

Budget Document Overview

This overview outlines the 2005-06 Annual Budget. Copies of the document are available in the Phoenix Public Library or by contacting the city of Phoenix Budget and Research Department at 602-262-4805. Also, this document can be made available in alternate formats (large print, Braille, audio cassette or computer diskette) upon request. For information, contact the Budget and Research Department or city TTY relay at 602-534-5500.

The Summary Budget contains a narrative description of Phoenix programs and services planned for the upcoming fiscal year. Also included is a narrative description of all revenue sources and a description of major financial policies.

The Detail Budget presents extensive statistical data (including multiyear comparisons) for each city department and fund. The statistical data includes staffing allocations and a detailed reporting of planned expenditures.

Finally, the 2005-10 Capital Improvement Program provides Phoenix's planned construction program by project and detailed sources of funds.

A more detailed description of the 2005-06 Phoenix Summary Budget follows.

CITY MANAGER'S BUDGET MESSAGE

The City Manager's Budget Message provides an in-depth look at the city manager's priorities and outlook for the upcoming fiscal year. These priorities reflect many months of working with the Mayor and City Council, the community and city staff.

OUR COMMITMENT TO EXCELLENCE

This section provides an overview of the city's various programs that contribute to our overall pursuit of excellence. Included is a description of the national and international recognition received by Phoenix, results of the employee suggestion program and winners of employee excellence awards.

COMMUNITY PROFILE AND TRENDS

This section includes key demographic, financial and infrastructure profile measures. Estimates or projections are provided for 2004-05 and 2005-06 as well as actual results for recent and historical periods.

2005-06 BUDGET OVERVIEW

The Budget Overview provides a description of the city's budget process as well as the major assumptions included in the preparation of the 2005-06 budget. This section includes a broad overview of the resources and expenditures included in the budget. Also included is a historical look at Phoenix's community services, an overview of significant budgetary and financial policies including general legal requirements and basis of accounting, and descriptions of city funds.

2005-06 REVENUE OVERVIEW

This section provides an extensive narrative describing the city's revenue estimates. The section is divided into three categories: general funds, special revenue funds and enterprise funds.

DEPARTMENT PROGRAM SUMMARIES

The Department Program Summaries section provides total funding and positions, program goals, major performance measures and service trends, and any changes in service for each city department. Also included in this section is a discussion of the city's debt management policies and the contingency fund.

CAPITAL IMPROVEMENT PROGRAM

This section provides a description of the capital improvement program process and an overview of the 2005-10 Capital Improvement Program.

SCHEDULES

The schedules provide a general statistical overview of the budget. Schedule I provides estimated beginning and ending balances for each major fund group. The remaining schedules summarize staffing complements and estimated resources and expenditures. For a more detailed understanding of the city's budget, the Detail Budget should be used. As noted above, copies of the budget documents, including the Detail Budget, are available in the Phoenix Public Library or can be obtained by contacting the Budget and Research Department.

GLOSSARY

Definitions of the terms used throughout the budget document are presented in the glossary. If you have questions, need further clarification of a concept or term, or desire more detailed information about something in this document, please contact the Budget and Research Department at 602-262-4805.



Distinguished Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Phoenix

Arizona

For the Fiscal Year Beginning

July 1, 2004

Nancy S. Ziehl
President

Jeffrey R. Egan
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the city of Phoenix, Arizona for its annual budget for the fiscal year beginning July 1, 2004.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Proposed 2005-06 Annual Budget



TO THE HONORABLE MAYOR AND CITY COUNCIL:

This letter transmits a balanced budget for all city funds for the upcoming 2005-06 fiscal year. On April 5, 2005, the Mayor and City Council approved \$15.4 million in General Fund budget reductions including 93 city positions. In addition, reductions to the Housing budget of \$5.1 million and 88 city positions were approved. Finally, \$2 million in federal and state grants will expire in October 2005. This budget includes replacement funding for only a portion of these grants.

This is the fourth consecutive year of cuts in the General Fund budget. Over the course of four years, General Fund expenditures have been reduced by \$117 million.

Wherever possible, rather than waiting until July 1, the start of our fiscal year, General Fund budget reductions will be implemented on May 23, 2005.

Community Budget Hearings

This budget transmittal includes an explanation of the resources available to fund next year's budget and of the community service changes that will occur in the upcoming fiscal year. First, however, I want to thank the hundreds of residents who took the time to discuss the budget with us during 15 budget hearings and who sent us e-mail and voice mail comments. Community budget hearings were held throughout the community and at various times of the day including hearings targeted for seniors and youth. New this year was a small business hearing hosted by the Greater Phoenix Chamber of Commerce.

General Fund Budget Shortfall

During our first budget briefing of Feb. 1, 2005, we reported a General Fund deficit of \$68.7 million. That is, we reported that we were \$68.7 million short of having the funds necessary to continue next year everything our General Fund departments were currently delivering to the community. While we expected General Fund revenues to grow by 8 percent, due mostly to much improved growth in state-shared revenues, the cost side of the budget was experiencing growth of nearly 15 percent. This expenditure growth is most easily understood by examining four categories.

First, inflationary cost increases contributed about 8 percent. These inflationary increases include employee compensation agreed to in the second year of a two-year agreement negotiated with our employee unions covering wages, health and dental insurance; and pension increases. Inflationary increases also have

occurred in other non-employee line items: fuel, utilities and our investment in technology. Our next big category, about 3.7 percent, is the expanding need for existing city service levels. This category includes numerous cost items related to preserving current city service levels and it is largely made up of new capital facilities to extend services to developing areas of the city. Other service preservation items include the recent funding for Westside revitalization, improved library Internet safety, dust control measures along the Salt River and a community prosecutor.

The third category, contributing 1.9 percent, is providing for full staffing, especially for the Police Department. The Police Department has worked very hard to reduce the average number of police officer vacancies from more than 100 to about 25. This means greater patrol capacity but, there is a cost. Finally, we have a shortfall in revenue this year, which must be made up. These shortfalls contributed about 1.3 percent.

During our February briefing, the Mayor and City Council approved \$35 million in actions to immediately improve our financial position. These actions reduced the deficit to \$33.7 million:

- \$10 million in already available lease-purchase proceeds were applied to planned equipment purchases.
- \$20 million in available Arizona Highway User Revenue (AHUR) Funds were transferred from the Streets capital budget to the Street Transportation Department's operating budget, freeing up General Funds. AHUR revenues have improved significantly over the past 18 months so, while this increase will reduce future flexibility in the Streets construction program, no current projects will be affected.





- The primary portion of the property tax levy (used for paying General Fund operating expenses) was increased by \$5 million. The secondary portion of the property tax levy (used for repaying general obligation bonds) was reduced by a like amount leaving the combined property tax rate at \$1.82. The offsetting reduction in the secondary levy will have no impact on the financial health of the current bond program.

Then, during the months of February and March, we continued to work to further reduce the deficit to \$15.4 million:

- We reviewed, once again, all estimated General Fund spending for this year and next and made line-item budget cuts amounting to \$3.1 million.
- Based on General Fund revenues for the month of January, most notably strong growth in city and state-shared sales taxes, we increased our estimated revenues by \$1.6 million.
- By reviewing, once again, the latest available construction timelines, we reduced the costs associated with opening new capital facilities by \$3.8 million.
- We recommended transferring \$9.8 million in costs associated with the public safety early hiring plan to the revenue generated by franchise agreements approved by the voters on March 8.

General Fund Budget Reductions

As noted earlier, \$15.4 million in General Fund reductions, including the elimination of 93 positions were necessary. No public safety services have been cut; however, many other community services have been reduced. These reductions include the deferred opening of the new Cesar Chavez Regional Library; a reduction in available blighted property abatement funding;

reduced general recreation programming and the closure of city pools one week early. In addition, 12 late-night transit routes will be eliminated and alley dust proofing and the Streets micro-seal program will be reduced. This document details the necessary changes being made to each General Fund department. We regret each reduction in community services and look forward to working together to restore these service levels as quickly as our resources will allow.

New Capital Facilities

Balancing this General Fund budget required us to provide \$2.1 million in funding for several new capital facilities to provide services to underserved areas of the city. These new facilities, funded by the 2001 bond program and the Parks and Preserve Initiative, include three new senior centers, six new or improved parks, and a twin-engine helicopter to be shared by Police and Fire. A detailed description of each of these new facilities is detailed in this document.

Impact of Federal and State Grants

Finally, balancing the General Fund budget required us to evaluate \$2 million in various expiring federal and state grants. In balancing the budget, we have allocated \$1 million in General Funds to replace several criminal justice grants. Programs funded by the remaining \$1 million including truancy and young first offender casework services, outdoor recreation opportunities for teens and adults with disabilities, and victim’s advocacy services will end on Sept. 30, 2005, the end of the grant period.

Staff is working to try to identify other potential funding sources for programs including private donations.

Limited Federal Housing Funding

The city’s Housing Department, which receives its funding from the federal government, excels at providing safe, clean, affordable housing programs and services to help Phoenix residents achieve self-sufficiency. Recently, available federal funding has remained flat and not kept up with the demand for our housing services and the additional costs necessary to run the program. As a result, we are facing an annual budget shortfall in the Section 8 and public housing programs.

More than 5,000 families in Section 8 and 2,300 families in public housing receive daily assistance. To avoid cuts for as long as possible, we’ve relied on funding reserves for the past two years. If we do nothing, these drawdowns will escalate. If we take action now, we avoid more drastic cuts in the future. This budget reduces the annual Housing Department budget by \$5.1 million, including 88 positions. We have focused, to the extent possible, on reducing administrative costs and consolidating services in order to direct as much funding as possible to resident services. However, maintenance and tenant services will be reduced. But, the number of housing units we provide to the community will not be reduced.

Other Non-General Funds

This budget includes budget additions for the Aviation, Water, Wastewater, Solid Waste and Civic Plaza departments to open new facilities and respond to growing workloads. Development Services additions are included to improve customer service as workload levels continue to increase. Finally, some route improvements are included in Transit 2000 funds as well as an increase in Dial-A-Ride services. Dial-A-Ride improvements are funded with an offsetting reduction in other transit miles.



Other Budget Adjustments

For many years, city departments have been provided the opportunity to look for cost efficiencies that could be reallocated to community service improvements or needed administrative support. With the cost cutting of the past several years, these reallocations are becoming more and more difficult to identify. But, this year, departments were still able to identify some savings. Some of these savings have been used to improve services including an additional operator for reserve-a-ride services and operations assistants to improve curb security at Sky Harbor's terminals. Other changes include improved benefit coordination for police officers and improved controls in the Finance Department's procurement of citywide professional services. A more detailed description of these changes is provided in this document.

