

February 24, 2026

FY2027 Revenue Outlook & Budget Implications

Paul Soldinger, Chief Financial Officer



www.fountainhillsaz.gov

FY2027 Revenues Discussion



**FOUNTAIN
HILLS**



Budget Timeline

FY2027 Budget Milestones

- Initial Revenue Projections completed – 1/6/2026
- Departments submitted supplemental requests to Town Manager– throughout January 2026
- Council Retreat – Today (2/24/2026)
- Budget Open House – 3/11/2026
- Capital Improvement Plan (CIP) Work Session – 3/24/2026
 - Council provides direction on CIP and funding for projects



Budget Timeline

FY2027 Budget Milestones



- Proposed Budget Work Session – 4/14/2026
 - Council discusses proposed budget and provides direction for Tentative budget the following month
- Tentative Budget Adoption – 5/5/2026 Regular Meeting (Public Hearing)
 - Tentative Budget sets the **maximum** amount the Town may budget for FY2027
- Final Budget Adoption – 6/2/2026 Regular Meeting (Public Hearing)
 - Council considers adoption of final budget for FY2027 Town operations

Revenue Projections

Initial FY27 Revenue Projections

- Transaction Privilege Tax (Local Sales Tax) Revenue Projections by Category
 - Intentionally conservative to reduce risk
 - Projected increases of 3.0% across funds (2.1% in General Fund)

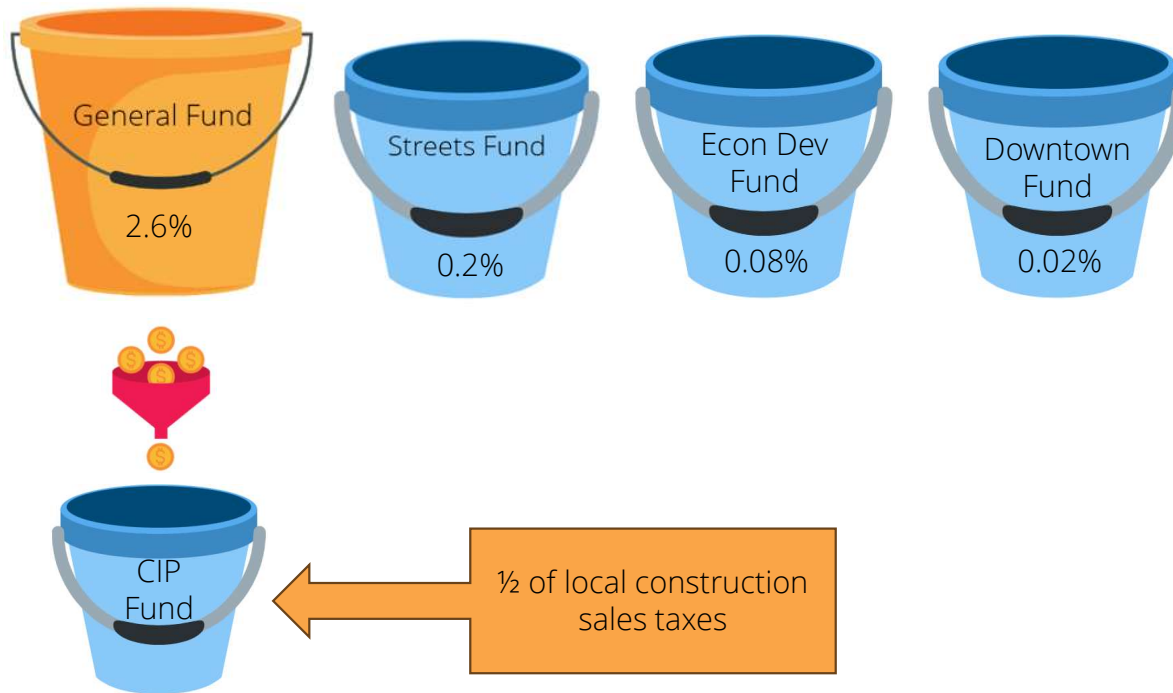


TPT Total Revenues	FY2025 Actual	FY2026 Projections	FY2027 Projections	\$ Change from FY2026	% Change from FY2026
TPT Category					
Construction	\$ 2,971,838	\$ 2,376,414	\$ 2,722,303	345,888	14.6%
Utilities	1,723,779	1,695,247	1,721,065	25,817	1.5%
Retail	\$10,604,441	10,260,360	10,306,400	46,040	0.4%
Restaurants/Bars	1,413,481	1,309,217	1,364,582	55,365	4.2%
Real Estate	970,416	681,444	632,545	(48,899)	-7.2%
Services (Leisure & Tourism)	2,466,878	1,691,040	1,801,954	110,914	6.6%
Other	40,438	0	0	N/A	N/A
Total Actual/Forecast Revenues:	\$20,191,270	\$18,013,723	\$18,548,849	\$ 535,126	3.0%

