

TOWN OF FOUNTAIN HILLS

2025 FINANCIAL AND CAPITAL IMPROVEMENT PLAN

Updated June 13, 2006



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ASSUMPTIONS

- ➡ Local sales tax remains at 2.6%
- ➡ No legislative changes in revenue sharing
- ➡ Revenue forecasts are conservative with moderate 4% annual growth
- ➡ Revenues based on “most likely” scenario
- ➡ Construction related revenues include state trust land
- ➡ One-time revenues transferred to capital



ASSUMPTIONS (continued)

- ➡ Projects identified as a priority during the strategic planning process are included in the five year period FY07–FY10
- ➡ CIP costs were updated to current year costs and then adjusted with inflation factor 3% per year



FY07–FY25 GENERAL FUND OPERATING BUDGET

Problem:

One-time revenues from construction are subsidizing operating budget

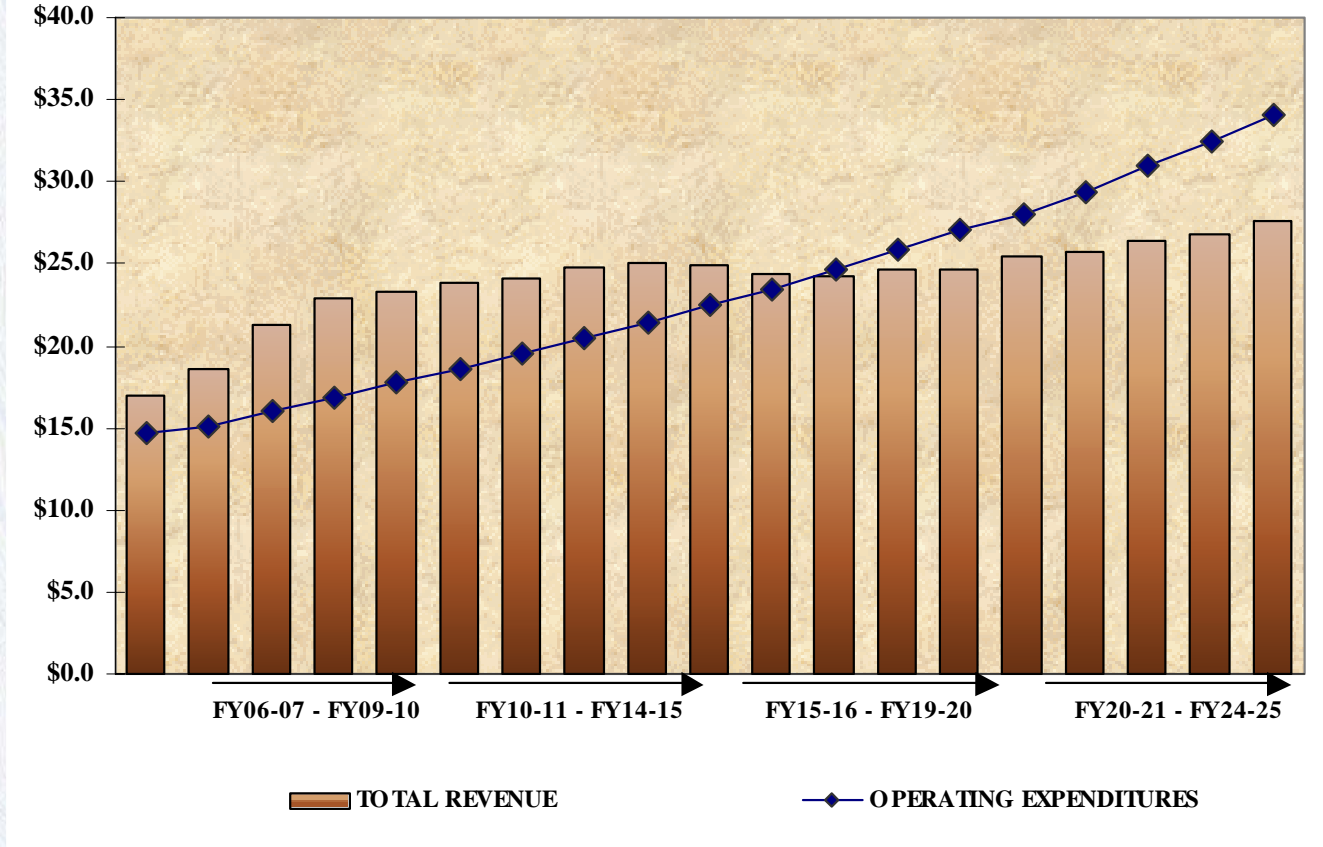
Construction revenues begin to decline beginning FY17

