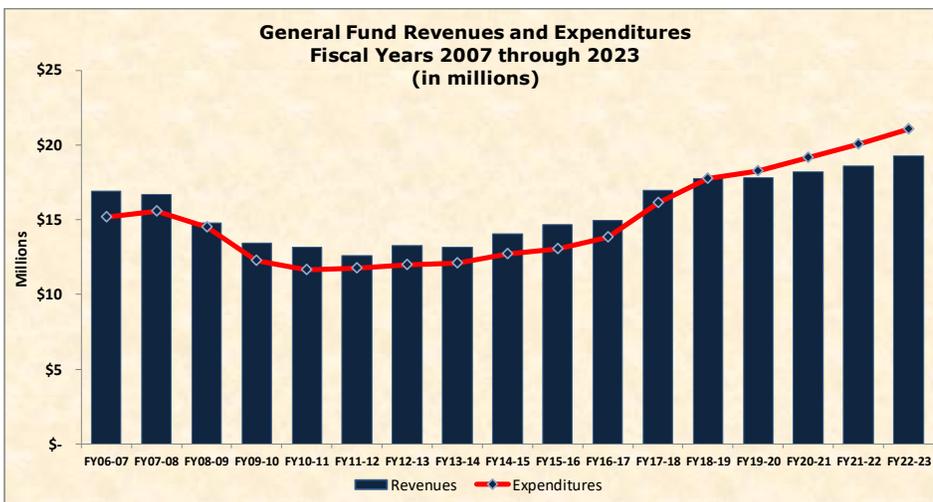
Budget Development This Budget in Brief is a condensed version of the Town of Fountain Hills’ Proposed Budget for the 2018-19 fiscal year, which runs from July 1, 2018, to June 30, 2019. The Budget represents priorities set by the Town Council, as well as the strategic plan adopted by the Council.

Budget Challenges During the past two years, the Town Council has discussed concerns about the future of the Town’s finances. Last May, a cumulative budget deficit of approximately \$64 million that will occur over the next ten years was identified. This deficit is largely due to the fact that the Town’s revenues have remained relatively flat over the past ten years as the Town’s expenditures have continued to grow. The issue is largely one of revenue rather than expenditures. The Town has diligently pared down expenditures while preserving the core services and amenities that make Fountain Hills a desirable place to live. In a number of critical service areas, staff members have taken on additional responsibilities and workload to help keep down costs.



Budget Outlook Primary funding issues facing the Town of Fountain Hills include: increased costs related to our aging infrastructure; dependence on State-shared revenues to fund operating expenditures; dependence on local sales tax to fund operational expenditures and capital improvement projects; decreased share of State-shared revenues; lack of a growing, sustainable, and diversified revenue base to fund operational costs; potential state legislation impacting revenues; retaining adequate staffing levels to maintain service levels; and public safety costs as an increasing proportion of total expenditures.

Upcoming Priorities One of the chief roles of government is to provide for the safety of its citizens. However, the fact remains that public safety costs, while essential, represent an ever-increasing proportion of the Town’s total expenditures. During the period from FY01-02 through FY18-19, Town total General Fund expenditures increased 42.9% while public safety costs increased 83.7% leaving reduced funding to pay for non-public safety core services. The problem lies not in total public safety costs to the Town, which are fair and reasonable, but rather in the lack of a growing, sustainable, and diversified revenue base. As a result, new sources of revenue must be found in the near future.

