



TOWN OF
QUEEN CREEK
ARIZONA

FY 18-19 Year to Date Financial Report

Operating Budget to Actual Performance
Fiscal Year to Date through February 2019

Issued May 24, 2019

Executive Summary

The Town's budget to actual performance is favorable for both revenues and expenses. Actual revenues have performed well with receipts exceeding expectations by \$3.6M, or 10% year-to-date. This is the result of Construction Sales Tax Revenues continuing to perform well and Community Development, Engineering and Building Permit Revenue performing better than expected due to continued residential and commercial growth.

Actual expenses are less than budget by \$2.8M, or 8%, year-to-date. Much of the variance is the result of salary savings related to 24.4 new positions in the FY 18-19 Operating Budget. The Town has experienced low turnover with the majority of these savings related to 14 vacant Fire positions that were not filled until October. The budget for Maricopa County Sheriff's Office includes funding for additional deputies, that have not yet been hired which is resulting in a favorable variance that grows each month. The large favorable variance in Capital Outlay is the result of carry-over budgets being rolled from FY 17-18 to FY 18-19. Those budgets will be monitored to evaluate when expenses are likely to occur and the budget spreads will be adjusted accordingly.

Based on the Revised Budget, the Town expected revenues to exceed expenses by \$2.5M as of the end February, 2019. However, both revenues and expenses performed better than anticipated resulting in revenues exceeding expenses by \$8.9M, an improvement of \$6.4M. The overall operating result was favorable and the Town's financial performance exceeded expectations and continues to perform well.

Operating Budget

The Operating Budget includes the Town's activity from the General, Streets (HURF), Emergency Services and Horseshoe Park Equestrian Center Funds. The following schedule is a summary of the FY 18-19 Operating Budget. Revenues are expected to exceed expenses by \$10.0M for the year, with this surplus being transferred out to other funds to cover the non-growth share of Debt payments and the Capital program. The ending fund balance is expected to be \$38.8M, of which \$21.4M is reserved for pension funding and \$16.7M is reserved for the 25% reserve policy.

Summary FY 18-19 Operating Budget

	<u>FY 18-19</u> <u>Total Adopted</u> <u>Budget</u>	<u>FY 18-19</u> <u>Total Revised</u> <u>Budget</u>	<u>FY 18-19</u> <u>Year-to-Date</u> <u>Budget</u>	<u>FY 18-19</u> <u>Year-to-Date</u> <u>Actual</u>
Revenues	\$ 56,732,052	\$ 59,958,711	\$ 35,542,623	\$ 39,148,603
Expenses	\$ 47,404,269	\$ 49,947,749	\$ 33,016,143	\$ 30,227,648
Operating Result	\$ 9,327,783	\$ 10,010,962	\$ 2,526,480	\$ 8,920,955
Transfers Out				
Events/Grants Match/Other	\$ 97,700	\$ 97,700	\$ -	\$ -
Debt Service	4,020,583	4,020,583	-	-
CIP	5,267,952	5,267,952	-	-
Transfers Out	\$ (9,386,235)	\$ (9,386,235)	-	-
Net Fund Balance Activity	\$ (58,452)	\$ 624,727	\$ 2,526,480	\$ 8,920,955
Beginning Fund Balance	\$ 30,873,722	\$ 38,162,545		
Ending Fund Balance	\$ 30,815,270	\$ 38,787,272		
MSCO Unfunded Pension Liability Reserve	\$ 14,124,962	\$ 19,318,394		
ASRS Unfunded Pension Liability Reserve	\$ -	\$ 2,778,570		
25% Revenue Reserve	\$ 16,690,308	\$ 16,690,308		
Available Fund Balance	\$ -	\$ -		
Total Fund Balance	\$ 30,815,270	\$ 38,787,272		

The remainder of the report focuses on revenues and expenses only. It does not include transfers, debt service or infrastructure funding transfers.