Cumulative deficit of \$(27M), average of \$1.5M per year for FY07–FY25 operating budget

Build-out means loss of one-time revenues



GENERAL FUND PROJECTED OPERATING REVENUES & EXPENDITURES
FY2007 - FY2025
 (in millions)

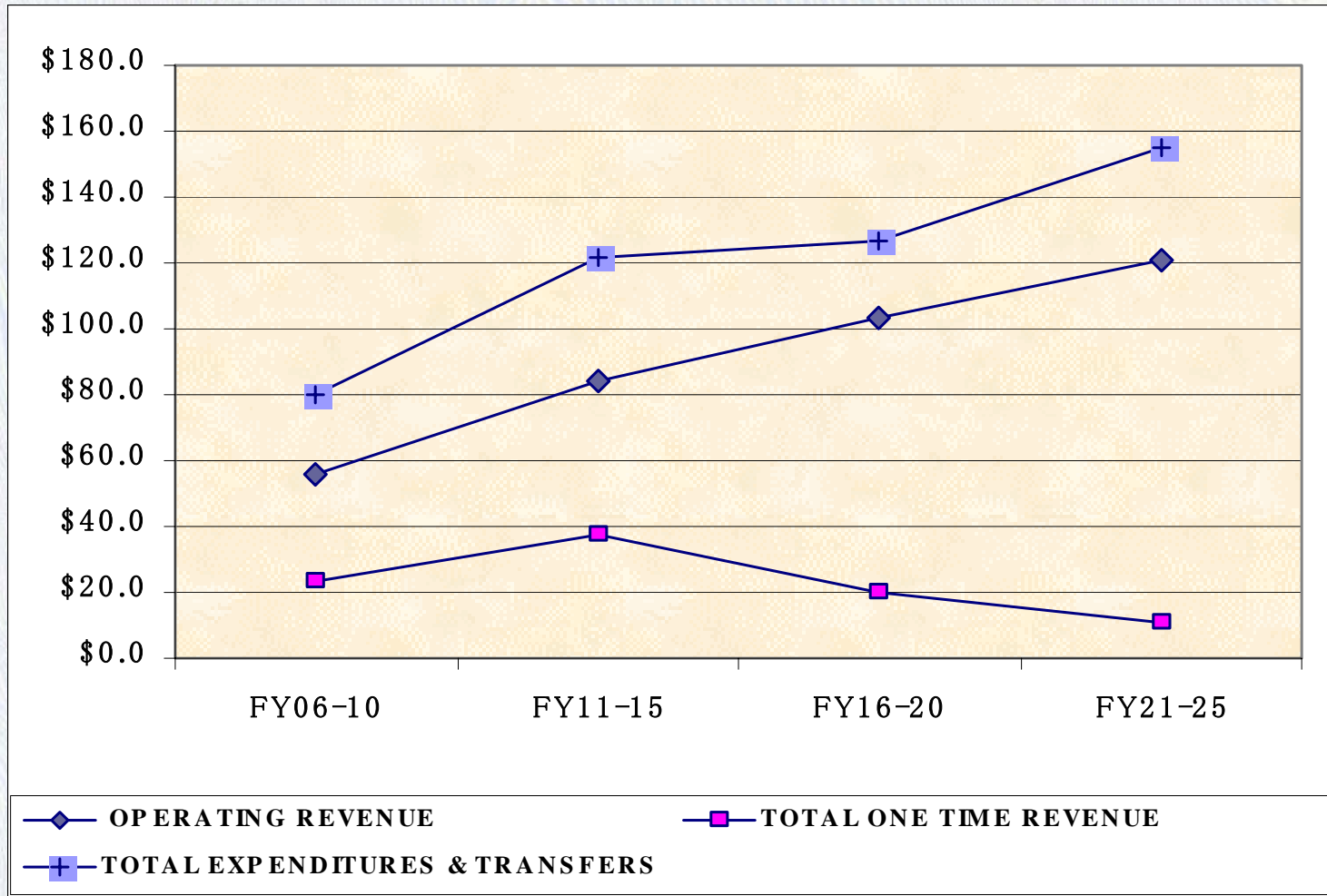


Operating activities reflect on-going costs for providing services and programs such as Public Safety (police, fire and building inspection), Recreation and Senior programs, Parks and municipal operations. Operating activities reflect quality of life in Fountain Hills.