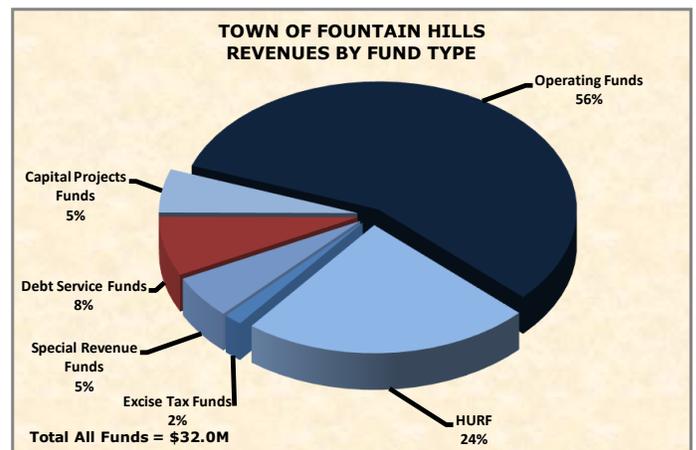


Town-Wide Revenue Sources

The General Fund derives its major revenue sources from local taxes and intergovernmental revenue (also known as State-shared revenue). These two sources represent over 88% of the Town's General Fund revenues and are subject to local economic conditions and fluctuations.

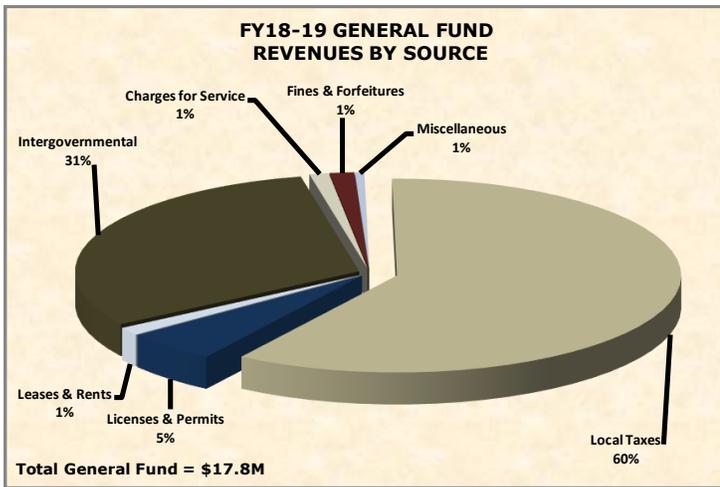
Total revenues for all funds are estimated at \$32.0M. The Operating Funds portion represents approximately 56% of the total resources. The Streets (HURF) fund represents 24% while the Excise Tax funds represent only 2% of the total. Special Revenue funds represent another 5%, Debt Service 8%, and Capital Projects represents 5%.

Developing the proposed budget, therefore, required making choices to achieve a budget that balances the available resources with the Council goals, while maintaining a level of service to support a high quality of life in Fountain Hills.



The 2017 Fountain Hills Strategic Plan contains a number of actions and performance measures tied to the following strategic priorities:

- Goal #1: Maximize Economic Development Opportunities in Fountain Hills
- Goal #2: Ensure that Infrastructure and Physical Environment in Fountain Hills are Well-Maintained and Safe
- Goal #3: Attract Families and Working Professionals to Fountain Hills
- Goal #4: Ensure that Fountain Hills Finances are Stable and Sustainable
- Goal #5: Focus on Strengthening the Community and Improving the Town's Quality of Life

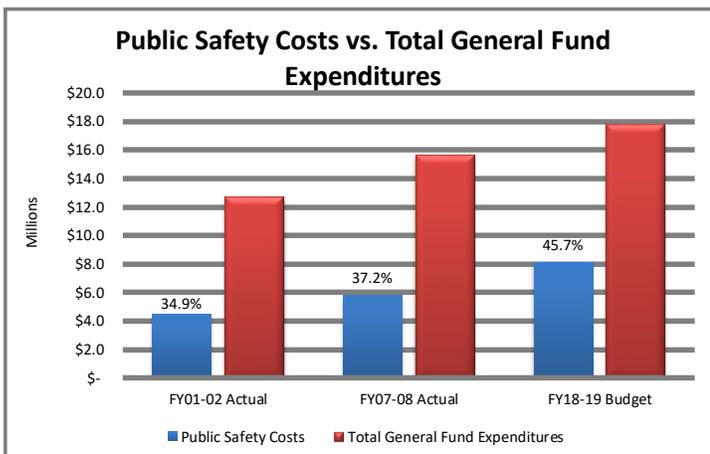


Long-Term Concerns and Issues

The primary long-term issues that the Town of Fountain Hills continues to face are:

- Aging infrastructure
- Decreased proportionate share of State-shared revenues due to increased population of surrounding communities
- Lack of sustainable or diversified revenue base
- Dependence upon local sales tax and State-shared revenues
- Potential state legislation impacting revenues, e.g. sweeping of State-shared revenues or unfunded mandates
- Retaining adequate staffing levels to maintain current service levels
- Public Safety costs as an increasing proportion of total expenditures.

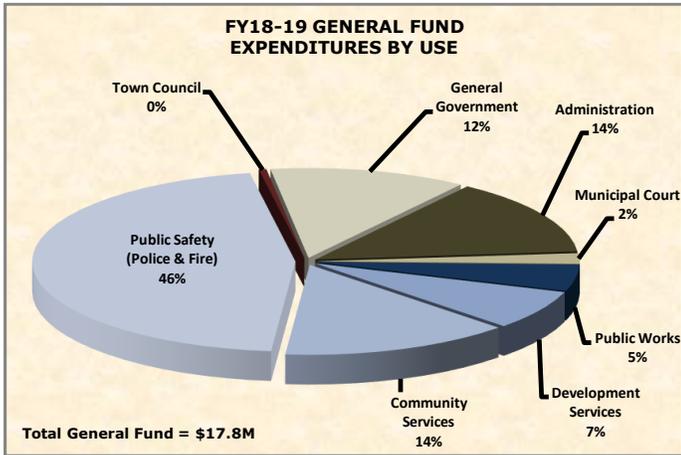
The chart below demonstrates the proportion of total Town expenditures relative to public safety costs.



Town-Wide Expenditure Uses

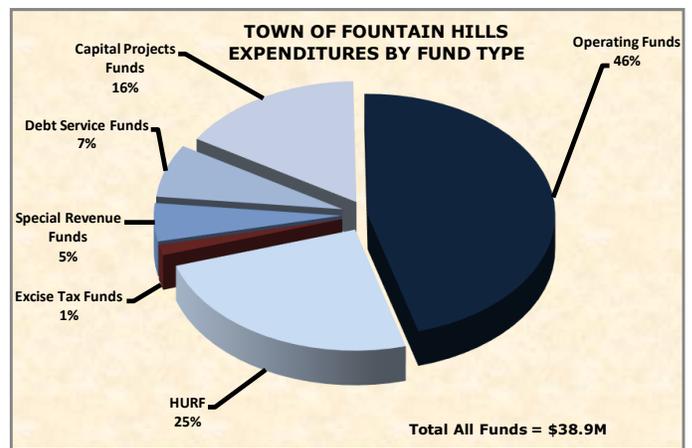
The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Revenues from the local sales taxes and State-shared (Intergovernmental) revenues provide the major resources to fund programs and services delivered by the Town – over 90%. The remainder is derived from permits, licenses, fees and charges for services totaling less than 10%.

The economic recession forced the Town to focus on the delivery of core services, defined by the Town Council as Public Safety, Administration, Public Works, Development Services, and Community Services.

