



TOWN OF
QUEEN CREEK
ARIZONA

FY 18-19 Year to Date Financial Report

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

Issued September 26, 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 \$5.8M, or 11% 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 \$3.5M, or 8%, year-to-date. A large portion 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 large one-time equipment purchases that have not yet occurred but are anticipated by the end of the year.

Based on the Revised Budget, the Town expected revenues to exceed expenses by \$8.0M as of May 31, 2019. However, both revenues and expenses performed better than anticipated resulting in revenues exceeding expenses by \$17.3M, an improvement of \$9.3M. The overall operating result is 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 \$22.1M 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	\$ 52,598,771	\$ 58,447,013
Expenses	\$ 47,404,269	\$ 49,947,749	\$ 44,619,636	\$ 41,137,328
Operating Result	\$ 9,327,783	\$ 10,010,962	\$ 7,979,136	\$ 17,309,684
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	\$ 7,979,136	\$ 17,309,684
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.

May 2019 Results

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
			<u>Favorable/(Unfavorable)</u>	
Revenues				
Sales Tax	\$ 1,819,398	\$ 1,836,213	\$ 16,815	1%
Construction Sales Tax	481,220	836,679	355,459	74%
State Shared Revenue	1,147,010	1,112,603	(34,407)	(3%)
Property Tax	49,900	278,064	228,164	457%
Charges for Services (CD)*	523,466	755,633	232,167	44%
Other Charges for Services	1,192,888	1,396,834	203,946	17%
Total Revenues	\$ 5,213,882	\$ 6,216,026	\$ 1,002,144	19%

Expenditures				
Salaries & Benefits	\$ 1,768,248	\$ 1,744,364	\$ 23,884	1%
Supplies & Services	1,133,581	1,722,830	(589,249)	(52%)
Maricopa County Sheriff	638,646	543,952	94,694	15%
Capital Outlay	1,453	43,551	(42,098)	(2897%)
Total Expenditures	\$ 3,541,928	\$ 4,054,697	\$ (512,769)	(14%)