Operating deficit begins in FY2017 (ten years from now) and accumulates to \$27M by FY2025

GENERAL FUND OPERATING REVENUES, ONE TIME REVENUE AND EXPENDITURES



FY06–FY25 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

Problem:

Capital project costs exceed available resources – \$46M deficit

Capital projects are funded with surplus revenues from the General Fund operating budget

Surplus revenues begin to decline in FY17

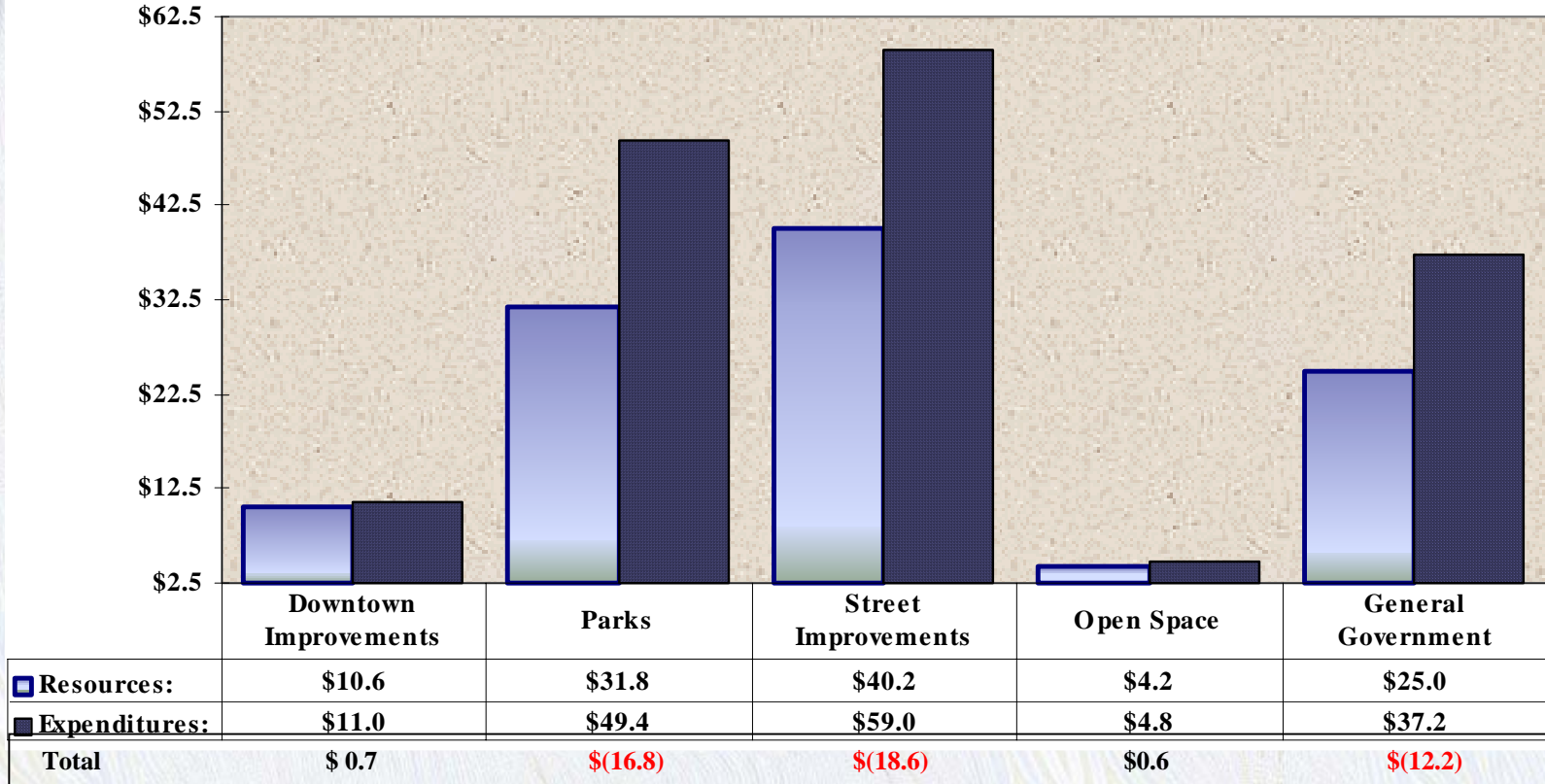
Insufficient source of dedicated revenue for capital projects



TOTAL CAPITAL PROJECT REVENUES & EXPENDITURES

FY06-FY25

(in millions)