February 2019 Results

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u> <u>Favorable/(Unfavorable)</u>	<u>% Variance</u>
Revenues				
Sales Tax	\$ 1,690,958	\$ 1,694,636	\$ 3,678	0%
Construction Sales Tax	382,817	496,282	113,465	30%
State Shared Revenue	1,079,520	920,966	(158,554)	(15%)
Property Tax	46,300	149,472	103,172	223%
Charges for Services (CD)*	411,982	556,767	144,785	35%
Other Charges for Services	811,515	539,919	(271,596)	(33%)
Total Revenues	\$ 4,423,092	\$ 4,358,042	\$ (65,051)	(1%)
Expenditures				
Salaries & Benefits	\$ 1,768,390	\$ 1,750,638	\$ 17,752	1%
Supplies & Services	754,795	885,901	(131,106)	(17%)
Maricopa County Sheriff	635,002	539,761	95,241	15%
Capital Outlay	4,830	51,710	(46,880)	(971%)
Total Expenditures	\$ 3,163,017	\$ 3,228,010	\$ (64,993)	(2%)

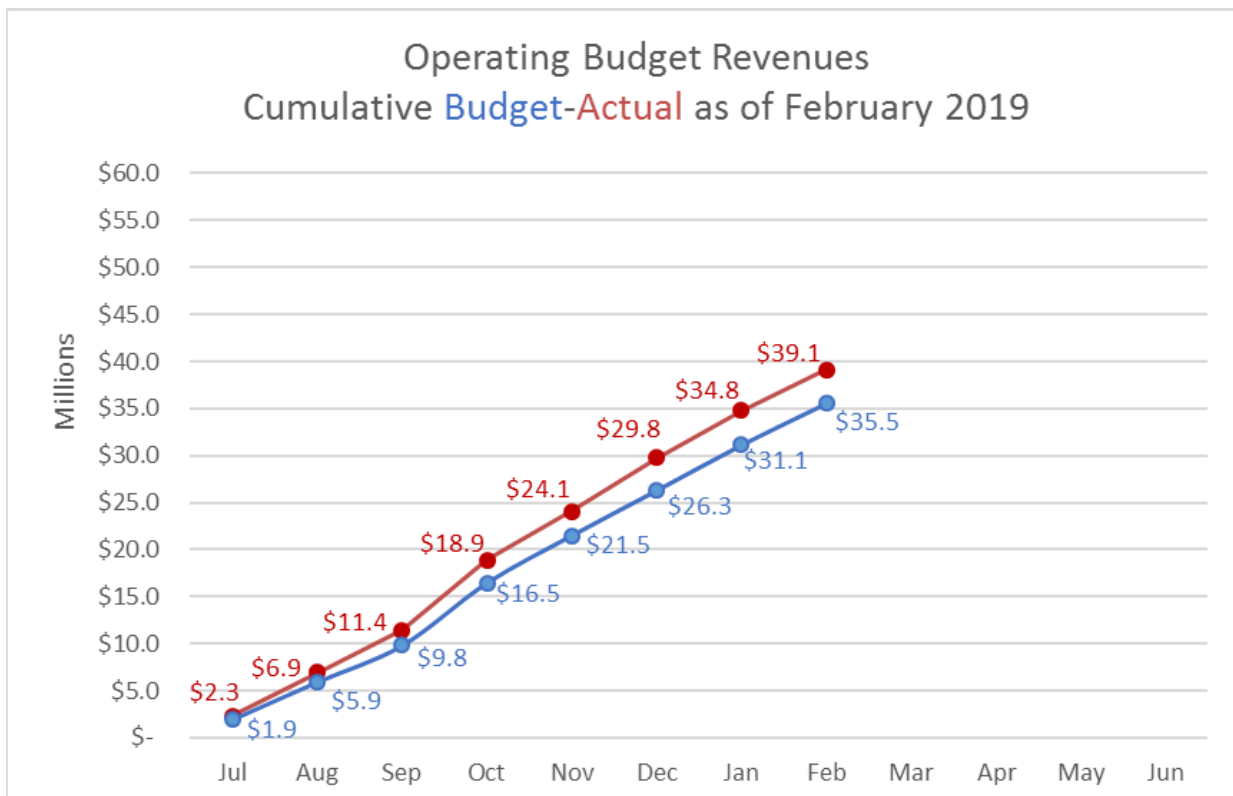
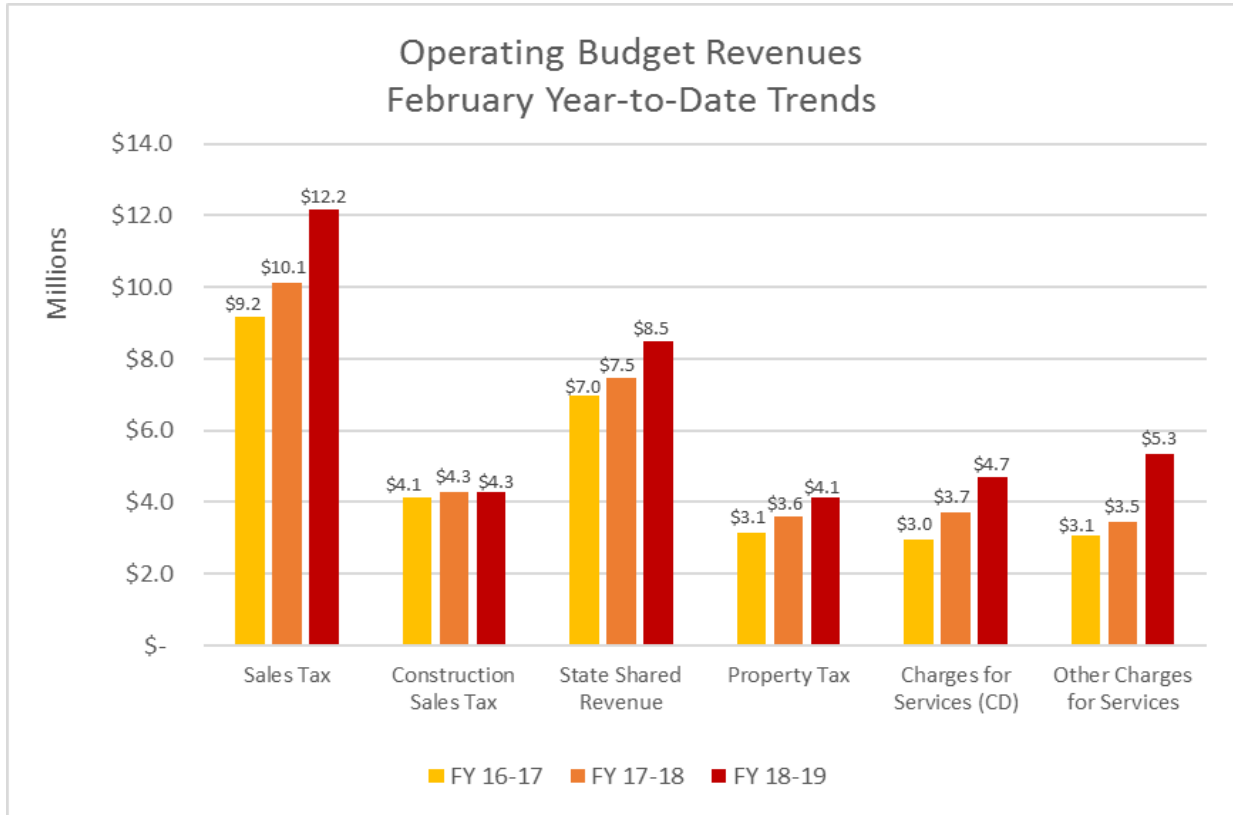
* Consists of Community Development Charges for Services including permits, planning and engineering fees