Public Safety Service Enhancements

On April 20, after our budget deliberations were complete, the Mayor and City Council approved an increase in public safety staffing. This increase was possible due to \$16 million in annual revenue that will be generated, beginning May 1, 2005, by new franchise agreements between the city and Arizona Public Service and Southwest Gas. While these new agreements were approved by the voters on March 8, it has taken the Police and Fire departments time to evaluate and recommend their highest priority public safety enhancements. 199 new public safety positions were approved for new heavy rescue units, improvements to crime suppression efforts, expanded community policing and better homeland defense capabilities. The budget presented here includes this new public safety funding.

Looking Ahead

Over the past four years, Phoenix has faced some serious budget challenges and responded with budget cuts of \$117 million. These cuts have resulted in the loss of important services to the community. There are still some financial challenges ahead.

We will soon begin the 2005 census count. This count will show that, while Phoenix continues to grow, we do not grow as fast as our surrounding communities. Our share of the state's population will decline. Since state-shared revenues are distributed on the basis of our share of the state's population, in 2006-07, our state-shared revenue distribution will decline by an estimated \$22 million.

On the bright side, the local economy is improving and will continue to do so. We will soon embark on the community process used since the 1950s to put together a new bond program. A 200 to 300-member citizen committee will work to place a new bond program on the ballot in 2006. This bond program will bring city services to areas of the community where services are now lacking. However, we will ask this committee to carefully deliberate and control the impact of new facilities on our operating budget.

Construction of a major addition to the Civic Plaza is well underway and two new major hotels are planned as well. The expansion of the Civic Plaza and the addition of hotel rooms have long been identified as a missing piece of revitalizing our downtown core. The impact of bringing larger conventions to Phoenix will be felt statewide. Also, construction of the first segment of light rail service is well underway and our full funding agreement was executed with federal authorities this year.

We recently celebrated the opening of the Translational Genomics Research Institute. The researchers and scientists housed in this new state-of-the-art facility in downtown Phoenix are working to change the future of medicine by searching for applications of the human genome project.

We are working with Arizona State University to relocate about 10,000 students from the Tempe campus to new classroom space downtown. We also are working with Arizona State University and the University of Arizona to locate a medical school downtown. The addition of a medical school will improve the availability of health care for all of Arizona.

In summary, a look into the future, as always, brings both the positive and the negative. But, we see many more positives than we see negatives.

Conclusion

My thanks to the Mayor and City Council for their leadership and guidance in balancing the city budget. I also want to thank all city departments for carefully preparing budget reductions for consideration. Our departments have worked hard to minimize the impacts of budget reductions on the community.

Finally, I want to thank all city employees for their dedication to the Phoenix community. This budget, once again, reduces the employee resources available to deliver city services. But, we are committed to finding a place for each affected employee somewhere in our organization. Everyday, our employees deliver the best in services to the community.

Sincerely,



Frank Fairbanks
City Manager
May 3, 2005





2005 City Cultural Diversity Award



The city of Phoenix was presented the 2005 City Cultural Diversity Award by the National League of Cities - National Black Caucus of Local Elected Officials (NBC-LEO) for its annual International Women's Day Work Team. Pictured from left, Sydney Blaine, LaVina Horne, Carole Coles Henry, Terri Jackson, Pauline Sandell, Amy Mancusco, Alexandra Jones, Diana Storino, Sheryl Sculley and Nattie Sayer.



Phoenix's Commitment to Excellence

We continue our pursuit of excellence. All employees practice continuous improvement as part of their daily business. Customer service is our most important focus, whether those customers are residents seeking information and assistance, companies looking to relocate to Phoenix, neighborhoods working to improve their areas, or city departments receiving internal services.

Phoenix employees work as individuals and on teams to deliver better services with fewer dollars. They use numerous innovative ways to improve service delivery without increasing costs while working with the community as a partner to make Phoenix a better place to live, work and play. Phoenix employees are proud to be among the very best in service delivery, and they serve the community with pride.

In 2004, to measure how effective we are at meeting the needs of the community, Phoenix conducted its tenth Community Attitude Survey. This survey, which is completed every other year, showed that nine out of ten residents – 91 percent – were satisfied with the city's efforts in delivering 29 specific municipal services. This rating represents the highest service delivery rating recorded to date and is particularly impressive given the budgetary challenges the city has faced over the past several years.

In addition to being recognized by the community for a job well done, the city and its employees continue to be recognized by professional organizations and external evaluators for their hard work and dedication to safety and customer service. The following is a summary of just a few of the awards and recognitions received by the city and its staff during the course of the fiscal year:

- City Manager Frank Fairbanks was presented with the National Public Service Award, the highest public service award given for distinction in public service by the American Society for Public Administration and the National Academy of Public Administration. Mr. Fairbanks was recognized for his work in developing e-government, achieving an AAA excise tax revenue bond rating from Standard and Poors and his membership on local business and community boards.
- Phoenix Channel 11 was nominated for six National Association of Telecommunications Officers and Advisors Television Awards. Phoenix 11 received nominations in the "community event coverage," "profile of a city department," "community awareness," "special audience," and "municipal channel promotion" categories.
- Know99 Television, the city's youth and education channel, received 13 Telly Awards, which honor outstanding local, regional and cable TV commercials and programs.
- The Public Information Office received three Copper Anvil Awards from the Public Relations Society of America. David Ramirez and Marisol Russell were honored for the phoenix.gov Spanish language Web site and Cynthia Weaver was honored for the Development Services annual report, which she helped write.
- The Maricopa Association of Governments (MAG) recognized the city with a MAG Livable Communities Award. The award was given in recognition of the commercial revitalization project along Seventh Avenue between Camelback and Indian School roads.
- The Phoenix Municipal Stadium renovation project received the Facility of Merit Award from Athletic Business Magazine. The stadium was praised for its "balance of modern amenities and timeless qualities."
- Neighborhood Services earned the Platinum Award from MarCom Creative Awards for its innovative efforts to market the Graffiti Busters Program through Domino's Pizza.
- The city of Phoenix also earned top honors in Valley Forward's 2004 Environmental Report Card. Phoenix was the first city to win straight A's for outstanding achievement in all five categories – land use, open space and recreation, transportation, air quality and water quality.





We are Committed to Making Phoenix Better

The city's Vision and Values continue to serve as a common source of pride and motivation for city of Phoenix employees to do all that they can to make Phoenix better.

- We are dedicated to serving our customers
- We value and respect diversity
- We work as a team
- We each do all we can
- We learn, change and improve
- We focus on results
- We work with integrity
- We make Phoenix better!

The following are a few examples of how city employees have demonstrated their commitment to our Visions and Values by going above and beyond to improve the quality of life for Phoenix residents.

- This year Phoenix employees donated \$1.3 million through the annual Community Service Fund Drive, which represents a 10 percent increase over the previous year.
- City employees were among more than 500 volunteers who participated in a recent cleanup along 51st Avenue, between Camelback and Indian School roads. Neighborhood Services coordinated the effort, partnering with the District 5 Council Office, Maryvale U.N.I.T.E., Public Works, Street Transportation, Fire and Police.

More than 34 properties in the area received paint, landscaping or a general cleanup.

- In 2004, the Phoenix Youth and Education Commission and the Human Relations Commission awarded \$60,000 in grants to local schools through the Youth Diversity Grants Initiative.
- The Office of Arts and Culture awarded 105 grants totaling \$989,000 to 82 cultural organizations and schools for their Phoenix-based arts programs and activities. The grants support programs and activities that serve more than 1.5 million residents annually.
- In November 2004, the City Council approved spending \$1.1 million to increase the level of various services to the city's westside. An intense study of the area showed that while the westside receives about the same level



Prudence Crosswhite is a part-time library assistant with a full-time stake in helping the arts thrive and succeed in downtown Phoenix. Because of Prudence, Burton Barr Central Library's @ Central Gallery is the most visited art space in downtown Phoenix.



of municipal services as other parts of the city, there were deficiencies in some areas. The funds were used to pay for 13 new employees and improve the city's ability to address a wide range of issues, including neighborhood code enforcement, traffic problems, building construction complaints and illegal dumping of trash.

- In February 2005, the city held its third annual diversity celebration for city employees. The Diversity Celebration helps create a vision where all people's rights are respected and where every person can live and work as a valued member of the community. The event not only endorses and promotes the city's Vision and Value statement "We value and respect diversity" by working together and serving our community; we show how we live it.

City of Phoenix Excellence Awards

Each year, the city of Phoenix recognizes individual employees and teams of employees with excellence awards for outstanding service. This past year, individual employees and employee teams exemplified pride in public service.

- Mario Rey Lopez, a Neighborhood Services Department inspector, helped revitalize the Palomino Neighborhood in northeast Phoenix. A major problem for that neighborhood was the proliferation of weed-infested vacant lots that were used as dumping grounds for old mattresses, broken furniture, trash and other debris. Most of the 50 lots targeted for cleanup enforcement and compliance were owned by individuals out of state, adding to the city's challenge. Mario worked

tirelessly with residents, community partners, other city departments and the property owners themselves to clean up the lots, which were not only eyesores but provided cover for drug activities. Mario even impressed some of the cited property owners, who thanked him for his professionalism and suggestions for keeping their lots clean.

- James Anderson of the Public Works Department has saved the city – and taxpayers – hundreds of thousands of dollars over the years with his knowledge of tires. Anderson has spent untold hours researching tires and the tire industry and is considered a national expert on the subject. Knowing that proper inflation can extend the life of a tire, James was instrumental in purchasing and



Mario Rey Lopez is a Neighborhood Services Department inspector assigned to the Palomino Neighborhood in north Phoenix. Over the past year, he has worked diligently to improve the community by targeting blight and neglect.





installing tire-inflation stickers for Public Works' sizable fleet. He also recommended that the department use quality recapped tires as much as possible, resulting in significant savings for Public Works and other city departments. He is eager to share his expertise and frequently conducts "tire-wise" training for other city departments, Valley municipalities and the business community.

- Sheila Denney, a Water Services Department safety analyst, goes beyond her normal job duties to increase awareness of women in non-traditional roles and promote diversity within her large department. Sheila chairs the department's Women's Innovative Network (WIN), which has established

Road to Success, Secret Sisters and Job Discovery. Women in Water Services look to these three programs to network, solve mutual problems and achieve personal goals. Denney also helped create the department's Diversity Task Force, which promotes unity among Water Services' more than 1,500 employees. Because of Sheila's efforts, the task force was able to award a scholarship to a Gateway Community College student enrolled in the Water and Industrial Wastewater Treatment Technology Program.

- Library Assistant Prudence Crosswhite is a primary reason the arts are thriving in downtown Phoenix. Prudence is curator of Burton Barr Library's @Central Gallery, downtown's

most-visited art space. Her First Friday opening receptions typically attract 400 art aficionados for a lively evening of art, live entertainment and thoughtful conversation with local artists and musicians. She welcomes all artists to the library gallery, regardless of experience or reputation. Some of the emerging artists selected for exhibits no doubt would have difficulty convincing sales-oriented commercial art venues to show their works. She also has had considerable success attracting top-tier artists for the gallery's First Monday's series. Because of her dedication, thousands of Valley residents are exposed to art in a setting where they feel comfortable and welcome.