Total CIP deficit is \$46M

Total Operating and CIP deficit is \$73M

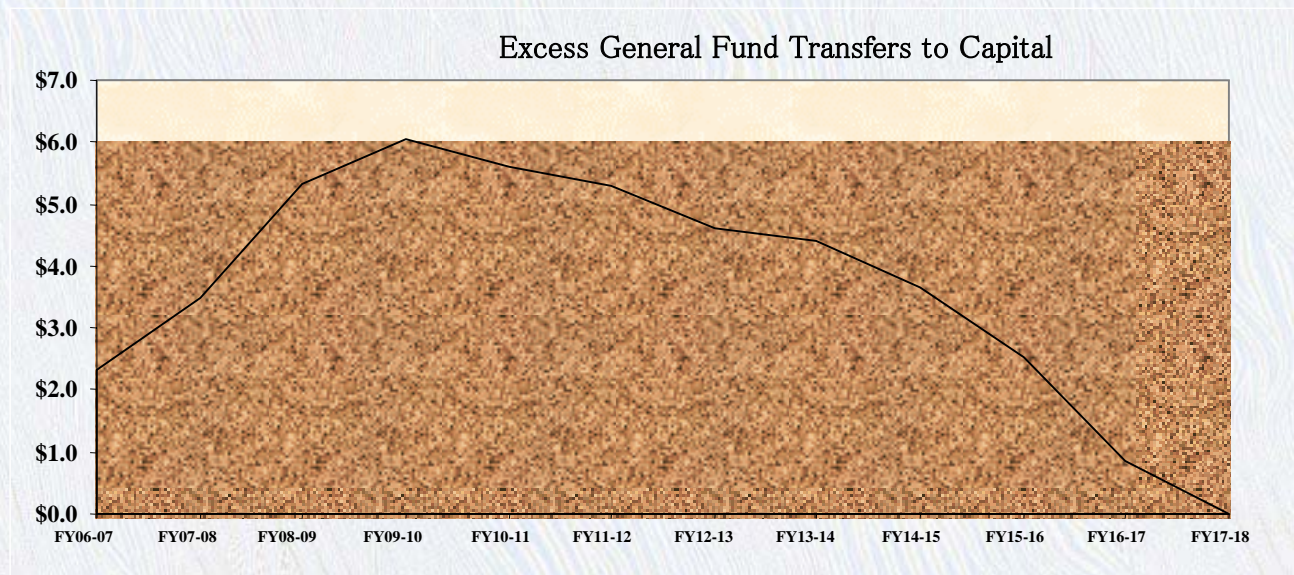
GENERAL FUND OPERATING PROJECTION

	FY06-10 Projected	FY11-15 Projected	FY16-20 Projected	FY21-25 Projected	Total Projection
OPERATING REVENUE	\$56.1	\$84.2	\$103.1	\$121.1	\$364.5
Local Sales Tax (construction)	\$13.9	\$24.0	\$12.6	\$6.4	\$56.9
Building Permits	\$9.8	\$13.1	\$7.1	\$4.6	\$34.6
TOTAL ONE TIME REVENUE	\$23.7	\$37.1	\$19.7	\$11.0	\$91.5
TOTAL REVENUE	\$79.8	\$121.3	\$122.9	\$132.0	\$456.0
OPERATING EXPENDITURES	\$62.6	\$97.7	\$123.4	\$154.9	\$438.7
Transfers To Other Funds	\$17.2	\$23.6	\$3.4	\$0.0	\$44.1
TOTAL EXPENDITURES & TRANSFERS	\$79.8	\$121.3	\$126.8	\$154.9	\$482.8
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	\$0.0	\$0.0	(\$3.9)	(\$22.9)	(\$26.8)



CAPITAL PROJECT RESOURCES

- ➡ Excise (sales) taxes (downtown project)
- ➡ General fund operating transfers when available
- ➡ Highway User Revenue (HURF)
- ➡ Development fees
- ➡ Private contributions