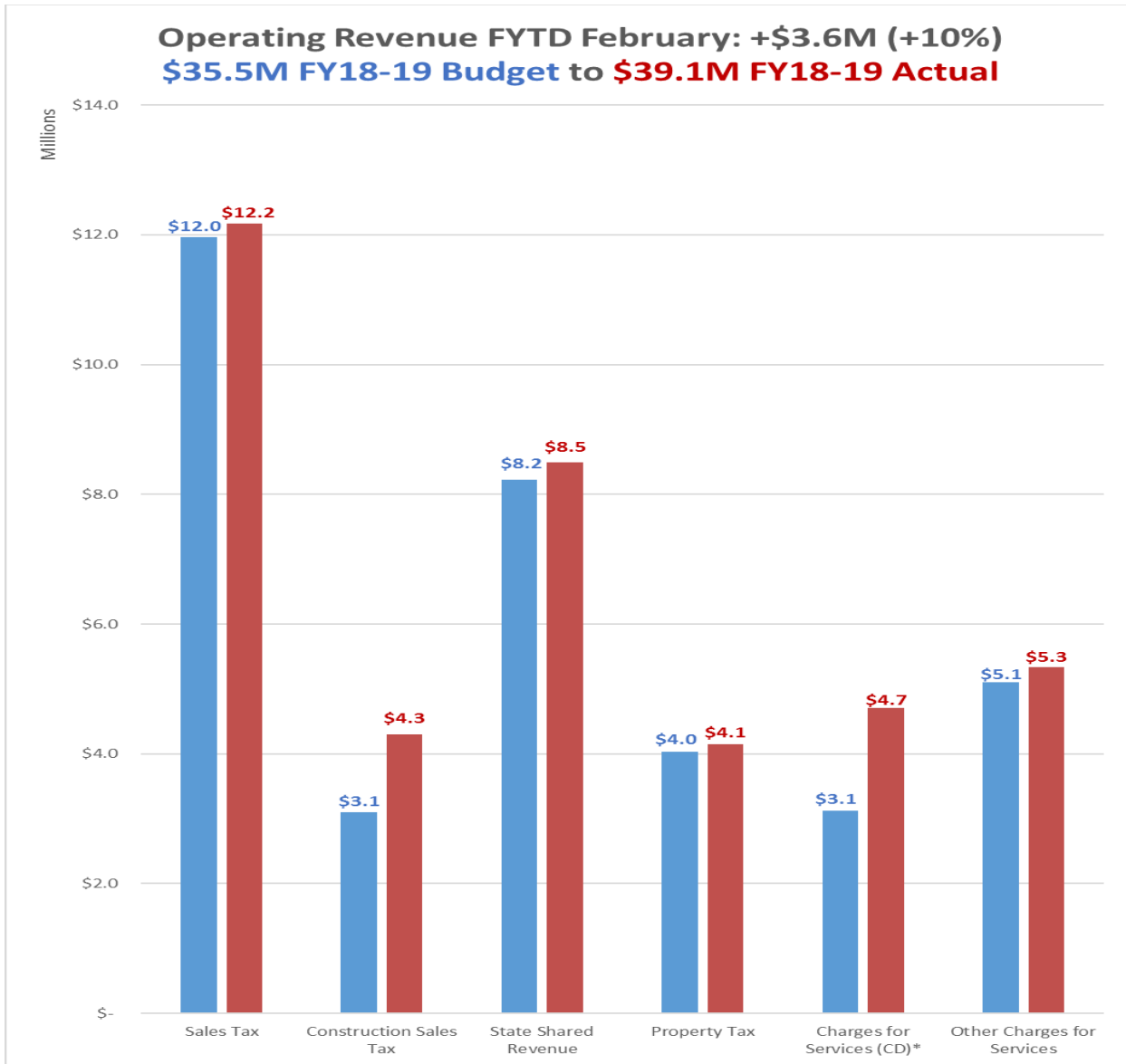
February 2019 Year-to-Date Results

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u> <u>Favorable/(Unfavorable)</u>	<u>% Variance</u>
Revenues				
Sales Tax	\$ 11,959,257	\$ 12,169,960	\$ 210,703	2%
Construction Sales Tax	3,095,395	4,296,304	1,200,909	39%
State Shared Revenue	8,224,376	8,486,856	262,480	3%
Property Tax	4,034,300	4,145,787	111,487	3%
Charges for Services (CD)*	3,122,694	4,708,418	1,585,724	51%
Other Charges for Services	5,106,601	5,341,279	234,678	5%
Total Revenues	\$ 35,542,623	\$ 39,148,603	\$ 3,605,980	10%
Expenditures				
Salaries & Benefits	\$ 16,495,268	\$ 15,552,811	\$ 942,457	6%
Supplies & Services	8,918,345	9,064,509	(146,164)	(2%)
Maricopa County Sheriff	5,007,553	4,348,183	659,370	13%
Capital Outlay	2,594,977	1,262,145	1,332,832	51%
Total Expenditures	\$ 33,016,143	\$ 30,227,648	\$ 2,788,495	8%

*Consists of Community Development Charges for Services including permits, planning and engineering fees

Revenue Analysis





Overall, there is an 10% favorable variance between budgeted and actual revenues year-to-date. The variances of the Revenue Categories are explained below.

Sales Tax:

Sales Tax Revenue is on target with budget, favorable by \$0.2M or 2%. Growth within the community and the continued expansion of the retail sector has increased the Town’s sales tax collections. This growth is forecasted through the remainder of the fiscal year due to both ongoing construction and population growth within the region.

Construction Sales Tax:

Construction Sales Tax Revenue has a favorable variance of \$1.2M or 39%, year-to-date and is related to ongoing residential and commercial construction activity performing better than anticipated due to continued growth. This growth is forecasted to continue through the remainder of this fiscal year.

State Shared Revenue:

State Shared Revenue is favorable by \$0.3M or 3% year-to-date. This is related to both HURF and State Shared Sales Tax exceeding what had been budgeted. These sources specifically can increase or decrease by period while other State Shared sources remain steady throughout the year.

Property Tax:

Actual Property Tax Revenue is on target with budget.

Charges for Services (CD):

Charges for Services (CD) accounts for planning, engineering and building permit revenues. Revenue is favorable by \$1.6M or 51%, as presented in the following schedule:

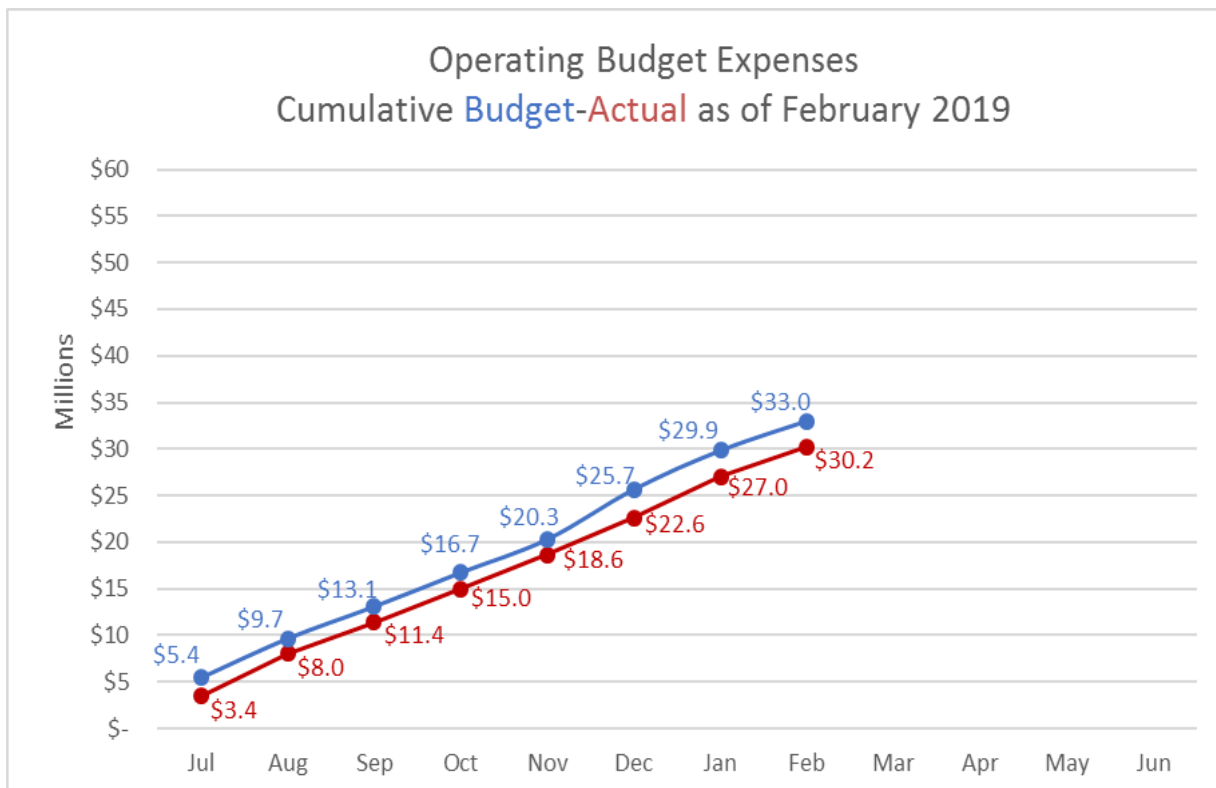
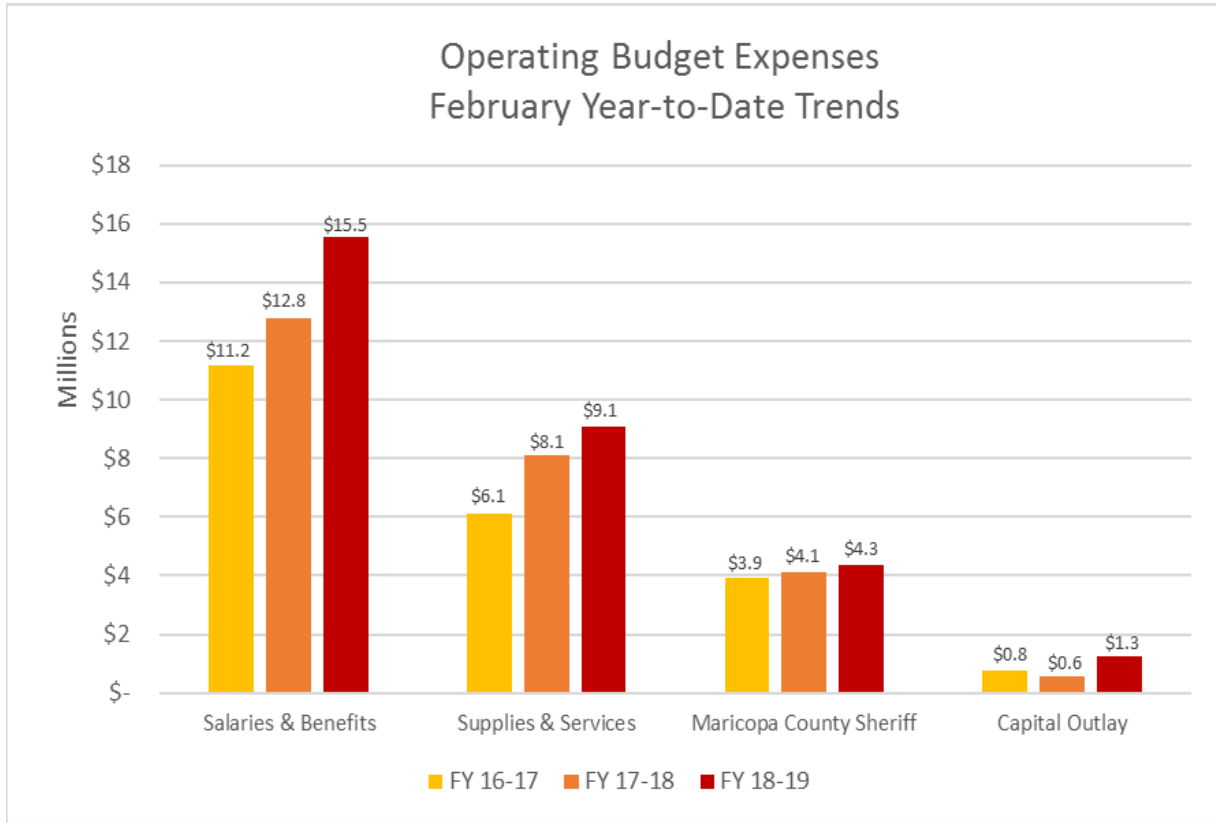
February 2019 YTD Community Development Detailed Revenues				
	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Charges for Services (CD)			Favorable/(Unfavorable)	
Planning Revenue	\$ 168,830	\$ 197,730	\$ 28,900	17%
Engineering Revenue	462,165	881,282	419,117	91%
Building Permit Revenue	2,491,699	3,629,407	1,137,708	46%
Total Charges for Services (CD)	\$ 3,122,694	\$ 4,708,418	\$ 1,585,724	51%