Sheila Denney, a safety analyst with the Water Services Department, strives to increase awareness of women in non-traditional roles and promotes diversity within her department. She lead the effort to create programs that help women employees solve mutual problems, overcome personal obstacles and achieve personal growth.



- Thanks to an employee team from the Human Services Department, thousands of low-income families took advantage of the Earned Income Tax Credit (EITC), reaping previously unclaimed tax refunds. When the department discovered in 2003 that as much as \$64 million in potential EITC refunds had not been claimed by Phoenix residents, it spearheaded a campaign to assist families who would qualify for the program. The EITC Campaign Team coordinated the efforts of a coalition consisting of more than 40 private and public agencies, the Internal Revenue Service, the Governor's Office, major utility companies and almost 200 volunteers. The team oversaw the training of tax preparation volunteers, arranged for tax preparation sites and heavily

promoted the EITC campaign among its target group. The result: 6,353 low-income families last year received free tax preparation at nine campaign-sponsored sites, resulting in \$6.2 million in much-needed tax refunds.

- Employee teams from the Parks and Recreation Department have enriched a central city community by providing a safe, cultural haven at Eastlake Park, located at 16th and Jefferson streets. The park's community center houses a cultural and dance program that attracts participants from throughout the Valley. People of all ages flock to the center to learn hip-hop, ballet, tap, jazz, and African and Brazilian dance. The park's sports and recreation staff, meanwhile, annually organizes a number of community programs,

including a back-to-school event and a Thanksgiving Day celebration. During last year's back-to-school event, more than 400 youths received backpacks, school supplies and clothing. The holiday event attracted more than 600 individuals, who enjoyed a traditional turkey dinner and gospel music.

- Phoenix Police Officers Nick Margiotta and David Beauchamp last year launched the Connection to Care Program, an alternative to "sweeps" of homeless people that usually result in arrests for nuisance activities. Instead of charging and jailing the homeless who are picked up during sweeps, the officers - with the help of other agencies - offer them a diversion program. Offenders are taken to a command post where they undergo a brief assessment after being fed and



The Earned Income Tax Credit team helped more than 6,000 families receive free tax preparation, garnering \$6.2 million in tax refunds.





clothed. As a result of the assessment, homeless men and women who would have ended up spending yet another night in jail receive immediate shelter, detox treatment, mental-health assistance and other services. The results have been impressive: of 130 homeless individuals helped through Connection to Care, 32 entered substance abuse treatment programs, five entered transitional housing, six are employed and 14 obtained permanent supported housing.

- Phoenix is at the center of the genomics and biotech revolution. Were it not for two interdepartmental teams working together, the city would not be in such an enviable position. The teams coordinated the design and

construction of TGen headquarters, the impressive six-story building at Fifth and Van Buren streets that houses the Translational Genomics Research Institute. After TGen decided to relocate to Phoenix in mid-2002, the city had 18 months to design and construct the \$46 million project. To meet that deadline without exceeding budget, the teams adopted a “one-stop shop” approach to design and construction while ensuring they were creating a facility that would allow for future growth and evolving scientific needs. The city teams are gratified that their efforts are helping TGen as it pursues cures for cancer, Alzheimer’s disease and other genetic disorders.

Our mission at the city of Phoenix is to provide excellent customer service. Although we have faced some challenging budget times over the past several years, all employees have continued to deliver quality services to our community and strive to make Phoenix better in everything we do.

Phoenix has become one of the best-run cities in the world because our employees are leaders in their professions with commitment, passion and a strong work ethic. Each day, the core values of our organization – what we call our “Vision and Values” – are at the root of everything we do.

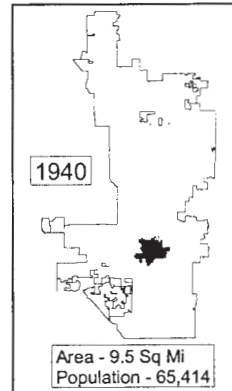
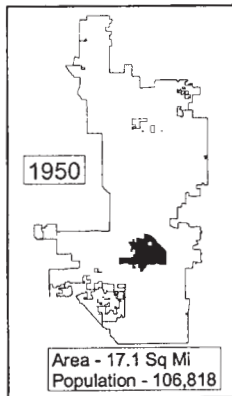
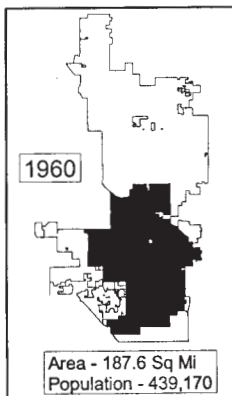
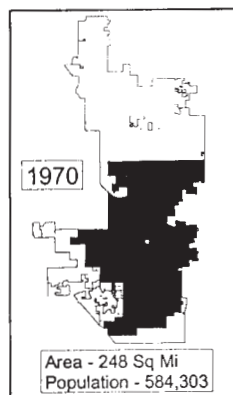
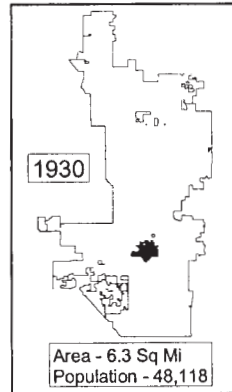
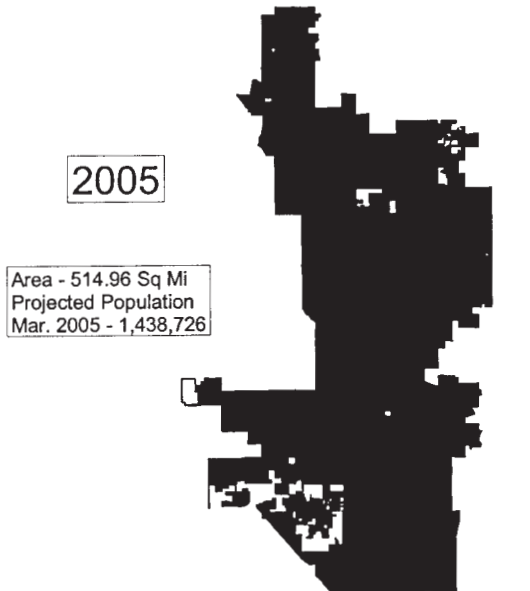
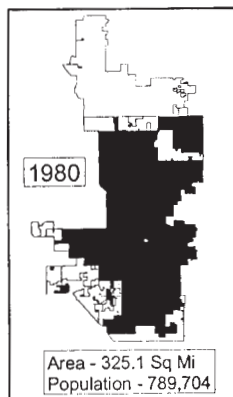
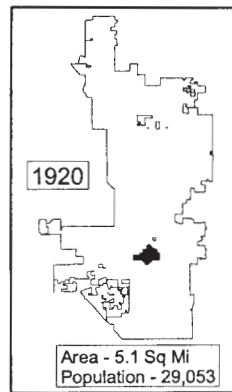
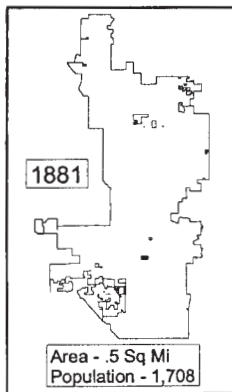
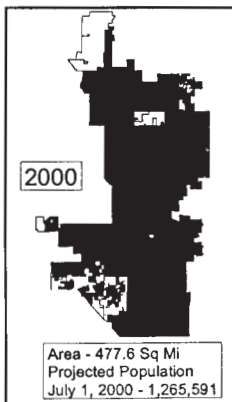
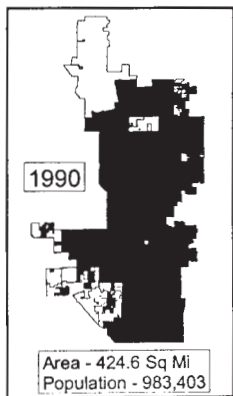


The Eastlake Park Community Center is known for its innovative programming where residents can explore their talents, cultivate new interests and strengthen the neighborhood.





PHOENIX GROWTH



Population figures are from the Census and the area is from the City Clerk.

CITY OF PHOENIX
PLANNING DEPARTMENT



Community Profile and Trends

Phoenix is the fifth most populous city in the United States, the state capital of Arizona, and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Gilbert, Goodyear, Tolleson, El Mirage and Avondale as well as all unincorporated areas of the county. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is widely known for its mild, sunny winters and hot summers and receives average rainfall of 6.74 inches a year. Phoenix was founded in 1870 as an agricultural community, and in 1881 was incorporated as a city. The City Charter under which it is presently governed was adopted in 1913 and has been amended from time to time since then. The charter allows Phoenix to determine its

governmental structure and levy revenue and sales taxes. A council-manager form of government also was adopted in 1913. Under this organizational structure, the Mayor and Council appoint a city manager to act as the chief operating officer. The City Council sets policy direction and the city manager is responsible for implementing those policies in an efficient and effective manner. In 1982, a group of residents initiated an effort to move to a district system for electing council members. These residents were concerned that at-large elections resulted in an organization that was less responsive to neighborhoods. The initiative was passed by the voters of Phoenix, and the number of Council seats was increased from six to eight. The Mayor continued to be elected at-large. The city has grown steadily, especially since 1950. The 1900 census recorded Phoenix population at 5,544.

In 1950, the city occupied 17 square miles with a population of almost 107,000, ranking it 99th among American cities. The 2000 census recorded Phoenix population at 1,321,045. As of July 1, 2005, the city is projected to encompass 516 square miles, with the projected April 2005 population at 1,499,576. Major employers of the Phoenix metropolitan area include the State of Arizona, Wal-Mart Stores, Inc., Banner Health Systems, Maricopa County, City of Phoenix, Honeywell International, Inc., United States Postal Service, Raytheon Co., Arizona State University, Albertson's-Osco and Intel Corp. The top 5 percent of property taxes based on secondary assessed valuation, are paid by Arizona Public Service Company and Qwest Communications. The following statistics are presented to provide a "snapshot" of Phoenix residents, the city's financial condition and infrastructure.