CAPITAL EXPENDITURES

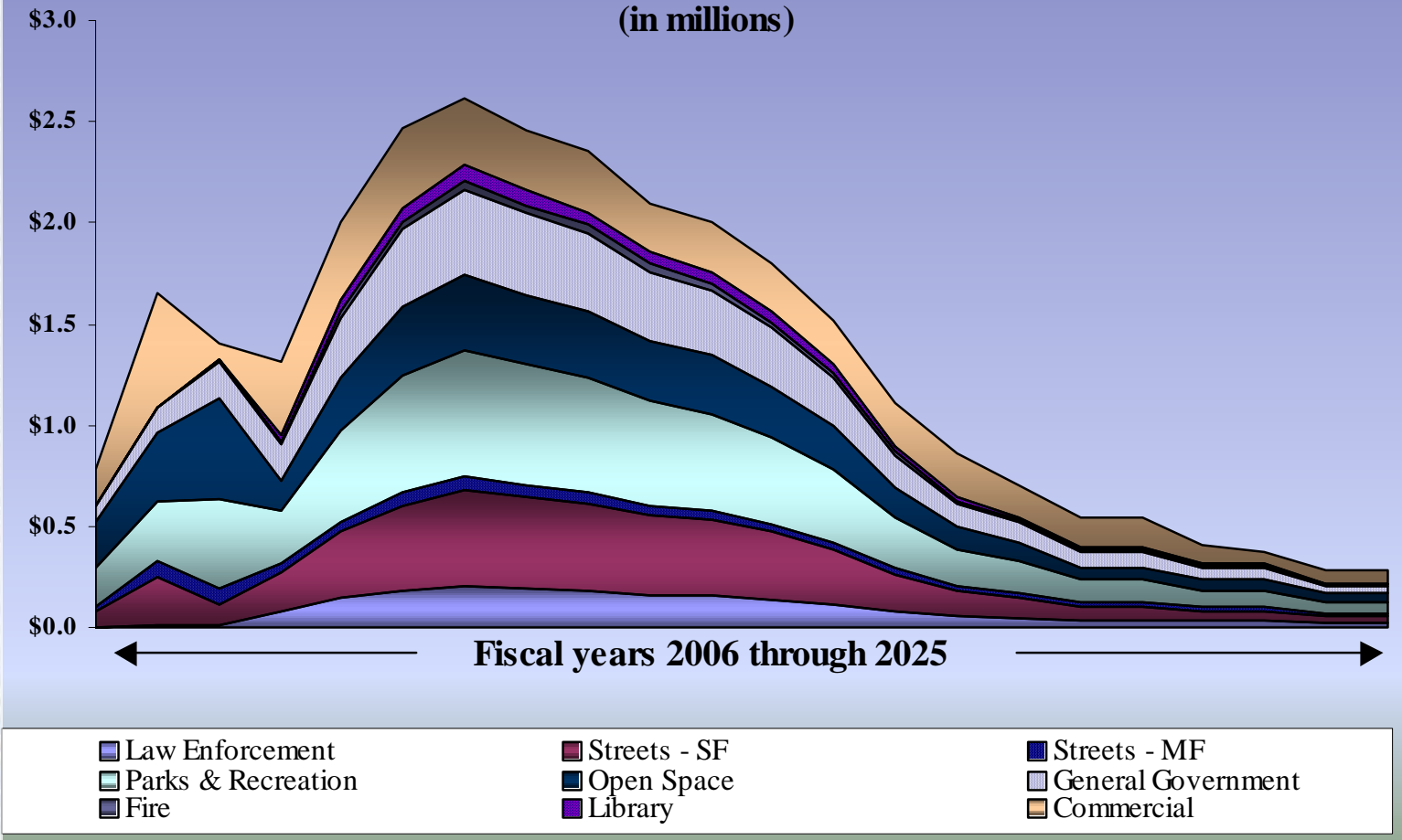
	Downtown Improvements	Parks	Street Improvements	Open Space	General Government	Totals
Beginning Balance	\$1.1	\$0.8	\$0.2	\$1.2	\$0.0	\$3.2
Resources:						
Excise Taxes	\$9.8				\$13.1	\$22.8
Transfer from Other Funds	\$0.8	\$25.8	\$31.1		\$4.0	\$61.7
Development Fees		\$6.4	\$8.2	\$4.0	\$7.2	\$25.9
Interest/Other		\$0.0	\$0.8	\$0.2	\$0.7	\$1.7
Total Resources	\$10.6	\$32.2	\$40.2	\$4.2	\$25.0	\$112.1
Expenditures:						
Capital Expenditures	\$6.5	\$39.4	\$58.6	\$4.0	\$28.9	\$137.3
Operating Expenditures	\$4.5	\$10.0	\$0.4	\$0.8	\$8.3	\$24.0
Total	\$11.0	\$49.4	\$59.0	\$4.8	\$37.2	\$161.3
Surplus/(Deficit)	\$0.7	(\$16.4)	(\$18.6)	\$0.6	(\$12.2)	(\$45.9)



PROJECTED DEVELOPMENT FEES

FY2006 through 2025 (estimated)

(in millions)



<u>Parks</u>	FY06-10	FY11-15	FY16-20	FY20-25	20 Year Total
Beginning Balance	\$0.8	\$3.3	(\$11.1)	(\$11.8)	\$0.8
Revenues					
Development Fees	\$2.4	\$2.6	\$1.1	\$0.4	\$6.4
General Fund Contribution	\$7.6	\$14.8	\$3.4	\$0.0	\$25.8
Interest	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Resources	\$10.0	\$17.3	\$4.4	\$0.4	\$32.2
Expenditures					
Park Projects	\$7.3	\$30.6	\$1.4	\$0.0	\$39.4
Operating Costs	\$0.2	\$1.1	\$3.8	\$5.0	\$10.0
Total Expenditures	\$7.5	\$31.7	\$5.2	\$5.0	\$49.4
Balance Remaining	\$3.3	(\$11.1)	(\$11.8)	(\$16.4)	(\$16.4)