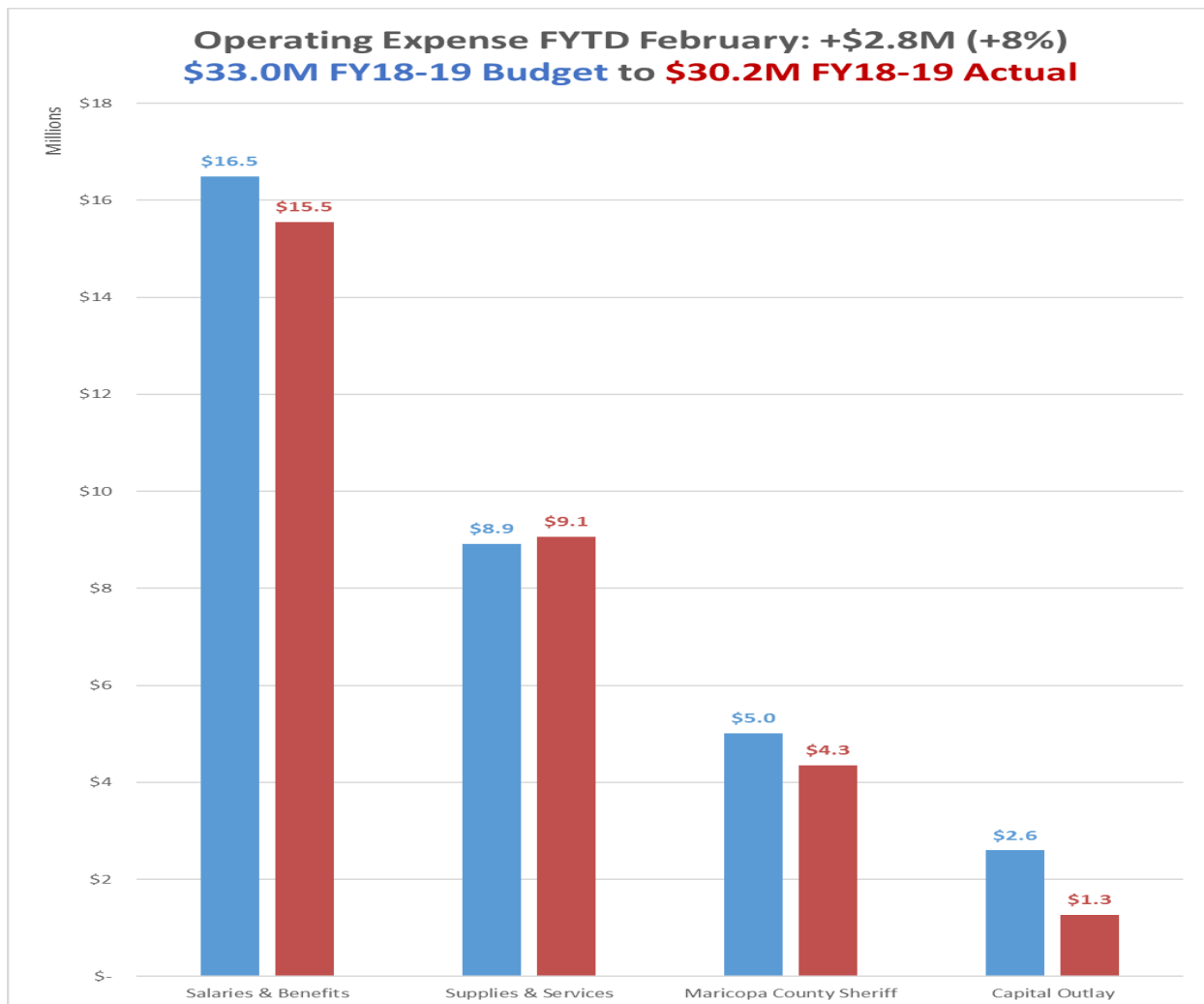
Development services revenues continue to exceed the budget across all divisions. In each area, revenues are driven by a handful of high-dollar permits in addition to various, lower-dollar activity. Planning revenues are mostly the result of residential development permitting. The Engineering division revenues in FY 18-19 are influenced by major residential subdivision development permitting activity. Finally, Building Safety revenues are mainly generated by residential permitting activity (new homes, pools, spas, etc.) and to a lesser extent commercial and other types (schools, churches, etc.) of activity.