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

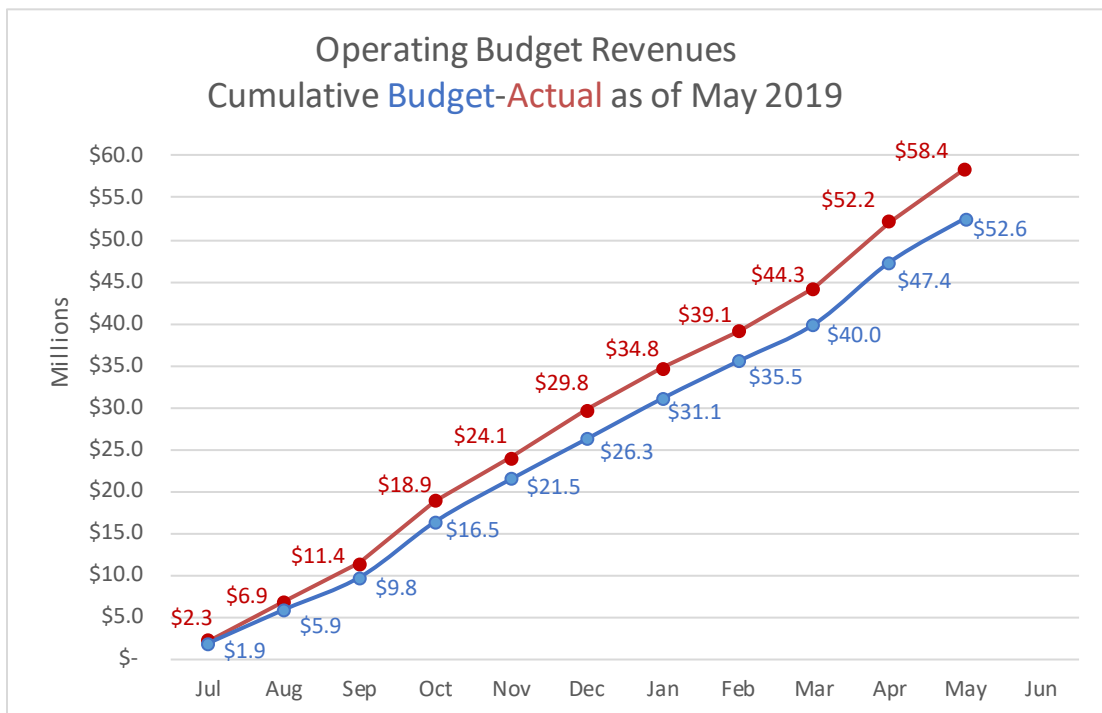
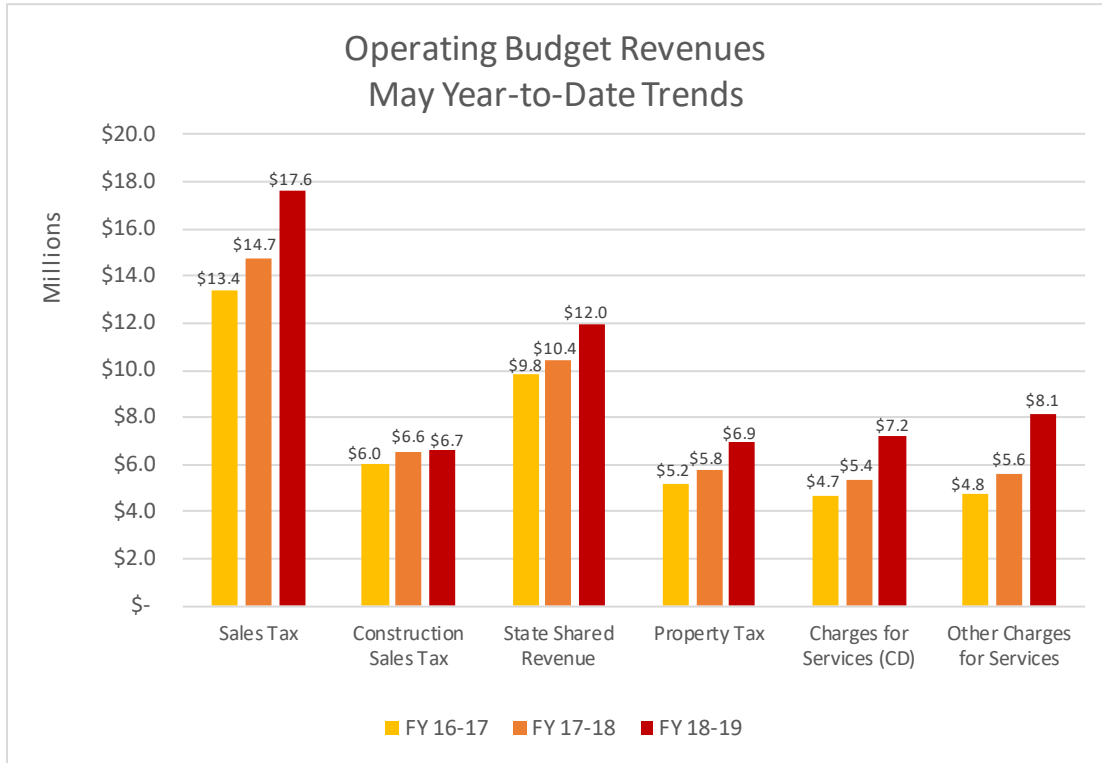
May 2019 Year-to-Date Results

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
			<u>Favorable/(Unfavorable)</u>	
Revenues				
Sales Tax	\$ 17,409,197	\$ 17,615,449	\$ 206,252	1%
Construction Sales Tax	4,474,417	6,662,090	2,187,673	49%
State Shared Revenue	11,552,246	11,952,865	400,619	3%
Property Tax	6,623,000	6,937,634	314,634	5%
Charges for Services (CD)*	4,748,443	7,173,720	2,425,277	51%
Other Charges for Services	7,791,468	8,105,253	313,785	4%
Total Revenues	\$ 52,598,771	\$ 58,447,013	\$ 5,848,242	11%