Park Projects:

Improvements for Desert Vista, Four Peaks, Fountain Parks FY06-10

Development of two neighborhood parks FY11-15

Development of a community park in state trust land FY11-15



	FY06-10	FY11-15	FY16-20	FY20-25	20 Year Total
<u>Downtown Improvements</u>					
Beginning Balance	\$1.1	(\$3.3)	(\$1.6)	(\$0.3)	\$1.1
Revenues					
Excise Taxes	\$2.1	\$2.6	\$2.5	\$2.6	\$9.8
General Fund Transfer In	\$0.8	\$0.0	\$0.0	\$0.0	\$0.8
Total Resources	\$2.9	\$2.6	\$2.5	\$2.6	\$10.6
Expenditures					
Downtown Improvements	\$6.5	\$0.0	\$0.0	\$0.0	\$6.5
Operating Costs	\$0.7	\$1.0	\$1.2	\$1.6	\$4.5
Total Expenditures	\$7.2	\$1.0	\$1.2	\$1.6	\$11.0
Balance Remaining	(\$3.3)	(\$1.6)	(\$0.3)	\$0.7	\$0.7

Downtown projects:

Phase I FY05-06
Phase II FY07-08
Phase III FY08-09



<u>Street Improvements</u>	FY06-10	FY11-15	FY16-20	FY20-25	20 Year Total
Beginning Balance	\$0.2	\$0.0	(\$1.6)	(\$6.0)	\$0.2
Revenues					
Development Fees	\$3.0	\$3.2	\$1.5	\$0.6	\$8.2
General Fund Contribution	\$8.3	\$8.8	\$0.0	\$0.0	\$17.1
Developer/Business Contributions	\$0.8	\$0.0	\$0.0	\$0.0	\$0.8
HURF Contribution	\$3.5	\$3.5	\$3.5	\$3.5	\$14.0
Total Resources	\$15.5	\$15.5	\$5.0	\$4.1	\$40.2
Expenditures					
Street Projects	\$14.1	\$17.0	\$9.4	\$16.6	\$57.0
Traffic Signals	\$1.6	\$0.0	\$0.0	\$0.0	\$1.6
Operating Costs	\$0.0	\$0.1	\$0.1	\$0.1	\$0.4
Total Expenditures	\$15.7	\$17.1	\$9.5	\$16.7	\$59.0
Balance Remaining	\$0.0	(\$1.6)	(\$6.0)	(\$18.6)	(\$18.6)

Street projects:

Pavement management program	FY07-25
Shea Boulevard improvements	FY07-10
Town-wide sidewalk program	FY07-25
Fountain Hills Boulevard road widening	FY11-20
Saguaro Boulevard intersection improvements	FY07-20
Shea/Saguaro Boulevard separated bypass	FY20-25
Wash crossing improvements	FY11-25



<u>Open Space</u>	FY06-10	FY11-15	FY16-20	FY20-25	20 Year Total
Beginning Balance	\$1.2	(\$1.1)	\$0.1	\$0.5	\$1.2
Revenues					
Development Fees	\$1.6	\$1.5	\$0.6	\$0.2	\$4.0
Interest	\$0.1	(\$0.0)	\$0.0	\$0.1	\$0.2
Total Resources	\$1.7	\$1.5	\$0.7	\$0.3	\$4.2
Expenditures					
Open Space	\$4.0	\$0.0	\$0.0	\$0.0	\$4.0
Operating Costs	\$0.1	\$0.3	\$0.2	\$0.3	\$0.8
Total Expenditures	\$4.1	\$0.3	\$0.2	\$0.3	\$4.8
Balance Remaining	(\$1.1)	\$0.1	\$0.5	\$0.6	\$0.6

Open space projects:

Adero Canyon trailhead FY06-10

Trail connectivity FY06-10



<u>General Government</u>	FY06-10	FY11-15	FY16-20	FY20-25	20 Year Total
Beginning Balance	\$0.0	\$5.1	\$0.1	(\$7.5)	\$0.0
Revenues					
Excise Taxes	\$2.7	\$3.0	\$3.4	\$3.9	\$13.1
Development Fees-Law Enf	\$0.6	\$0.8	\$0.3	\$0.1	\$1.9
Development Fees-Gen Govt	\$1.5	\$1.7	\$0.7	\$0.3	\$4.2
Development Fees-Fire	\$0.1	\$0.2	\$0.1	\$0.0	\$0.4
Development Fees-Library	\$0.2	\$0.3	\$0.1	\$0.0	\$0.7
Interest Earnings	\$0.4	\$0.3	\$0.0	\$0.0	\$0.7
General Fund Transfer In	\$4.0	\$0.0	\$0.0	\$0.0	\$4.0
Total Resources	\$9.6	\$6.3	\$4.7	\$4.4	\$25.0
Expenditures					
Facilities	\$3.1	\$9.0	\$6.9	\$4.3	\$23.2
Operating Costs	\$0.0	\$1.0	\$2.9	\$3.3	\$7.2
Equipment	\$1.5	\$1.1	\$2.1	\$1.1	\$5.7
Operating Costs	\$0.0	\$0.3	\$0.4	\$0.4	\$1.1
Total Expenditures	\$4.5	\$11.4	\$12.3	\$9.1	\$37.2
Balance Remaining	\$5.1	\$0.1	(\$7.5)	(\$12.2)	(\$12.2)

Major municipal projects:

New/relocate fire station	FY11-15
Public aquatic and fitness facility	FY11-15
Public safety building	FY20-25
Parking garage	FY11-15
Senior Center	FY11-15



PRELIMINARY OPTIONS FOR RESOLVING OPERATING AND CAPITAL DEFICIT

- Financial seminars sponsored by the Strategic Plan Advisory Commission (SPAC)
 - residents can learn and ask questions about long-term financial plan
- Propose primary property tax to eliminate operating deficit
 - Requires vote of the citizens
 - Levy is limited to 2% increase over previous year maximum allowable
- Increase local sales tax rate
 - Does not require vote of the citizens
 - Revenue is cyclical depending upon the economy
 - Total local sales tax rate in Fountain Hills would be 9.2%, second highest in AZ
- Research additional sources of revenue such as utility franchise fees, charges for municipal services, licensing fees
 - Potential revenue would help but not resolve long term shortfall



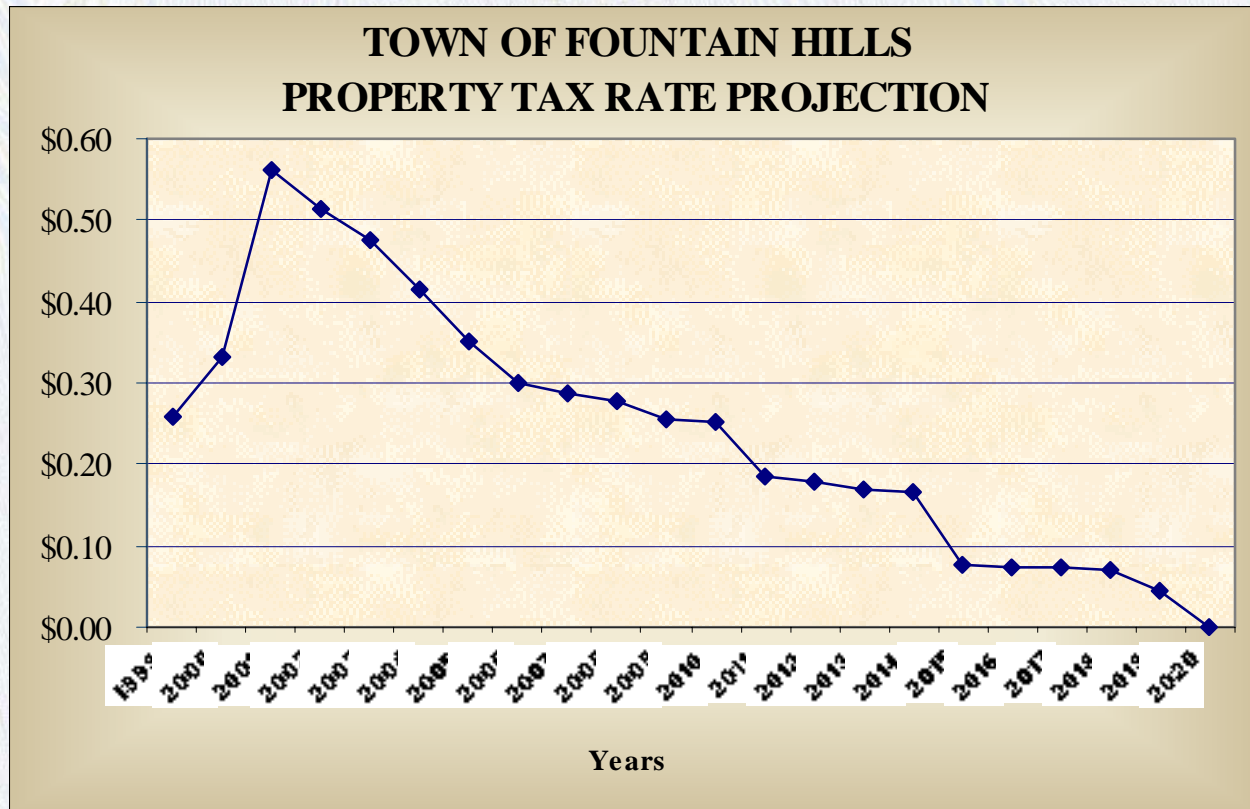
PRELIMINARY OPTIONS FOR RESOLVING OPERATING AND CAPITAL DEFICIT (cont' d)