Other Charges for Services:

Other Charges for Services comprises a number of different sources and is favorable by \$0.2M or 5%. With the nature of this revenue being a large number of smaller accounts, variances can fluctuate from period to period. Also included in FY 18-19 is Utility ROI, Utility Franchise Fee and Utility In-Lieu Property Tax all from the Town's Water and Sewer utility operations, which are new ongoing charges that comprise \$1.6M of the \$5.3M total received year-to-date.

Expense Analysis





Total expenses year to date through February reflect a favorable variance of 8%.

Salaries and Benefits:

Salaries and Benefits through February are favorable by \$0.9M or 6%. The largest contributor to this favorable variance is vacant positions. The Town Council approved the hiring of 24.4 FTE included within the Operating Funds, most of which remained vacant for a portion of the fiscal year. Exclusive of the new positions, the Town has experienced lower than average turnover during the year, recruiting 4 – 6 positions on a monthly basis. The savings to date is largely related to 14 new firefighter positions, all of which were hired 10/1/2018. While there were accumulated savings year-to-date for these and other positions, ongoing savings will not continue now that new staff has been hired.

Supplies and Services:

Supplies and Services is on target at (\$0.1)M or (2%) as of February. The variance, which is slightly unfavorable, is due to budget transfers that had not yet occurred related to an Economic Development Agreement. These adjustments have since been approved by Council with the corresponding transfers occurring in a future period. Most Town Supplies and Services expenses have occurred as planned with minimal budget impacts.

Maricopa County Sheriff:

Maricopa County Sheriff costs are favorable by \$0.7M or 13%, year-to-date. This is related to the placeholder for additional personnel at the Sheriff's Office to support traffic patrol. Not knowing when these new staff would be brought online, the budget was spread evenly across the year. When additional information regarding this activity becomes available, budget realignment will occur.

Capital Outlay:

The favorable variance in Capital Outlay is \$1.3M or 51%, year-to-date. With the closing of the prior fiscal year, all unspent, one-time Capital Outlay budgets were rolled forward into this fiscal year. Many of these one-time projects have yet to be completed with some slated to be done by year-end while others will carry-forward into the next fiscal year due to timing. The day to day expenses in this category are meeting expectations and are expected to continue with minimal variances into future periods.