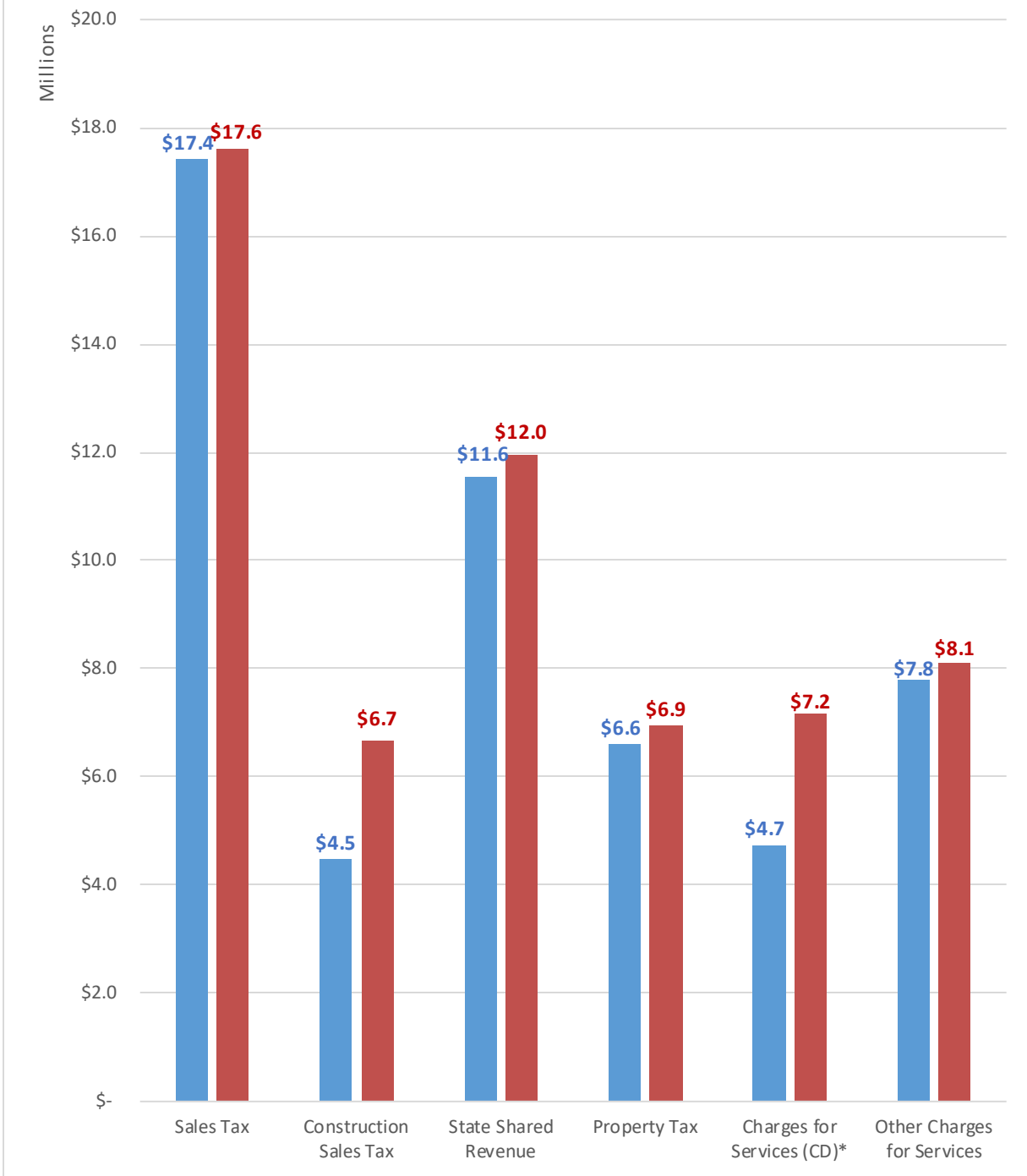
Expenditures				
Salaries & Benefits	\$ 22,238,852	\$ 20,842,550	\$ 1,396,302	6%
Supplies & Services	12,875,456	12,698,860	176,595	1%
Maricopa County Sheriff	6,930,617	5,982,429	948,188	14%
Capital Outlay	2,574,711	1,613,489	961,222	37%
Total Expenditures	\$ 44,619,636	\$ 41,137,328	\$ 3,482,307	8%

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

Revenue Analysis



Operating Revenue FYTD May: +\$5.8M (+11%)
\$52.6M FY18-19 Budget to \$58.4M FY18-19
Actual



Overall, there is an 11% 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 slightly above the projected budget as of April activity with a favorable variance of \$0.2M or 1%. Growth within the community and the continued expansion of the retail sector has increased the Town’s sales tax collections.