- Eliminate or delay major capital projects
 - This could create a substantial negative impact on Town infrastructure in the long run
 - The future costs for the delayed projects would be higher
 - Citizens will continue to demand amenities and programs from present and future councils
- Semi-annual review of development fee schedule
 - Potential revenue can only be used for projects that are growth related



PRELIMINARY OPTIONS FOR RESOLVING OPERATING AND CAPITAL DEFICIT

- Tax rate of \$0.65 would eliminate deficit if implemented by FY08
- If property tax is not implemented until FY2017 the rate would be approximately \$1.15
- Current tax levy to repay bonds will be eliminated by FY2019



SURROUNDING CITIES PROPERTY TAX RATES 2005-06

		<u>City Primary</u>	<u>City Secondary</u>	<u>City Total</u>
•	Phoenix	\$0.86	\$0.96	\$1.82
•	Goodyear	\$0.82	\$0.78	\$1.60
•	Peoria	\$0.29	\$1.30	\$1.59
•	Buckeye	\$1.27	\$0.28	\$1.55
•	El Mirage	\$1.21	\$0.33	\$1.54
•	Tempe	\$0.52	\$1.40	
•	Chandler	\$0.38	\$0.90	\$1.28
•	Avondale	\$0.45	\$0.72	\$1.17
•	Gilbert	\$0.00	\$1.15	\$1.15
•	Scottsdale	\$0.44	\$0.60	\$1.04
•	Surprise	\$0.73	\$0.18	\$0.91
•	Cave Creek	\$0.00	\$0.65	\$0.65
•	<u>Fountain Hills</u>	<u>\$0.00</u>	<u>\$0.35</u>	<u>\$0.35</u>
•	Carefree	\$0.00	\$0.00	\$0.00
•	Guadalupe	\$0.00	\$0.00	\$0.00
•	Litchfield Park	\$0.00	\$0.00	\$0.00
•	Mesa	\$0.00	\$0.00	\$0.00
•	Paradise Valley	\$0.00	\$0.00	\$0.00
•	Queen Creek	\$0.00	\$0.00	\$0.00



MARICOPA COUNTY CITY/TOWN SALES TAX RATES

El Mirage, Carefree, Gila Bend, Guadalupe	3.0%
Fountain Hills	2.6%
Avondale, Cave Creek	2.5%
Apache Junction, Surprise	2.2%
Buckeye, Goodyear, Litchfield Park, Queen Creek Tolleson, Youngtown	2.0%
Glendale, Peoria, Phoenix, Tempe	1.8%
Wickenburg	1.7%
Paradise Valley, Scottsdale	1.65%
Chandler, Gilbert, Mesa	1.5%

To cover operating deficit add \$0.03 (total 2.9%)

To cover CIP deficit add \$0.05 (total 3.4%)



SUMMARY

- ➔ \$76.4M deficit in operating and capital projections through FY2025
- ➔ \$0.65 cents property tax levy (\$0.25 cents primary and \$0.40 secondary) would eliminate the deficit if enacted in FY08
- ➔ Current operating revenues are derived from economic and legislative controlled sources
- ➔ Cost of providing public safety, recreation programs and municipal services increases each year
- ➔ Solving one does not solve the other
- ➔ Eliminating capital projects now will not eliminate citizens demand for amenities and programs
- ➔ Development fees can only be used for growth related projects, cannot be used for maintenance



WHERE DO WE GO FROM HERE?

- ➡ Financial seminars sponsored by the Strategic Plan Advisory Commission (SPAC)
 - ➡ first goal of strategic plan was to identify and inform residents of the projected long-term revenue gap
 - ➡ residents want to learn and ask questions about long-term financial plan
- ➡ Provide financial information to the public utilizing Channel 11, Town website, news letters, releases, etc. with the help of the Town Council and SPAC
- ➡ Make decision before December 2006