	1970-71	1980-81	1990-91	2000-01	Actual 2003-04	Estimated 2004-05	Projected 2005-06
Demographic Profile							
Population ¹	584,303	789,704	995,896	1,350,435	1,387,670	1,416,055	1,499,576
Percent of Population by Age							
Under 5	8.8	7.8	8.5	8.5	9.9	9.9	9.9
5-19	29.9	25.0	21.6	21.5	23.4	23.4	23.4
20-44	32.2	39.3	42.9	42.8	43.0	43.0	43.0
45-64	20.4	18.6	17.3	17.3	16.1	16.1	16.1
65+	8.7	9.3	9.7	9.8	7.6	7.6	7.6
Percent of Population by Race ²							
Not Hispanic or Latino (of Any Race)	N/A	N/A	N/A	N/A	65.9	65.9	65.9
Caucasian	93.3	78.1	71.9	55.8	55.8	55.8	55.8
Black/African American	4.8	4.7	4.9	4.8	4.8	4.8	4.8
American Indian/Alaska Native	1.0	1.1	1.6	1.6	1.6	1.6	1.6
Asian	0.5	0.9	1.5	1.9	1.9	1.9	1.9
Native Hawaiian/ Other Pacific Islander ³	N/A	N/A	N/A	0.1	0.1	0.1	0.1
Other	0.4	0.4	0.1	0.1	0.1	0.1	0.1
Not Hispanic - Two or More Races	N/A	N/A	N/A	N/A	1.6	1.6	1.6
Hispanic/Latino (of Any Race) ⁴	N/A	14.8	20.0	34.1	34.1	34.1	34.1





	1970-71	1980-81	1990-91	2000-01	Actual 2003-04	Estimated 2004-05	Projected 2005-06
City Economic Profile							
Median Household Income ⁵	27,601	29,706	30,797	40,856	41,207	41,207	41,207
Personal Income Growth (Metro Phoenix)	13.6%	14.8%	4.6%	6.7%	6.8%	7.9%	7.5%
Assessed Valuation ('000s) ⁶	N/A	N/A	5,700,825	7,573,211	9,792,188	10,489,922	11,419,619
Employment Growth Rate ⁷	N/A	N/A	(3.0)%	3.7%	2.5%	2.5%	2.5%
Unemployment Rate ⁸	N/A	N/A	4.9%	2.7%	4.4%	4.6%	4.8%
Value of Residential Construction (Billions)	N/A	N/A	.42	1.16	2.03	2.83	2.85
Value of Commercial Construction (Billions)	N/A	N/A	.46	1.33	.78	.87	.87
City Financial Profile							
Total Budget ('000s)	\$95,835	\$392,780	\$1,026,545	\$1,946,013	\$2,148,589	\$2,406,173	\$3,011,449
Total GF Budget ('000s) ⁸	\$62,343	\$221,106	\$591,021	\$953,324	\$822,263	\$884,416	\$973,170
Total Employees	5,670	9,435	11,388	14,352.0	14,996.7	15,620.3	15,770.1
Total Employees per 1,000 population	9.7	11.1	11.2	10.6	10.8	11.1	10.5
Non-Enterprise Employees	N/A	N/A	N/A	8.6	8.8	9.1	8.5
Enterprise Employees ⁹	N/A	N/A	N/A	2.0	2.0	2.1	2.0
Property Tax Rate	1.75	1.75	1.79	1.82	1.82	1.82	1.82
G.O. Bond Rating (Moody's/Standard and Poor's)	A/A	Aa/AA	Aa/AA+	Aa1/AA+	Aa1/AA+	Aa1/AA+	Aa1/AA+
Number of PLT Licenses	N/A	37,943	43,756	51,000	54,348	54,800	55,000
City Retail Sales Tax Rate ¹⁰	1%	1%	1.2%	1.8%	1.8%	1.8%	1.8%
Infrastructure Profile							
Area (Square Miles)	247.9	329.1	427.1	483.5	514.7	514.9	516.0
Police							
Major Crimes	50,747	86,287	110,961	97,666	109,643	105,100	106,800
Dispatched Calls for Service	374,003	452,350	895,117	862,769	750,185	748,600	747,100
Authorized Sworn Police Officers	1,054	1,694	2,047	2,810	2,952	3,027	3,113
Fire							
Fire Stations	30	35	45	45	49	50	54
Fire Calls and All Other Calls ¹¹	14,437	25,162	26,281	28,369	23,436	23,750	24,000
Emergency Medical Calls	—	46,122	75,112	101,396	112,282	115,650	119,120
Authorized Sworn Firefighters	572	838	1,042	1,315	1,349	1,398	1,464
Building Inspections							
Total Number of Inspections ¹²	236,000	196,356	176,909	261,184	302,732	338,000	361,100
Streets							
Total Miles	2,270	3,084	3,800	4,299	4,606	4,671	4,729
Miles Resurfaced and Sealed	378	216	250	220	224	186	172
Total Miles of Bikeway ¹³	N/A	N/A	250	472	500	505	515



	1970-71	1980-81	1990-91	2000-01	Actual 2003-04	Estimated 2004-05	Projected 2005-06
Traffic Control and Lighting							
Signalized Intersections	423	555	761	906	945	959	970
Street Lights	23,097	39,097	50,825	70,750	77,302	82,000	84,950
Traffic Accidents	22,765	28,129	28,414	36,500	32,062	31,782	32,735
Aviation							
Passengers Arriving and Departing	2,925,700	6,500,000	22,175,000	35,900,000	38,200,000	39,400,000	40,200,000
Solid Waste Collection							
Residences Served	204,800	281,900	281,392	327,953	346,854	354,000	361,000
Tons Disposed at City Landfills	325,300	379,000	513,643	1,051,935	915,000	945,000	1,021,000
Municipal Parks							
Number of Municipal Parks ¹⁴	121	137	181	199	207	211	216
Developed Park Acres	N/A	1,303	2,206	3,332	4,374	4,409	4,445
Libraries							
Book Circulation	2,368,232	3,691,745	5,962,411	9,151,000	11,529,473	12,336,232	12,960,328
Total Book Stock	704,940	1,182,606	1,732,410	2,016,000	2,047,973	2,177,230	2,303,530
Equipment Management							
Number of Equipment Units in Fleet	2,637	4,497	4,776	6,080	6,402	6,441	6,520
Water							
Connections	172,100	282,048	321,996	350,967	371,708	381,149	386,866
Production (billions of gallons) ¹⁵	52.7	88.5	84.7	109.4	108.1	103.2	110.4
Wastewater							
Connections	169,255	250,199	311,980	327,051	343,533	351,050	356,924
Miles of Line	2,090	3,040	3,661	4,174	4,487	4,569	4,673

- 1 Population distribution figures are based on 2000 census figures. Totals may not add to 100 percent because of rounding.
- 2 These are modified racial categories as used by the Census Bureau for the 2000 Census.
- 3 Prior to the 2000 Census, Asian and Pacific Islander data were combined under the same category. Pre-2000 counts are included in the Asian category.
- 4 Pre-1980 census questionnaire did not include "Hispanic" or "Spanish" race categories.
- 5 Median Household Income based on data gathered by United States Census Bureau for city of Phoenix geographic area. Data for 2003-04, 2004-05 and 2005-06 based on 2000 Census.
- 6 The formula for assessing valuation was changed significantly in 1980 making comparisons to prior years not meaningful.
- 7 Employment growth rate figures are calendar year and not fiscal year. Calendar 2003 is shown under FY 2003-04, calendar 2004 is shown under FY 2004-05, and projected calendar 2005 is shown under FY 2005-06. Estimates are for the Phoenix metro area and are obtained from the Arizona Department of Economic Security.
- 8 As of FY 1998-99, Arizona Highway User Revenue funds are no longer included in the General Fund total.
- 9 Enterprise departments include Water, Aviation, Civic Plaza, Golf and Solid Waste Management.
- 10 Voters approved a 0.1 percent increase in most city sales tax categories effective December 1, 1993, for increased fire and police protection services. Voters approved a 0.1 percent increase in most city sales tax categories effective November 1, 1999, to provide funds for parks enhancements and improvements, and to acquire land for a Sonoran preserve. Voters also approved a 0.4 percent increase in most city sales tax categories effective June 1, 2000, to provide funding for public transit improvements and light rail.
- 11 Prior to FY 1980-81, emergency medical, fire and all other calls were combined into one figure.
- 12 Includes building, electrical, mechanical, plumbing and general inspections. The lower numbers for recent years, as compared to 1970-71, are the result of the implementation of the general inspection program that combined several residential inspections, performed by one inspector, into a single permit.
- 13 The bikeway program was approved by the City Council in 1987. Figures include on-street bike lanes, bike routes, and paved and unpaved paths.
- 14 This number includes parks and areas maintained by the Parks and Recreation Department. For example, retention basins, canal projects and trails.
- 15 Includes water produced for city of Phoenix only.



2005-06 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2005-06 budget. Information is presented for general, special revenue and enterprise funds. General funds, which receive special attention by the community, are highlighted throughout this section. General funds are of particular importance to our residents as they provide for most basic services, such as police, fire, parks and streets. Enterprise funds are supported by fees charged for the services provided with the exception of the Civic Plaza which has earmarked sales taxes as its primary funding source. Special Revenue funds are restricted to specific uses.

The 2005-06 budget, financed by operating funds, totals \$3,011,449,000. As shown in the pie chart on page 23, the General Fund portion of \$973,170,000 is approximately 32 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste,

Civic Plaza and Golf, make up another 32 percent of the total. Special Revenue funds such as Arizona Highway User Revenues, Local Transportation Assistance, and grant funds such as Community Development Block Grants, Human Services grants and Housing grants represent the remaining 36 percent of the total budget.

In addition to presenting the budget by funding source, the budget also is described in terms of the major types of activities or expenditures funded. Included in the operating budget are operating and maintenance expenses that provide for ongoing costs of delivering city services; capital expenditures for pay-as-you-go projects for major additions, improvements or renovations to city facilities; and debt service payments to retire outstanding bonds. The pie chart on page 23 shows the distribution of the total operating budget into these three types of expenditures. Not included in the operating budget are bonds and other

capital funds used for capital improvement projects. These are included in a separate capital improvement program.

The 2005-06 General Fund budget includes only ongoing operating and maintenance and pay-as-you-go capital expenses. Debt service associated with most General-funded activities is paid for with property taxes or are shown in the City Improvement fund both of which are included in the Special Revenue funds portion of the budget.

Finally, budgeted expenditures are most easily understood on a departmental basis. Detailed explanations of each department's budget are provided in the Department Program Summary section of this document. The bar chart on page 23 presents the General Fund budget on a department-by-department basis.

The table below provides a comparison of the 2005-06 budget to the 2004-05 adopted budget. Actual expenditures for the 2003-04 fiscal year are also included.

2005-06 Budget Compared to 2004-05 Adopted Budget (In Millions of Dollars)

	2003-04 Actual Expenditures	2004-05 Adopted Budget	2005-06		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,586.8	\$1,854.5	\$2,004.1	\$149.6	8.1%
Capital Expenditures	212.7	363.2	384.2	21.0	5.8%
Lease Purchase and Debt Service	349.0	413.5	623.1	209.6	50.7%
Total	\$2,148.5	\$2,631.2	\$3,011.4	\$380.2	14.4%





Citywide operating and maintenance expenditures increased from 2004-05 primarily for inflationary increases such as employee compensation including higher pension and health care costs, added operating costs related to the opening of new capital facilities, added costs associated with the new Public Safety Enhancement fund, and other service and growth-related increases in Aviation, Development Services and other enterprise funds.