Revenue Projections - Splits

Local Sales Taxes – Split Revenues

- 2.9% local sales tax rate applied to almost all categories collected for in-Town purchases, based on past Council approvals to split revenues

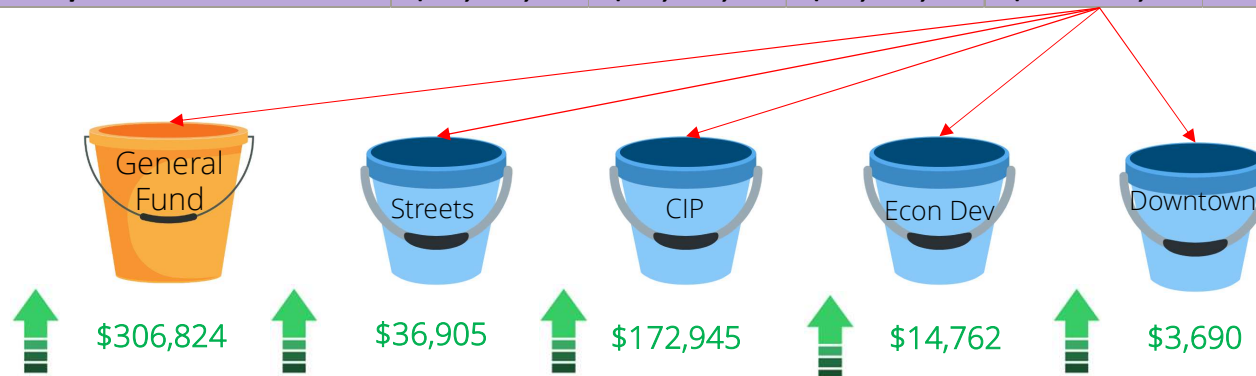


Revenue Projections

Initial FY27 Revenue Projections



TPT Total Revenues	FY2025 Actual	FY2026 Projections	FY2027 Projections	\$ Change from FY2026	% Change from FY2026
TPT Category					
Construction	\$ 2,971,838	\$ 2,376,414	\$ 2,722,303	345,888	14.6%
Utilities	1,723,779	1,695,247	1,721,065	25,817	1.5%
Retail	\$10,604,441	10,260,360	10,306,400	46,040	0.4%
Restaurants/Bars	1,413,481	1,309,217	1,364,582	55,365	4.2%
Real Estate	970,416	681,444	632,545	(48,899)	-7.2%
Services (Leisure & Tourism)	2,466,878	1,691,040	1,801,954	110,914	6.6%
Other	40,438	0	0	N/A	N/A
Total Actual/Forecast Revenues:	\$20,191,270	\$18,013,723	\$18,548,849	\$ 535,126	3.0%





Revenue Splits

Local Sales Taxes - Split Revenues

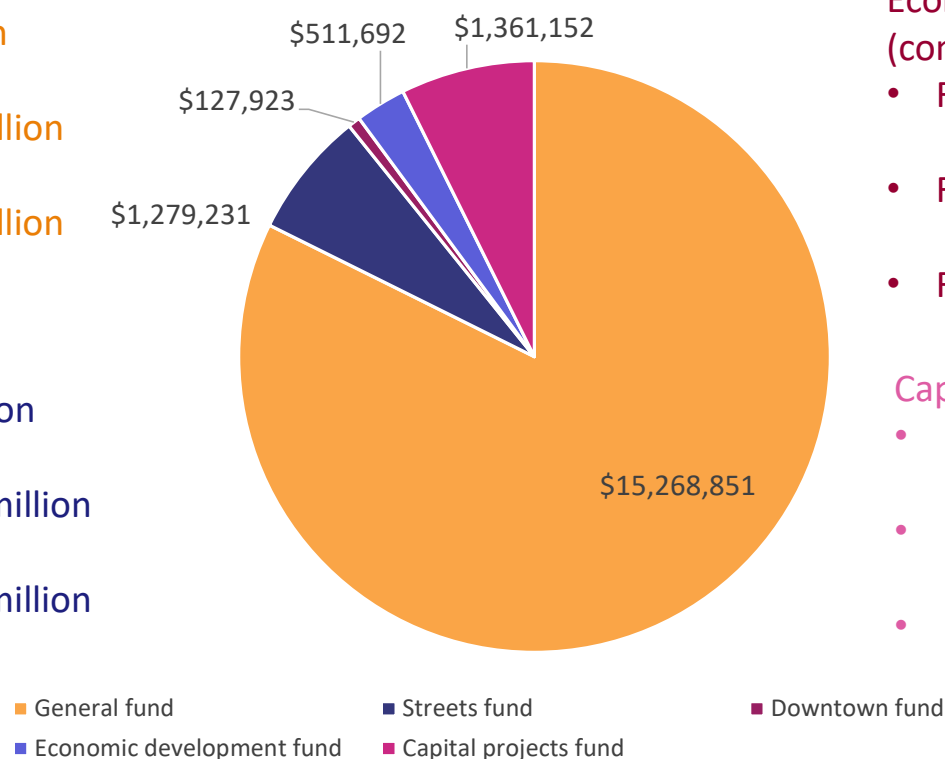
General Fund:

- FY25 actual: \$16.6 million
- FY26 projected: \$15.0 million
- FY27 projected: \$15.3 million

Streets fund:

- FY25 actual: \$1.40 million
- FY26 projected: \$1.24 million
- FY27 projected: \$1.28 million

Local Sales Tax – FY27 Initial Projections*



Econ/Downtown funds (combined):

- FY25 actual: \$696k
- FY26 projected: \$621k
- FY27 projected: \$640k

Capital projects fund:

- FY25 actual: \$1.49 million
- FY26 projected: \$1.19 million
- FY27 projected: \$1.36 million

*Based on past Town Council Ordinances

Revenue Projections

Initial FY27 Revenue Projections – General Fund



General Fund Revenues	FY2025 Actual	FY2026 Projections	FY2027 Projections	\$ Change from FY2026	% Change from FY2026
Revenue Source					
Sales Tax Revenues	\$ 16,616,599	\$ 14,962,027	\$ 15,268,851	306,824	2.1%
Franchise Tax/Fees	334,101	350,000	325,000	(25,000)	-7.1%
State Shared Revenues					
<i>Urban Revenue Sharing (Income Taxes)</i>	5,022,719	4,698,139	4,931,976	233,837	5.0%
<i>Sales Tax Revenues</i>	3,622,681	3,639,515	3,618,015	(21,500)	-0.6%
<i>Fire Insurance Premium Taxes</i>	95,892	75,000	330,000	255,000	340.0%
Licenses & Permits	952,127	876,787	855,170	(21,617)	-2.5%
Leases & Rents	368,171	379,914	387,055	7,141	1.9%
Charges For Services	278,368	260,000	275,000	15,000	5.8%
Fines & Forfeitures (Municipal Court)	214,389	210,000	300,000	90,000	42.9%
Investment Earnings	616,693	348,507	294,941	(53,566)	-15.4%
Other	356,642	252,000	215,000	(37,000)	-14.7%
Total Revenue Source:	\$ 28,478,382	\$ 26,051,889	\$ 26,801,008	\$ 749,119	2.9%

Revenue Projections

Initial FY27 Revenue Projections – Streets Fund



Streets Fund Revenues	FY2025 Projections	FY2026 Projections	FY2027 Projections	\$ Change from FY2026	% Change from FY2026
Revenue Source					
Sales Tax Revenues	\$1,392,501	\$ 1,242,326	\$ 1,279,231	36,905	3.0%
State Shared Revenues					
<i>HURF</i>	1,889,802	1,890,627	1,928,886	38,259	2.0%
<i>Vehicle License Taxes (VLT)</i>	1,300,912	1,277,830	1,314,887	37,057	2.9%
Investment Earnings	595,071	191,193	121,544	(69,649)	-36.4%
Other	15,301	131,000	41,000	(90,000)	-68.7%
Total Revenue Source:	\$ 5,193,587	\$ 4,732,976	\$ 4,685,548	\$ (47,428)	-1.0%



Projected FY26 Ending Fund Balance = \$6.1 million

Revenue Projections

Initial FY27 Revenue Projections – CIP Fund



Capital Projects Fund Revenues	FY2025 Actual	FY2026 Projections	FY2027 Projections	\$ Change from FY2026	% Change from FY2026
Revenue Source					
Sales Tax Revenues	\$1,485,919	\$ 1,188,207	\$ 1,361,152	172,945	14.6%
Grant Revenues	20,055	2,190,750	978,250	(1,212,500)	-55.3%
Investment Earnings	498,270	170,000	176,077	6,077	3.6%
Other	74,381	0	0	0	N/A
Total Revenue Source:	\$2,078,624	\$ 3,548,957	\$ 2,515,479	\$ (1,033,478)	-29.1%



Projected FY26 Ending Fund Balance = \$8.8 million

www.fountainhillsaz.gov

FY2027 Possible Revenue & Other Budget Impacts



**FOUNTAIN
HILLS**





Legislative Possible Impacts

Legislative Bills – Possible Future Impacts

- Food for Home Consumption – Local Sales Tax
 - HCR 2021 – Last Legislative Session – Will be on November 2026 statewide ballot
 - Would cap Town's food tax rate at 2.9%, if successful
 - HB 2839 – introduced this Legislative Session
 - SNAP eligible food items would no longer be taxable; examples of exemptions:
 - Fruit
 - Vegetables
 - Dairy, etc.