Construction Sales Tax:

Construction Sales Tax Revenue has a favorable variance of \$2.2M or 49%, year-to-date and is related to ongoing residential and commercial construction activity performing better than anticipated due to continued growth.

State Shared Revenue:

State Shared Revenue is favorable by \$0.4M or 3% year-to-date while performing better than expected. This is related to both HURF and State Shared Sales Tax exceeding what had been budgeted in recent months. These sources specifically can increase or decrease by period while other State Shared sources remain steady.

Property Tax:

Actual Property Tax Revenue is slightly above budget as a result of timing.

Charges for Services (CD):

Charges for Services (CD) accounts for planning, engineering and building permit revenues. Revenue is favorable by \$2.4 or 51%, as presented in the following schedule:

May 2019 YTD Community Development Detailed Revenues

	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u> Favorable/(Unfavorable)	<u>% Variance</u>
Charges for Services (CD)				
Planning Revenue	\$ 229,640	\$ 291,080	\$ 61,440	27%
Engineering Revenue	686,190	1,774,155	1,087,965	159%
Building Permit Revenue	3,832,613	5,108,486	1,275,873	33%
Total Charges for Services (CD)	\$ 4,748,443	\$ 7,173,720	\$ 2,425,277	51%

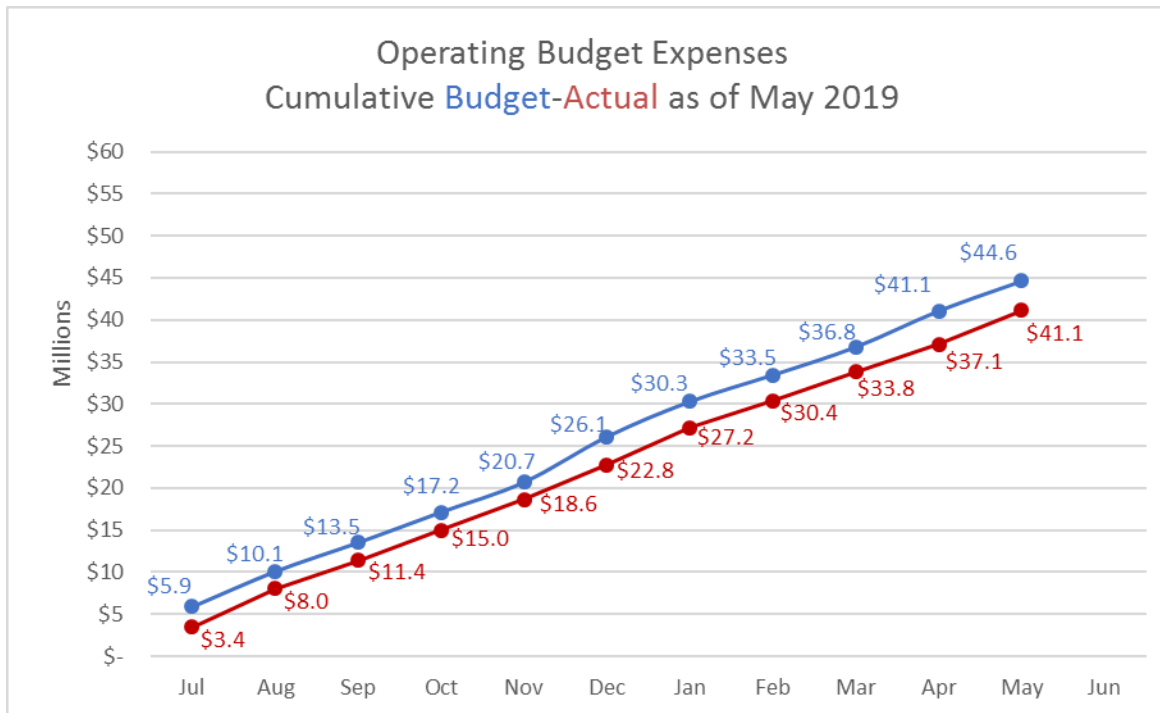
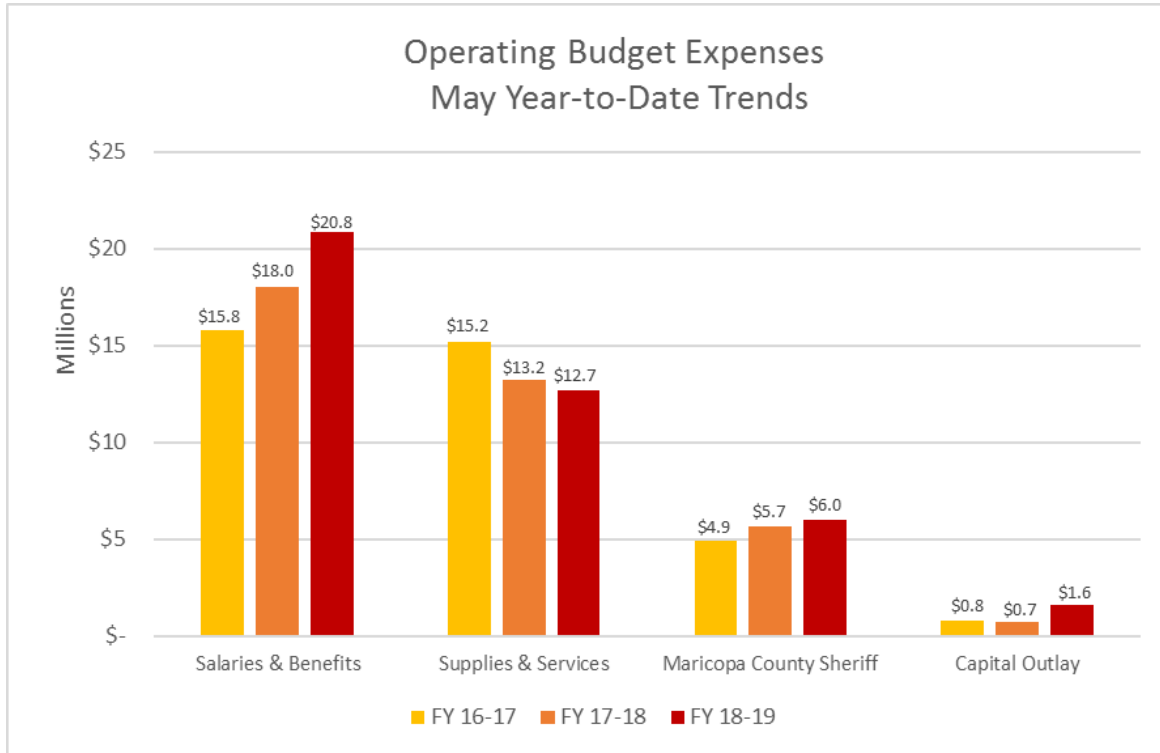
Development services revenues continue to exceed the budget across all divisions. Planning revenues are mostly the result of residential development planning permits. Engineering revenues are influenced by eight new subdivisions/subdivision phases that are in the engineering phase of development, which accounts for \$1.1M or 61% of the engineering revenue received year to date. Finally the large variance in Building Permit revenues are the mainly the result of residential (single-family) permitting, which accounts for \$4.2M or 82% of the permit revenues. Though the end of May fiscal year-to-date 1,210 new single-family home permits have been issued.