2005-06 GENERAL FUND BUDGET OVERVIEW

The 2005-06 General Fund budget of \$973.2 million provides for ongoing operating and maintenance and capital expenditures. The table below compares the 2005-06 General Fund budget with the adopted 2004-05 budget.

Operating and maintenance expenditures show moderate growth when compared to the 2004-05 adopted budget. This growth results from planned transition of grant-funded public safety staff to the General Fund, reflecting full year costs for facilities opened in 2004-05 plus new operating costs associated with capital facilities that will open in 2005-06,

inflationary increases in the costs of fuel and utilities, and providing funding for rising employee health care and public safety pension costs and other negotiated compensation increases. These cost increases are partially offset by \$15 million in reductions.

The pie charts on the next page show the 2005-06 General Fund budget summarized by major programs and major resources.

RESOURCES

Resources include beginning fund balances, fund transfers, revenues and recoveries. Generally, current revenues and fund transfers pay for current year expenses. In the enterprise funds, fund balances provide a financial cushion against unanticipated changes. The contingency allocation serves this same purpose for the General Fund. While minor changes in fund balances occur from year to year, maintaining proper fund balances over the long term and providing for a contingency fund in the General Fund are important components of sound financial management and a significant factor in bond ratings.

2005-06 Estimated Beginning Fund Balances

In the General Fund, a fund balance may not be budgeted. However, a contingency fund, similar to a “rainy day fund”, may be planned to provide a means to address unexpected revenue decreases or expenditure increases that may occur throughout the year. Each year, most of the contingency allocation remains unused and, therefore, falls to the ending fund balance along with any changes in estimated revenues and expenditures.

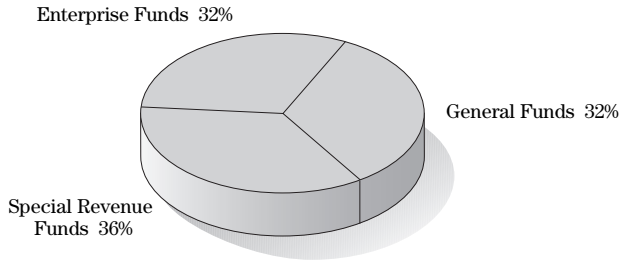
The estimated 2005-06 beginning fund balances of \$873.7 million include \$35.2 million in General funds, \$501 million in special revenue funds and \$337.5 million in enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$145.3 million; Water - \$125.6 million; Aviation - \$60.9 million; Wastewater - \$64.3 million; Civic Plaza - \$60.4 million; Parks and Preserves - \$48.6 million; Solid Waste - \$26.4 million; Grant Funds - \$26.6 million; Arizona Highway User Revenue - \$26.3 million; Development Services - \$25.1 million; \$180.1 million in debt service and \$48.9 million in various other restricted funds.

2005-06 General Fund Budget Compared to 2004-05 Adopted Budget (In Millions of Dollars)

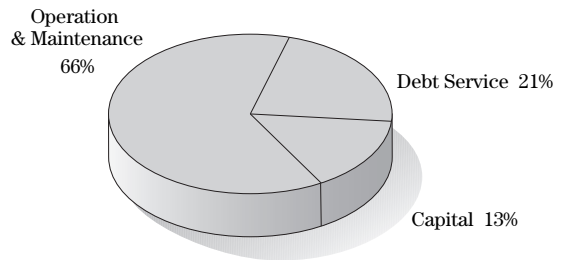
	2003-04 Actual Expenditures	2004-05 Adopted Budget	2005-06		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$822.3	\$925.6	\$968.1	\$42.5	4.6%
Capital	0.2	4.5	5.1	0.6	13.3%
Total	\$822.5	\$930.1	\$973.2	\$43.1	4.6%



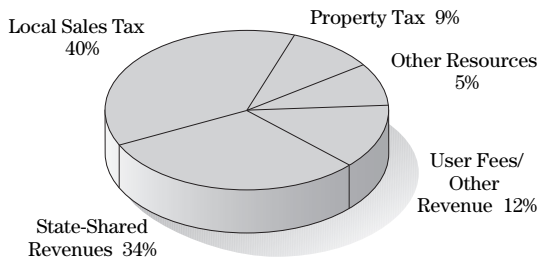
ALL SOURCES OF FUNDS
Total Resources – \$3.0 Billion



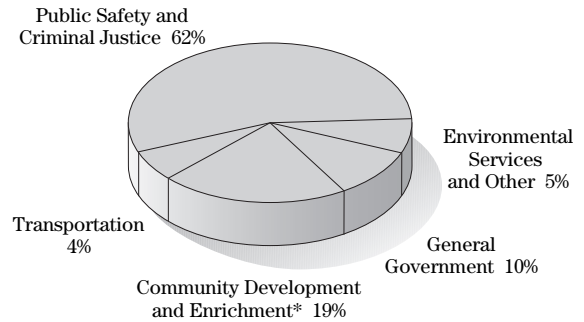
ALL SOURCES OF FUNDS
Total Expenditures – \$3.0 Billion



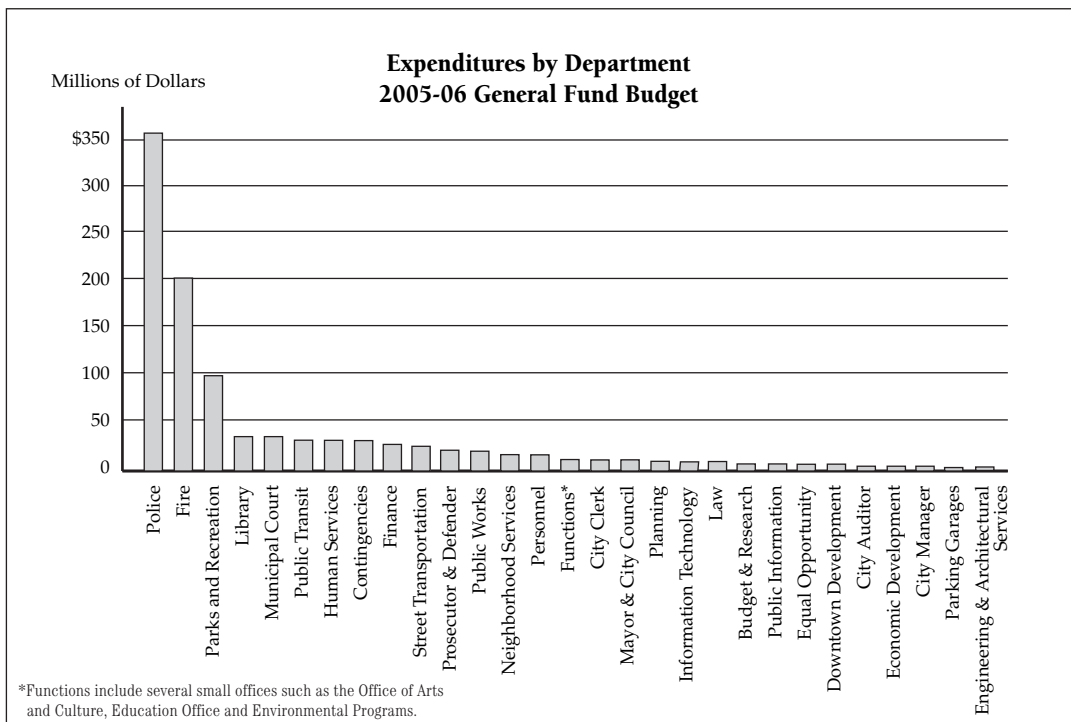
GENERAL FUNDS
Total Resources – \$973 Million



GENERAL FUNDS
Total Expenditures – \$973 Million



*Includes Parks, Library, Human Services, Neighborhood Services, Planning and Economic Development





**2004-05 General Fund
Estimated Ending Balance**

As shown in the following table, the estimated 2004-05 ending General Fund balance is \$35.2 million. The balance results primarily from a \$42.5 million decrease in operating expenditures, offsetting an estimated \$5.8 million decrease in current year revenues and a \$6.4 million lower than planned beginning balance. The decrease in estimated 2004-05 General Fund expenditures is largely due to unused contingency funds, shifting \$10 million in capital equipment purchases to available lease/purchase financing, shifting \$10 million in Street Transportation operating costs to Arizona Highway User Revenue funds, the carryover of some General Fund expenses not completed in the current year, and a \$3.2 million decrease in capital expenditures. The majority of the revenue decrease is in city excise taxes and in various user fees.

2005-06 Estimated Revenues

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2005-06 are estimated at \$2,534,234,000. This is \$133,079,000, or 5.5 percent above the 2004-05 estimate of \$2,401,155,000. General Fund revenues are estimated at \$922,162,000, which is \$77,273,000 or 9.1 percent more than the 2004-05 estimates. The following table provides a comparison of the 2005-06 estimated revenues to 2004-05 estimates and 2003-04 actual collections. Detailed explanations by category are provided in the 2005-06 Revenue Estimates section of this document.

The state and local economy has been in a moderate recovery period since late 2003-04 and that recovery has continued in 2004-05. It is assumed that this rate of growth will improve in 2005-06, the economy being bolstered by increased retail spending and the continuation of the tremendous growth in contracting.

Included in 2005-06 estimates for the Enterprise funds are full-year impacts of rate increases for Water and Wastewater services. The 2005-06 estimate for Special Revenue funds includes a decrease in federal funds of \$29 million.

**2005-06 Transfers
to the General Fund**

Transfers are used to allocate resources between funds for purposes of matching costs with benefits received through a central service cost allocation or to assess in-lieu property taxes.

Transfers to the General Fund for 2005-06 total \$45 million. This amount reflects \$44.6 million from Enterprise and other funds to recoup central service costs and/or payments for in-lieu property taxes from the Aviation, Water and Wastewater, Solid Waste, Civic Plaza and Development Services funds. Central service provides a repayment to the General Fund for services provided by departments such as Personnel, Finance, Law and other administrative support areas that are general funded. This transfer is calculated by the Finance department in accordance with generally accepted full-cost accounting principles and is in accordance with long-established City Council-approved policy. The Enterprise transfers also include \$342,000 from the Golf Course fund to recoup Parks, Recreation and Golf department direct administrative support costs. The Golf fund does not pay citywide central service costs or in-lieu property taxes.

Approximately \$0.1 million in miscellaneous transfers from other funds is also included. As a result, total transfers to the General Fund exclusive of excise tax-related items are \$45 million. A transfer of \$665 million from the excise tax fund represents the General Fund share of local and state-shared sales taxes and fees and state-shared income taxes. However, this amount is reflected in revenues, rather than a transfer, throughout this section.

**2005-06 ESTIMATED
ENDING BALANCES**

Arizona budget law requires a balanced General Fund budget. No General Fund balances may be accumulated in reserve for subsequent fiscal years. Arizona law does, however, provide for a contingency or “rainy day fund” each year. For 2005-06, \$24.7 million is included for the General Fund contingency and is discussed in more detail in the Contingency section of this document. As a result, budgeted General Fund resources equal expenditures. However, any unused contingency amounts at year-end fall to a General Fund ending balance. Generally, about 95 percent of the General Fund contingency remains unused each year.