	<u>Actual Revenues</u>		
	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
<i>Food Tax (TPT Code 62):</i>	<i>\$ 2,081,908</i>	<i>2,179,521</i>	<i>2,084,109</i>
Total Local Sales Taxes:	\$20,586,294	\$20,559,929	\$20,191,270
Percentage of Total Local Sales Taxes:	10.1%	10.6%	10.3%
Total Town Revenues:	40,931,231	40,201,766	38,340,244
Percentage of Total Town Revenues:	5.1%	5.4%	5.4%



Legislative Possible Impacts

Legislative Bills – Possible Future Impacts

- Retail Local Sales Tax – Remote Sellers
 - HB 2118 – current Legislative session
 - Current tax guidance requires taxes on remote sales to be paid to municipalities where the goods are delivered (e.g. a Fountain Hills resident ordering a new mattress from an online retailer will result in the Town receiving the taxes, if delivered to a Fountain Hills home)
 - HB 2118 would change the taxes owed to be based on where the distribution warehouse is located (e.g. that same mattress was delivered to a home in Fountain Hills from a warehouse based in Scottsdale – then, Scottsdale would receive the taxes)

	<u>Actual Revenues</u>		
	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
<u>Remote Sellers (TPT Code 605):</u>	\$ 1,520,558	1,730,864	1,849,537
Total Local Sales Taxes:	\$20,586,294	\$20,559,929	\$20,191,270
Percentage of Total Local Sales Taxes:	7.4%	8.4%	9.2%
Total Town Revenues:	40,931,231	40,201,766	38,340,244
Percentage of Total Town Revenues:	3.7%	4.3%	4.8%



Legislative Possible Impacts

Legislative Bills – Possible Future Impacts

- Income Tax Conformity
 - SB 1106 – Vetoed by Governor; other proposals are being discussed at Legislature
 - Would impact State Shared Income Taxes (Urban Revenue Sharing) beginning in FY2028 (in two fiscal years)
 - Urban Revenue Sharing is projected to start increasing again in FY2027; any tax conformity measures may reduce those future projected increases

	<u>Actual Revenues</u>			<u>Projected</u>	<u>Projected</u>
	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>
<u>Urban Revenue Sharing</u>	\$ 4,518,501	6,302,824	5,022,719	4,698,139	4,931,976
Total General Fund Revenues:	\$28,254,987	\$30,774,289	\$28,478,488		
Percentage of GF Revenues:	16.0%	20.5%	17.6%		
Total Town Revenues:	40,931,231	40,201,766	38,340,244		
Percentage of Total Town Revenues:	11.0%	15.7%	13.1%		

Budget Reductions – FY2027

MCSO Cost Notification Decreased

- FY27 MCSO cost notification noted lower retirement and overtime costs have offset market-based pay adjustments, resulting in another reduction to our contract



FY2026 MCSO
Contract
\$5.76M



FY2027 MCSO
Contract
\$5.69M



Law Enforcement cost reduction of \$68k for FY2027

Annual General Adjustment (AGA) Policy — FY2027 First Calculation

Policy adopted Sept. 9, 2025 (Town Council Work Session) | Presented Feb. 2026 using PMI + ECI data

1) Policy framework (adopted Fall 2025)

Formula (fixed 50/50 split):

$$\text{AGA} = (50\% \times \text{ECI}) + (50\% \times \text{PMI})$$

ECI = Employment Cost Index (BLS), measured Q4-to-Q4

PMI = Peer Market Index (League of AZ Cities & Towns salary survey, January release)

Council retains discretion to override the formula in extraordinary circumstances.

2) FY2027 calculation (first application)

Inputs available for FY2027:

PMI	League survey (Jan 2026)	4.26%
-----	--------------------------	--------------

ECI	BLS ECI Q4-to-Q4	3.40%
-----	------------------	--------------

$\text{AGA} = (0.50 \times 4.26\%) + (0.50 \times 3.40\%) = 3.83\%$ (rounded to 3.8%)

Recommended FY2027 salary adjustment: 3.8%

Note: Implemented as an across-the-board base salary adjustment; rounded to one decimal for payroll/budget administration.