Other Charges for Services:

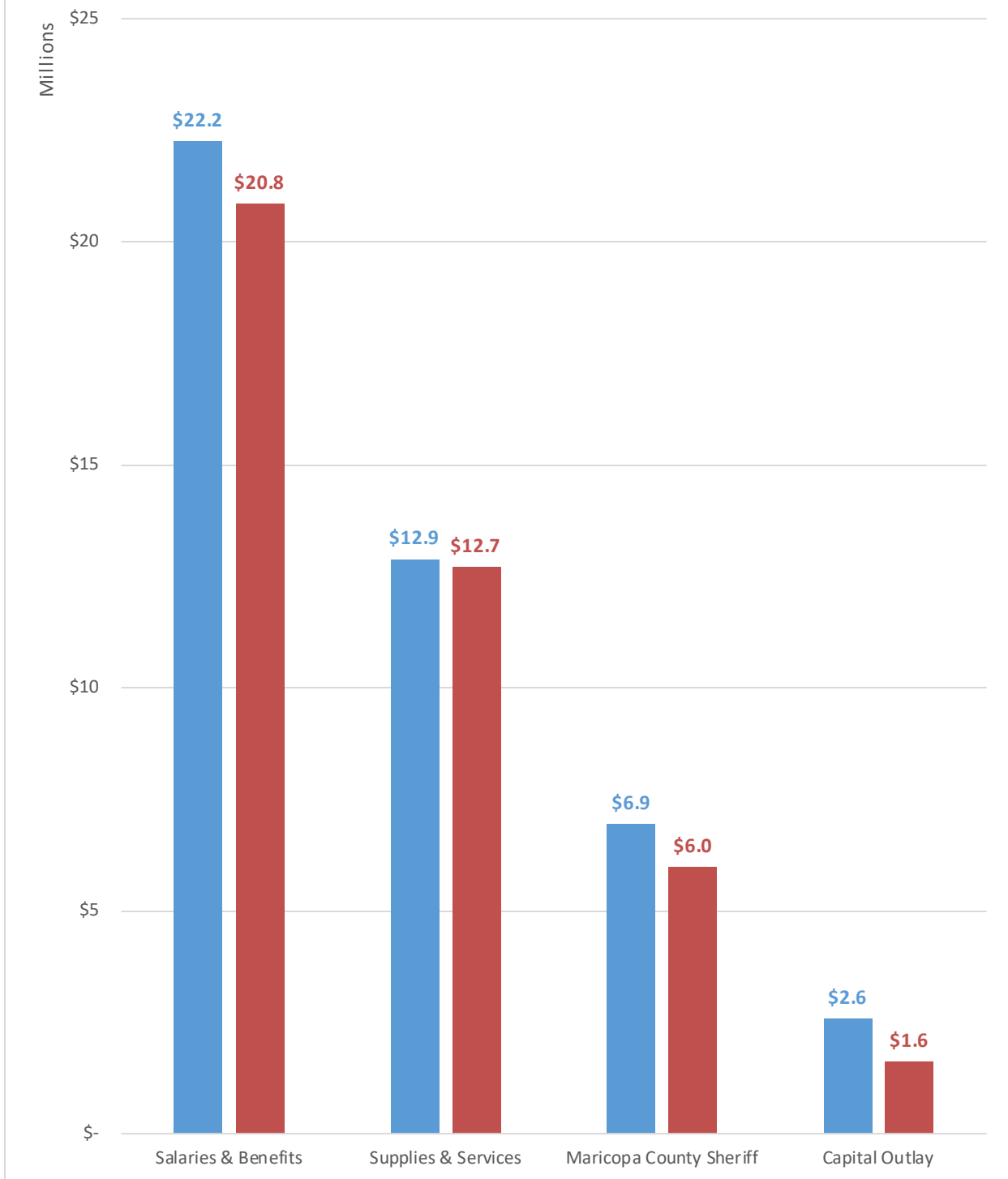
Other Charges for Services is comprised of a number of different sources and is on target with the budget. With the nature of this revenue being a large number of smaller accounts, variances can fluctuate from period to period. Also included in FY 18-19 is Utility ROI, Utility Franchise Fee and Utility In-Lieu Property

Tax all from the Town's Water and Sewer utility operations, which are new, ongoing charges that comprise \$2.2M of the \$6.7M total revenue received year-to-date in this category.

Expense Analysis



Operating Expense FYTD May: +\$3.5M (+8%)
\$44.6M FY18-19 Budget to \$41.1M FY18-19
Actual



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

Salaries and Benefits:

Salaries and Benefits through April are favorable by \$1.4M 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. The savings to date is largely related to 14 new firefighter positions, all of which were hired 10/1/2018. Exclusive of the new positions, the Town has also experienced lower than average turnover during the year, recruiting 4 – 6 positions on a monthly basis. While there were accumulated savings year-to-date for these and other positions, ongoing savings will not continue now that new staff have been hired.

Supplies and Services:

Supplies and Services is favorable \$0.2M or 1%. This variance is spread across multiple areas, and is not attributed to any one item.

Maricopa County Sheriff:

Maricopa County Sheriff costs are favorable by \$0.9M or 14%, 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.

Capital Outlay:

The favorable variance in Capital Outlay is \$1.0M or 37%, year-to-date. The budgets in this category are for one-time purchases related to major equipment. Approximately \$0.5M of the variance is related to major IT installations and change outs where work is under contract but not yet complete for items such as fiber installation, traffic systems technology refresh, and firewall/router upgrades. The remaining variance is related to other one-time equipment purchases that were anticipated to occur earlier in the year, but have not.