Changes in Special Revenue and Enterprise fund balances are primarily due to the carryover of large capital projects from one year to the next. Beginning and ending fund balances are shown in Schedule 1.

Year-end balances are planned in the Enterprise funds and other self-supporting funds primarily to provide for adequate funds at the beginning of the following fiscal year. Such funds are used to stabilize rate increases associated with fluctuations in service demand changes, insure bondholders of future debt service payment and to accumulate funds for annual pay-as-you-go capital improvements.

The estimated 2005-06 ending balance of \$429.3 million includes: Transit 2000 - \$82 million; Water - \$102.8 million; Civic Plaza - \$51.6 million; Wastewater - \$41.8 million; Parks and Preserves - \$6.6 million; Solid Waste - \$16.7 million; Aviation - \$18.1 million; Development Services - \$23.4 million; Sports Facilities - \$ 13.7 million and \$72.6 million in various other Special Revenue and Enterprise funds.



General Fund Balance Analysis
(In Thousands of Dollars)

	2003-04	2004-05		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
Resources					
Beginning Balances July 1	\$ 63,006	\$ 59,797	\$ 53,362	\$ (6,435)	(10.8)%
Revenue	790,216	850,735	844,889	(5,846)	(0.7)%
Recoveries	1,223	1,500	1,500	0	0 %
Transfers	21,373	18,088	19,853	1,765	9.8 %
Total Resources	\$ 875,818	\$ 930,120	\$ 919,604	\$ (10,516)	(1.1)%
Expenditures					
Operating Expenditures	822,262	925,603	883,062	(42,541)	(4.6)%
Capital	194	4,517	1,353	(3,164)	(70.0)%
Total Expenditures	\$ 822,456	\$ 930,120	\$ 884,415	\$ (45,705)	(4.9)%
Ending Fund Balance	\$ 53,362	\$ 0	\$ 35,189	\$ 35,189	100.0+%

2005-06 Estimated Revenues Compared to 2004-05 Estimates
(In Thousands of Dollars)

Fund Types	2003-04 Actuals	2004-05 Estimate	2005-06		
			Estimate	Amount Change	Percent Change
General	\$ 790,216	\$ 844,889	\$ 922,162	\$ 77,273	9.1%
Special Revenue Funds	654,551	746,064	746,067	3	0%
Enterprise Funds	773,800	810,202	866,005	55,803	6.9%
Total	\$2,218,567	\$2,401,155	\$2,534,234	\$ 133,079	5.5%



Services to the Community

Phoenix has been a well-established economic growth area since the end of World War II. Historically, during periods of national economic expansion, the local Phoenix economy has grown much more rapidly than the rest of the United States. During periods of national recession, the local economy usually continues to grow at a slow pace. It normally takes a prolonged period of national economic stagnation for Phoenix to experience employment decline. The diversity of the Phoenix economy helps insulate it from the severe downturns experienced in many communities reliant on a narrower range of industries. In fact, employment growth in Phoenix has substantially exceeded national employment growth during recoveries. However, in the last few years the city has experienced the effects of a recession, both at the local and state level.

Although the economy has improved over the past year and the city's revenue growth is positive, significant unavoidable costs are outpacing revenue growth. Faced with this situation in early February, the Mayor and City Council responded quickly and adopted \$35 million in actions to immediately improve our financial

position. Following that, city staff identified a number of items that offered additional cost savings. However, the General Fund still faced a shortfall of \$15.4 million.

General Fund cuts were approved by the Mayor and City Council to close this gap. Including this year, the General Fund budget has been reduced by \$117 million over the past four years. The reductions this year are particularly difficult because many city services are affected. However, at the direction of the Mayor and City Council, public safety services were not reduced.

Contributing to the General Fund shortfall is the need to open numerous new city facilities to provide services in underserved areas of the city. The facilities include new senior centers, a recreation center at HOPE VI, and several park facilities, including the Camp Colley outdoor recreation camp.

Some budget additions were possible using Transit 2000, Development Services, Water, Wastewater, Solid Waste, Civic Plaza, and Aviation funds. Transit 2000 will provide for additional trips on highly used routes as well as a Van Buren Street route extension to Dysart Road. Development Services funds will be used to address workload issues in the expanding building market. Water and

Wastewater funds will be used to staff new facilities, improve environmental quality monitoring, and expand interaction with the development community. Solid Waste funds will be used to add staff and equipment for the North Gateway Transfer Station and supervisory staff for the growing South Region. Civic Plaza funds will be used to increase convention center marketing efforts as the expanded convention space materializes. Aviation funds will be used to add staff to keep up with increased growth as well as maintain and operate the new Rental Car Center and Bus Maintenance Facility.

The city's Housing Department which provides safe, clean, affordable housing programs receives all of its funding from the federal government. Unfortunately, available federal funds have not kept up with demands for services; therefore, a reduction of \$5.1 million and 88 positions was necessary to bring expenditures in line with revenues and maintain reserves at appropriate levels.

The chart that follows indicates how major services provided to Phoenix residents have been adjusted in response to local economic and financial conditions. Because benchmarking is an important measure of the efficiency and effectiveness of services provided, we also have included multi-city comparisons of performance in several areas. Much of the data for these comparisons is taken from the 2003 International City/County Management Association's Center for Performance Measurement report.





**PROGRAM SERVICE LEVEL
IN 1994-95**

**SERVICE CHANGES
THROUGH 2004-05**

**SERVICE CHANGES
FOR 2005-06**

PUBLIC SAFETY

POLICE

Personnel Resources:

In 1994-95, the Police Department had 2,284 sworn officers and 670 civilian employees.

Between 1999 and 2004, grant funding throughout the Department of Justice Universal Hiring Program enabled the department to add 289 police officer positions. Seventy of these positions were added in 2004-05 to help the department maintain adequate staffing in anticipation of the turnover resulting from the Deferred Retirement Options Plan (DROP). The budget also added 43 new civilian positions. The civilian additions included four support staff for the neighborhood police station located at 24th Street and Broadway Road; 30 communications operators and three communications supervisors to assist with the increased numbers of calls received by the Police Department's Communication Bureau; and four laboratory technicians and one criminalist supervisor to address increasing caseloads and to help maintain turnaround times in the police crime lab.

In March 2005, Phoenix voters approved new franchise agreements between the city and Arizona Public Service and Southwest Gas. The new agreements will generate an additional \$16 million annually and will be used to provide critical public safety improvements. The 2005-06 budget reflects the addition of 86 sworn and 41 civilian support positions which will be funded with the revenue generated from the new franchise agreements.

The budget also includes funding to replace expiring Local Law Enforcement Block Grant funds with General Funds to continue seven evidence technicians and a criminalist supervisor in the police crime lab.

In 2005-06, the Police Department will have 3,113 sworn positions or 2.1 for every 1,000 residents, and 1,046 civilian employees.

Response Time Average:

In 1994-95, the Police Department maintained a 4 minute 54 second response time for Priority 1 emergency calls.

In 1994-95, because of increased service demand, budgeted response times for Priority 1 emergency calls had gradually increased from 4 minutes 54 seconds to 5 minutes 30 seconds in 2004-05. During this same time period however, the percentage of 911 calls answered within 10 seconds improved from 78 percent to 85 percent.

The 2005-06 budget provides for a continued 5 minutes 30 seconds average response time for Priority 1 calls.

Based on 2003 ICMA data, city of Phoenix actual response times compare favorably to those of the benchmark cities as noted below:

**Total Average Response Times
to Top Priority Calls:**

- Tucson – 4 min 49 sec
- San Antonio – 4 min 50 sec
- PHOENIX – 5 min 23 sec**
- San Jose – 5 min 30 sec
- Oklahoma City – 7 min 34 sec
- Austin – 7 min 44 sec



**PROGRAM SERVICE LEVEL
IN 1994-95**

**SERVICE CHANGES
THROUGH 2004-05**

**SERVICE CHANGES
FOR 2005-06**

PUBLIC SAFETY

FIRE

Response Time Average:

In 1994-95, the Fire Department maintained an average response time of 3 minutes 48 seconds for all fire and emergency medical calls.

Since 1981-82, response times have increased 35 percent to 4 minutes 59 seconds for all fire and emergency medical calls. This is a 1 second increase over the previous year primarily due to increased population growth and traffic congestion. The overall emergency call activity level increased 216 percent (since 1981-82) and 20.6 percent (since 1994-95) during this period.

Based on 2003 ICMA data, city of Phoenix response times compare favorably to those of other benchmark cities as noted below:

**Percentage of All Calls to Which
Response Time is Under 8 Minutes:**

Oklahoma City – 91 percent

Long Beach – 87 percent

PHOENIX – 84 percent

Austin – 84 percent

San Jose – 82 percent

San Antonio – 82 percent

Three new fire stations are scheduled to open in 2005-06. The fire stations will be staffed with existing adaptive response companies until 2006-07 when firefighters can be hired and trained. Adaptive response companies are full service paramedic engine companies currently deployed to respond in high volume areas.

Emergency Transportation:

In 1994-95, the city of Phoenix had a total of 14 full-time and 7 part-time ambulances in service.

The city initiated the Emergency Transportation System in 1985-86 with 10 full-time and six part-time ambulances. In 1987-88, the Emergency Transportation System was increased to 12 full-time and six part-time ambulances. The addition of four ambulances funded with revenue from Proposition 301 and the conversion of the department's last medic units to ambulances resulted in 19 full-time and nine part-time ambulances in service during 1997-98. The 2000-01 budget included funding to add a full-time ambulance at Station 38 in Ahwatukee Foothills. Two part-time ambulances were added in mid-2002-03 to improve response times in fast growing, outlying areas of the city.

The 2004-05 budget included funding for two additional full-time ambulances at stations located at 40th Street and Baseline Road and I-17 and Carefree Highway. These additions increased the Emergency Transportation System to 22 full-time and 11 part-time ambulances.

The 2005-06 budget includes funding for one additional full-time ambulance at Station 57 at 15th Avenue and Dobbins Road. In addition, three heavy rescues, funded with the revenue from new franchise agreements, will respond to emergency medical calls at incidents with mass casualties.





**PROGRAM SERVICE LEVEL
IN 1994-95**

**SERVICE CHANGES
THROUGH 2004-05**

**SERVICE CHANGES
FOR 2005-06**

TRANSPORTATION

PUBLIC TRANSIT

Service Miles/Hours:

In 1994-95, 11,000,000 annual bus service miles were provided on weekdays and Saturdays in the city of Phoenix.

In the 2004-05 budget, funds improved service for Dial-a-Ride, with increased service hours on weekdays and weekends/holidays. Customer Service and response to calls for service also were improved.

The 2005-06 budget funds will improve service for Dial-a-Ride, with an estimated increase of 12,800 service hours to weekday service.