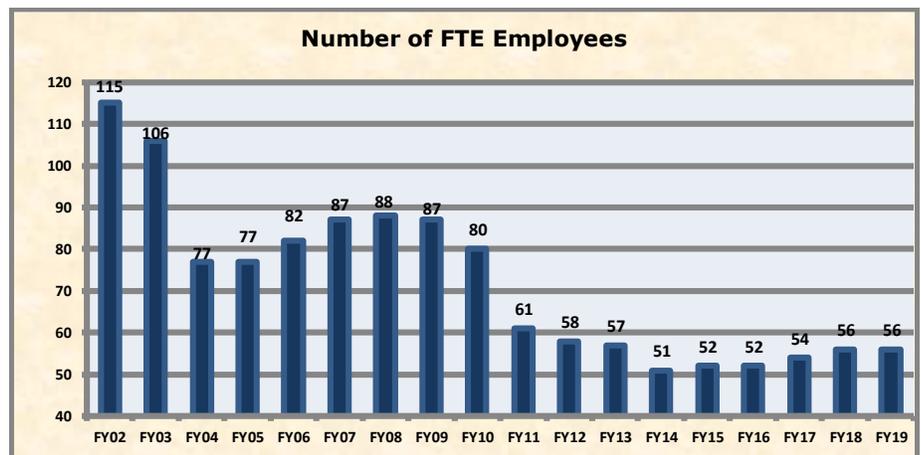


General Fund pays for:

Public Safety—Police and Fire	\$8.1M
Community Services—Parks, Recreation, Community Center, Seniors	\$2.5M
Public Works—Facilities, Engineering, Streets	\$1.0M
Development Services—Building Safety, Planning & Zoning, Code Enforcement, GIS	\$1.1M
Administration, Town Council	\$2.6M
General Government	\$2.2M
Municipal Court	\$0.3M



Staffing Overview The FY18-19 budget provides funding for 56 full-time equivalent employees. This figure includes both full and part time positions. Staffing levels are carefully monitored in order to continue to provide existing service levels to the citizens of Fountain Hills, while minimizing budget impact.



Continued Challenges

The shortfall in the Town’s General Fund, as the main operating fund, is projected to increase over the next four years with no set plans for new revenue sources. However, the Town Council in January 2018 authorized a ballot question in May for a primary property tax not to exceed \$7,000,000. If approved by the voters, the Town will have a long-term sustainable revenue source. The annexed parcel of 1,300 acres was previously projected to begin development in FY13-14;

Looking Forward

FISCAL YEAR (July to June)	STATE SHARED REVENUES	LOCAL REVENUES	TOTAL GF EXPEND.	SURPLUS/ (SHORTFALL)
18-19	\$ 5,485,747	\$ 12,285,448	\$ 17,771,195	\$ -
19-20	5,510,550	12,302,323	18,244,448	(431,575)
20-21	5,535,601	12,678,755	19,161,067	(946,711)
21-22	5,560,903	13,042,914	20,047,611	(1,443,794)
22-23	5,586,457	13,667,322	21,086,427	(1,832,648)