The 2004-05 budget also funded an extension for the Green Line (Thomas Road) from 83rd Avenue to 115th Avenue then south to the new Avondale Civic Center. The addition was jointly funded by the cities of Avondale and Phoenix. Additional RAPID trips were added to three existing corridors, which added 109 new miles of service each weekday. In addition, two new positions were added to enhance bus maintenance and contract compliance capabilities.

The 2005-06 budget also funds additional trips to alleviate overcrowded conditions on popular local routes including bus service on Van Buren (Route 3) from 67th Avenue to the city limits at 83rd Avenue. The addition was jointly funded by the cities of Avondale and Phoenix. These increases in service are offset by the elimination of low use evening weekday service on 12 of 16 routes between the hours of 10:30 p.m. and midnight due to General Fund expenditure reductions.

As a result of these continuing enhancements, as well as a full year of 2003-04 service improvements, annual 2004-05 bus service miles are estimated at 17,240,000 and Dial-a-Ride service hours are estimated at 323,850.

As a result of the continuing enhancements, as well as a full year of 2004-05 service improvements, annual 2005-06 bus miles are estimated at 17,336,200 and Dial-a-Ride service hours are estimated at 336,650.

Average Weekday Bus Ridership:

In 1994-95, the average weekday bus ridership was 115,000.

Under the 2004-05 budget, weekday ridership is estimated to rise to 143,262.

Under the 2005-06 budget, weekday ridership is estimated to rise to 147,785.



PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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STREET TRANSPORTATION

Major and Collector Street Sweeping and Maintenance:

In 1994-95, sweeping major and collector streets was scheduled for every three weeks.

The 2000-01 budget increased frequency of service to every two weeks to improve air quality. The budget also added capital funding to improve maintenance, pave dirt alleys, and install additional sidewalks and curbs. In 2003-04, budget constraints reduced funding for making quick concrete repairs to infrastructure throughout the city. Funding for paving dirt alleys also was reduced as was funding for retrofitting sidewalk ramps. An asphalt crew responsible for repairing asphalt pavement on major, collector and local streets was eliminated.

Continued budget constraints in 2004-05 reduced funding, again, for paving dirt alleys and retrofitting sidewalk ramps. In addition, funding for neighborhood concrete repair was reduced.

Due to budget constraints, the 2005-06 budget continues to reduce funding for paving dirt alleys.

Residential Street Sweeping:

In 1994-95, the city of Phoenix provided street sweeping service three times a year.

In 1997-98, street sweeping frequency returned to four times a year to better coordinate with quarterly trash collection and improve the aesthetics of neighborhoods.

No changes were included in the 2004-05 budget.

No changes are included in the 2005-06 budget.





**PROGRAM SERVICE LEVEL
IN 1994-95**

**SERVICE CHANGES
THROUGH 2004-05**

**SERVICE CHANGES
FOR 2005-06**

STREET TRANSPORTATION

Sealcoat:

In 1994-95, the city of Phoenix provided 53 miles of sealcoat.

Beginning in 1995-96, the program was expanded to include 95 miles of sealcoat. In 1997-98, sealcoat miles increased to approximately 100 miles annually.

In 2004-05, due to budget constraints and increased cost of materials, the number of sealcoat miles was reduced to 76 miles annually.

Based on 2003 ICMA data, city of Phoenix paved road rehabilitation expenditures per capita compare favorably to those of other benchmark cities as noted below:

**Paved Road Rehabilitation
Expenditures per Capita:**

Tucson – \$7.03

Austin – \$15.62

San Jose – \$15.87

PHOENIX – \$16.13

San Antonio – \$17.17

Oklahoma City – \$19.63

Kansas City – \$21.71

The 2005-06 budget further reduces funding of the micro-seal program. Sealcoating will be provided on 63 miles of city streets annually.



PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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STREET TRANSPORTATION

Asphalt Overlay:

In 1994-95, 79 miles of overlay were performed.

This program funded 82 miles of overlay in fiscal year 1995-96 and 95 miles in fiscal year 1997-98. Between fiscal years 1998-99 and 2003-04 and average of 131 miles of overlay were performed annually.

In 2004-05 it is estimated that 124 miles will be overlaid. This decrease in miles is primarily due to increased cost of materials.

No changes are included in the 2005-06 budget.

COMMUNITY DEVELOPMENT

HOUSING

Scattered Sites Housing Program:

In 1994-95, the Housing Department had 230 units.

This homeownership program allows eligible tenants the opportunity to purchase their home. The program expanded to a total of 470 homes in 1998-99. The current inventory of 430 units reflects the sale of 40 homes to eligible tenants over the last few years.

Under the 2005-06 budget, the program is expected to purchase 10 additional homes, bringing the inventory to 440 homes.

Affordable Housing Program:

In 1994-95, this program had 695 units for families and individuals.

This program began in 1990-91 and has expanded to a total of 1,359 city-owned units for families and individuals with 325 units added with 2001 bond funds, and 339 units added with other funding sources.

Under the 2005-06 budget, the program is expected to maintain an inventory of 1,359 units.





PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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COMMUNITY DEVELOPMENT

HOUSING

Conventional Housing Program:

This program has been in effect since 1951-52. In 1994-95, there were 1,776 units.

This program's beginning inventory remained at 1,776 units located at various sites. Due to the reconstruction activities resulting from the HOPE VI grant, 280 units became unavailable at the Matthew Henson housing site. One additional unit was transferred to the Saint Vincent de Paul organization.

Under the 2005-06 budget, the program is expected to reduce its inventory to 1,417 due to the remaining 78 units becoming unavailable at Matthew Henson.

The inventory at the end of 2004-05 was 1,495 units.

NEIGHBORHOOD SERVICES

Neighborhood Preservation

Case Cycle Time (Days)

In 1994-95, 135 days were needed to complete a neighborhood preservation case.

In 1995-96, 98.6 days were needed to complete a neighborhood preservation case. Over time, positions have been added to improve cycle times and implement a Landlord/Tenant Education Slum Prevention program. Case cycle times improved from 83 days in 2001-02 to 59 in 2003-04 as staff added in previous years was fully trained and gained expertise in performing their duties. Case cycle times reduced to 58 days in 2004-05.

The 2005-06 budget reduction of staff and abatement funding is expected to increase the case cycle time to 59 days.

Based on 2003 ICMA data, city of Phoenix code enforcement expenditures per capita compares very favorably to those of other benchmark cities as noted below:

Code Enforcement Expenditures per Capita:

Austin – \$3.94

PHOENIX – \$5.00

Oklahoma City - \$5.92

Long Beach - \$8.06



PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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ECONOMIC DEVELOPMENT

**Employment Growth Rate
Compared to Other Cities**

This is a new measure.

In 2004, Phoenix's employment growth rate was better than that of all of the following benchmark cities:

It is anticipated employment will continue to grow in 2005-06, although growth will be at a modest rate.

PHOENIX - 2.8%

San Antonio - 1.6%

San Diego - 1.5%

Austin-San Marcos - 0.9%

Dallas - 0.9%

Ft. Worth-Arlington - 1.0%

Los Angeles-Long Beach -0.6%

Kansas City - 0.4%

San Jose - (1.1)%

COMMUNITY ENRICHMENT

HUMAN SERVICES

Head Start Program:

In 1994-95, the Human Services Department served 2,501 children.

The program is expected to serve 3,194 children during 2004-05.

No changes are included in the 2005-06 budget.

**School Based/School Linked
Program:**

In 1994-95, this program provided services at 22 school sites.

The program began in 1990 with five school sites. In 1996-97, the program operated from 20 school sites and served 3,312 youth. By 1997-98, the program operated from 25 school sites through additional grant funding and various partnerships and served 3,360 youth. In 2004-05, the program is expected to serve 2,500 youth at seven sites.

The program is expected to serve 2,500 youth in the 2005-06.

Senior Nutrition Program:

In 1994-95, the Human Services Department served 497,700 congregate and home-delivered meals.

By 1998-99, the program served 499,000 congregate and home-delivered meals. In 2000-01, the program added a cook position and served 544,000 meals. For 2004-05 the program is expected to serve 598,000 congregate and home-delivered meals.

The Westside and Shadow Mountain Senior Centers will relocate to new expanded space in the spring of 2006. With the expansion, the program is expected to serve 599,500 congregate and home-delivered meals.





PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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PARKS AND RECREATION

Swimming Pools:
In 1994-95, the city of Phoenix had 27 public swimming pools.

In 1996-97, the Paradise Valley pool was added, resulting in 28 total swimming pools. In 2000-01, staffing was added to provide year-round operation for the Paradise Valley Diving Well. In 2003-04, Pecos Pool was opened, increasing the number of pools to 29. No changes were included in the 2004-05 budget.

No changes are included in the 2005-06 budget.

Swimming Pool Season:
In 1994-95, swimming pools were open for 12 weeks during the summer months.

In 1996-97, eight lifeguards were added to maintain health and safety standards. In 2003-04, budget considerations forced the city to reduce the swim season to 10 weeks. All pools closed in mid-August to coincide with the beginning of the school year. No changes were included in the 2004-05 budget.

The 2005-06 budget reduces the swim season by closing pools one week earlier, resulting in a 9-week season.

Children's Summer Recreation Programs:
In 1994-95, the city of Phoenix provided recreation programs at 113 schools for 24-30 hours of programming for 6-8 weeks during the summer months.

In 1995-96, the city of Phoenix provided 121 schools with 24-30 hours of programming for six to eight weeks during the summer months. Six sites were added in 1999-00 for a total of 127 program sites.

No changes are included in the 2005-06 budget.



PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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PARKS AND RECREATION

**School Recreation Program
During School Year:**

In 1994-95, two hours of after-school recreation programming from 3 to 5 p.m. were approved on weekdays for nine months each year at 24 sites citywide.

In 1995-96, the program expanded to a total of 61 sites. In 1996-97, 11 new sites were added citywide for a total of 72 sites. In 1998-99, four new sites were added for a total of 76 sites. Also at these four sites, Saturday programming was provided from 10 a.m. to 4 p.m. In 1999-00, 25 new sites were added for a total of 101. The 2000-01 budget added 32 new sites, for a total of 133. The 2001-02 budget added another 33 sites, raising the total to 166. No changes were included in the 2004-05 budget.

No changes are included in the 2005-06 budget.

LIBRARY

Central Library:

The new Burton Barr Central Library opened in May 1995, for 67 hours of operation per week.

The 1998-99 budget added Thursday evening hours increasing total weekly hours to 70. The 2000-01 budget extended service hours to 9 p.m. on school nights. As a result, the Central Library provided service 75 hours per week. In April 2003, Central Library hours were reduced to 66 hours per week as a result of citywide budget reductions.

No service hour changes are included in the 2005-06 budget.





**PROGRAM SERVICE LEVEL
IN 1994-95**

**SERVICE CHANGES
THROUGH 2004-05**

**SERVICE CHANGES
FOR 2005-06**

LIBRARY

Branch Libraries:

In 1994-95, the city had eleven branch libraries with a total of 667 hours of weekly library service.