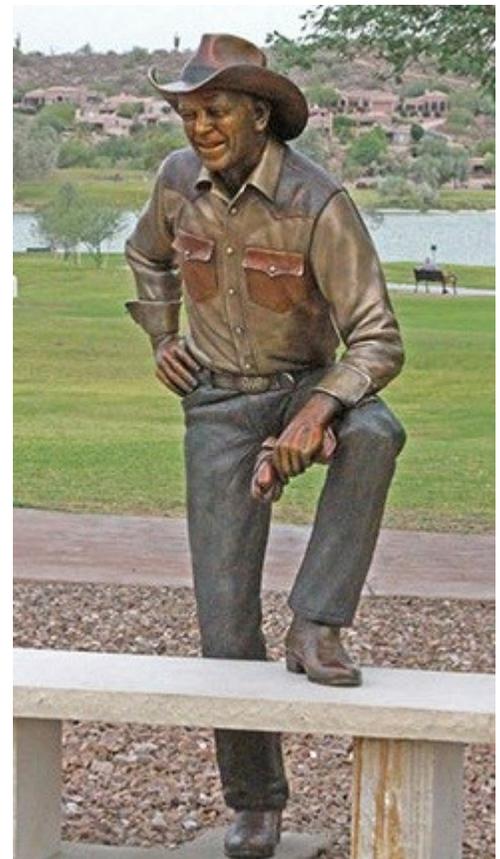
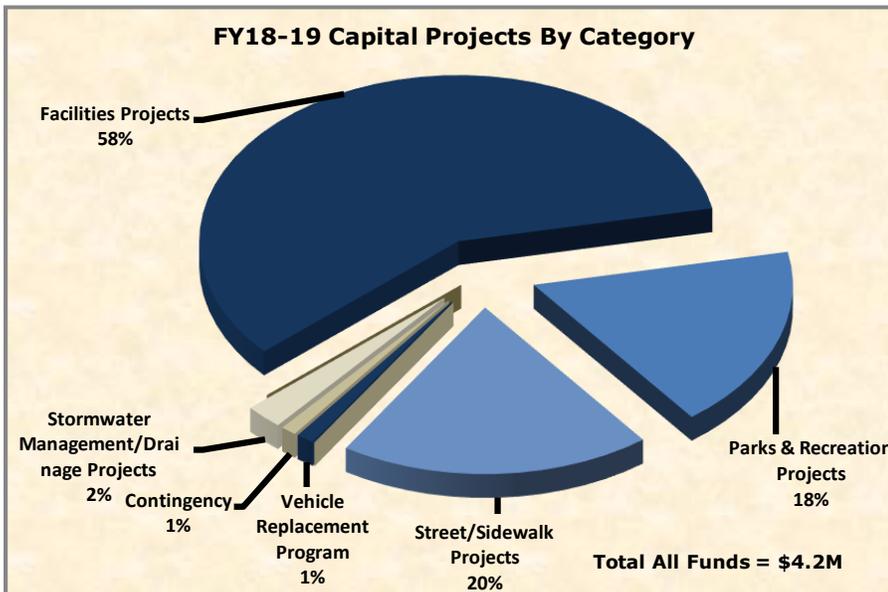
however, in March 2016, the land reverted back to the State due to the default of the purchaser. Fortunately, there are a few major developments currently underway which the Town has included in the projected revenues; new expenditure proposals must consider the resources to pay for the proposals. Although there is some new development over the next few years, the operating expenditures are anticipated to outpace the operating revenues and the citizens may be faced with making some tough choices about future levels of service in Fountain Hills.

Capital Projects proposed for FY18-19 and related revenue sources

Capital projects are funded with bond proceeds (if approved by voters), grant funds, current year revenues from construction sales tax, investment earnings, and use of fund reserves. With limited funds available for use, construction activity is also limited.

The two largest projects for FY 18-19 are the Fire Station #2 relocation project and the Adero Canyon Trailhead project. The Fire Station #2 relocation project is budgeted to be paid primarily from the Capital Projects fund, while over 80% of the Adero Canyon Trailhead project is budgeted to be paid from Development Fees. Additional projects include some signage, street and alley improvements.

Below is a summary of proposed capital projects for FY18-19 by category.



TOWN COUNCIL

Linda M. Kavanagh.....Mayor
Dennis Brown.....Vice-Mayor
Nick DePorter.....Councilmember
Henry Leger.....Councilmember
Alan Magazine.....Councilmember
Art Tolis.....Councilmember
Cecil Yates.....Councilmember

MISSION STATEMENT

The Town of Fountain Hills' purpose is to serve the best interests of the community by:

- ◆ **Providing for its safety and well-being**
- ◆ **Respecting its special, small-town character and quality of life**
- ◆ **Providing superior public services;**
- ◆ **Sustaining the public trust through open and responsive government**
- ◆ **And maintaining the stewardship and preservation of its financial and natural resources.**

To serve and respect, and provide trust and stewardship

TOWN MANAGEMENT STAFF

Grady Miller.....Town Manager
Craig Rudolph.....Finance Director
Rachel Goodwin.....Community Services Director
Robert Rodgers.....Development Services Director
Justin Weldy.....Public Works Director
Bev Bender.....Town Clerk
David Trimble.....Administrative Services Director
Robert Melton.....Presiding Judge
Mitesh Patel.....Town Attorney
Dave Ott.....Chief, Rural/Metro
Hank Brandimarte.....Captain, MCSO

Contact Information: Craig Rudolph, Finance Director
Phone (480) 816-5100
Website www.fh.az.gov