In 1995-96, 17 service hours were added at six branches, bringing total service hours for 11 branch libraries to 681 a week during the school year. Desert Sage Library opened in July 1997 for 70 service hours per week, increasing the number of branch libraries to 12 and the total hours of service to 751 during the school year. Beginning in 1998-99, five branches increased hours to 9 a.m. to 9 p.m. Monday through Thursday and 9 a.m. to 6 p.m. Fridays. Beginning in 1999-00, seven branches that were only open on Sundays during the school year received funding to open on Sundays all year. In 2000-01 all branch library hours were extended to 9 p.m. on school nights. As a result, every branch library was open 75 hours per week or 900 hours per week total for 12 branches. In April 2003, branch library hours were reduced to 66 hours per week (792 total) as a result of budget reductions. The 2004-05 budget funded the opening of the new Palo Verde branch. This 16,000-square-foot branch library replaced the existing 10,000-square-foot Palo Verde Library, which opened in 1966.

The new 15,000-square-foot Desert Broom Library serving the Desert View Village area opened in February 2005 for 66 hours per week, increasing total branch library service hours to 858 per week.

No service hour changes are included in the 2005-06 budget. The planned opening of the new regional Cesar Chavez branch was delayed from April until July 2006 as part of the budget-balancing actions.

**Comparisons with
Other Library Systems:**

This is a new measure.

Based on 2003 ICMA data, the Phoenix library system compared very favorably to other benchmark cities as noted below:

This trend is expected to continue during the 2005-06 budget.

Cost per Item Circulated:

PHOENIX – \$1.99

Austin – \$3.89

Long Beach – \$5.13



PROGRAM SERVICE LEVEL IN 1994-95	SERVICE CHANGES THROUGH 2004-05	SERVICE CHANGES FOR 2005-06
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WATER SERVICES

Water Bill Comparison for Single-Family Homes

This is a new measure.

In a March 2004 survey, Phoenix's average monthly water bill compared favorably to the following benchmark cities:

- San Jose – \$42.18
- Austin – \$32.05
- Kansas City – \$31.96
- Dallas – \$28.42
- Tucson – \$26.12
- Albuquerque – \$24.32
- PHOENIX – \$21.88**
- San Antonio – \$17.85

It is anticipated Phoenix water rates will continue this trend during 2005-06.

Wastewater Bill Comparison for Single-Family Homes

This is a new measure.

In a March 2004 survey, Phoenix's average monthly wastewater bill compared favorably to the following benchmark cities:

- Austin – \$43.14
- Dallas – \$28.38
- Kansas City – \$22.46
- San Antonio – \$20.36
- San Jose – \$19.81
- Albuquerque – \$16.24
- PHOENIX – \$15.97**
- Tucson – \$14.47

It is anticipated Phoenix wastewater rates will continue this trend during 2005-06.



Budget Process, Council Review and Input, Public Hearings and Budget Adoption

Each year, the city of Phoenix budget is developed in conjunction with the Mayor and City Council, residents, city employees, the City Manager's Office and all city departments.

Modified Zero-Base Budgeting Process

The city of Phoenix uses a modified zero-base budgeting process. Each fall, departments submit an estimate (called the "base budget") of the costs associated with providing their current levels of service for the following year. Budget and Research staff review these base budget submissions to ensure that only the funding needed to continue current service levels is included in the department's base budget for the following year. This Budget and Research review is called a technical review because of its non-programmatic, line item by line item review. A department's base budget funding may differ from its current year funding for a variety of reasons. For example, an increase or decrease in electricity or postage rates would be reflected in the base budget.

In addition to base budget submissions, departments identify 5 to 10 percent of their budget for potential elimination. These submissions are called base reductions and represent the department's lowest-priority activities. At the same time, departments are asked to submit any requests for new or expanded programs. These are called supplemental budget requests.

Base reductions and supplemental requests include all costs associated with a specific program or service. For example, costs for a swimming pool would include personnel costs for a lifeguard and other staff, chemicals for the pool, building maintenance and utilities.

When base reductions and supplemental requests are submitted, they are ranked together according to the department's priorities. The department's ranking indicates whether making a base reduction to add a new program would be possible, and also indicates which supplemental programs and base reductions are most critical to the department. City Council members also are asked to submit their own ideas for budget changes.

The City Council then provides input to the city manager for the preparation of the Trial Budget, which is submitted to City Council early each spring. The purpose of the Trial Budget is to enable the community and the City Council to comment on a balanced budget well before the city manager is required to submit his recommended budget to the City Council in mid-May. Public hearings are conducted throughout the community during day and evening hours. The City Council makes final budget recommendations after the city manager's preliminary budget is submitted.

2005-06 Budget Process

In December 2004, Budget and Research staff presented an early General Fund budget outlook to the City Council. The Mayor and Council were advised that current year revenue growth was positive but balancing the 2005-06 budget would be challenging. Several factors impacting next year's budget included a reduction in the prior year carryover fund balance, new operating costs for capital facilities coming on line next fiscal year in addition to the full-year's impact of facilities opened throughout the current fiscal year,

increased pension costs, negotiated employee compensation increases, and the two-year impact of the public safety DROP early hire program. Due to these costs, the report concluded that budget cuts could be required to balance the upcoming 2005-06 budget.

In anticipation of a budget shortfall, in December 2004, city departments were asked to submit base reductions equal to 5 percent of their current budget for management review. As this was the fourth year that expenditures had to be cut and the easier reductions had been made in previous years, departments were asked to identify cuts that would have the least impact on the community. Departments also were asked to request only the bare minimum needed to open capital facilities coming on line in 2005-06.

Budget and Research presented an updated General Fund budget outlook in February 2005. At that time, the Mayor and Council were advised that although revenues were growing modestly, expenses were growing at a faster rate. The updated expenditure forecast showed a 2005-06 general fund deficit of \$68.7 million. General fund revenues were forecasted to grow by about 8 percent next year but costs were expected to grow by 14.9 percent. Major contributors to the deficit included fuel and utility inflation, employee compensation increases, contingency fund restoration, expiring public safety grants, costs of new capital facilities and decreased revenues connected to recent electricity shortages and related conservation efforts. Staff recommended some immediate actions to reduce the deficit. This included freeing





up general funds by using increased Arizona Highway User Revenue for the Street Transportation operating budget. Also recommended was lease purchase financing for planned equipment purchases. The budget calendar was proposed to be advanced by one month so that 13 months in savings could be achieved rather than 12. Finally, the secondary and primary property tax rates were shifted to provide additional general operating funds. The total property tax rate remained unchanged. These financial actions reduced the 2005-06 deficit to \$33.7 million. The Mayor and Council approved these budget-balancing measures and requested that public safety personnel be excluded from any budget cuts. The city manager also implemented a hiring freeze on all civilian positions.

On March 8, a budget reduction proposal totaling \$16.3 million was presented to the Mayor and City Council. The deficit was decreased from the original \$33.7 million to \$16.3 million by identifying additional line item cuts, increasing revenue projections based on improved sales tax collections, reduced costs associated with opening new capital facilities due to revised construction timelines, and transferring \$9.8 million associated with the public safety early hiring plan from the General Fund to the revenue generated by new franchise agreements.

The proposed reductions included 108.9 jobs. Among the recommended cuts were the closing of a family service center and one senior center, closing a second senior center for six months, the delayed opening of the new Cesar Chavez Regional Library, increased library fines, reductions in parks maintenance, reduced community center hours, closing city pools one week earlier, less street repairs, and a reduction in bus service.

The proposed budget added \$2.1 million to fund the operating costs of several new capital facilities. This included replacement senior centers for the Westside Senior Center and the Shadow Mountain Senior Center, the newly renovated Memorial Hall at Steele Indian School Park, Indian Bend Wash Park, a community park at 17th and Peoria avenues, the HOPE VI Coleman Recreation Center and park, Bethany Home Outfall Channel and the full-time operation of the Camp Colley outdoor recreation camp. Funding also was added for fire communication operators, annual maintenance costs of the police and fire twin engine helicopter, as well as maintenance costs for new street landscaping and the Art Museum expansion. The proposed budget also recommended that \$1.0 million in expiring grant programs be transitioned to the General Fund. The programs recommended for transition support the criminal justice system. These include the Community Gun Violence program, Victim's Rights funding, prosecutors and evidence technicians. Programs which were not recommended for transitioning to the General Fund are the Operation Attendance is Mandatory (AIM) truancy reduction program, Young First Offender program, Daring Adventures program for teens and adults with disabilities, Victims Restitution services and Driving under the Influence (DUI) training. These programs will end on the grant expiration date.

The proposed 2005-06 budget for Transit 2000 funds included \$300,000 to provide improvements to Dial-a-Ride services, add trips to alleviate overcrowded conditions on popular local routes, and in partnership with the city of Avondale, extend Route 3- Van Buren from 67th Avenue to 83rd Avenue.

Improvements in the enterprise-funded departments also were included in the proposed budget. For the Aviation Department, staff and operating costs were added to support the new rental car center and bus maintenance facility and additional staff was provided for parking management, the Lost and Found Office and supply warehouse. Increased staff was also added to comply with Transportation Security Administration mandates and funding for five additional police officers was included as well. In the Public Works Department Solid Waste Division, additional staff was provided for the new North Gateway Transfer Station, to supervise the growing south region, and to implement the intergovernmental agreement with the town of Buckeye related to the new landfill. Water and Wastewater Services improvements include staff and equipment to improve security, comply with federal and state requirements and standards and maintain expanded water and wastewater treatment facilities. Funding also was added in the Development Services Department to address increased plan review and permitting workload and maintain the sign inventory.



The proposed budget was presented at 15 budget hearings conducted throughout the community from March 9 through March 25 to gain community input. Special hearings were held for youth, seniors and small businesses. A slide show was presented at each hearing describing the proposed budget, after which residents were invited to comment. In addition to the budget hearings, the city communicated the budget to the community through the "Phoenix Budget for Community Review" that outlined the proposed service reductions and enhancements as well as a calendar of budget hearing dates. This publication was inserted in the March 13 edition of *The Arizona Republic* and delivered to 230,000 households.

A Spanish version of this publication has been included in editions of *Prensa Hispana*, *La Voz* and *El Monitor*. An insert also was included in *The Informant*. Copies of the inserts also were available at various locations throughout the city. Residents also were invited to send comments and questions to Budget and Research's Internet site.

A balanced 2005-06 budget was presented to the Mayor and Council on April 5. This budget included changes based on the community input from the budget hearings. Staff identified increased resources totaling \$1,069,000 to respond to community concerns. These resources included additional savings, increased revenues, and savings from suspending the Infill Housing program. The additional

resources were used to restore \$145,000 in planned reductions for parks maintenance and \$264,000 for general recreation programming. Some of the planned bus route reductions were restored with \$167,000. In addition, \$383,000 was allocated to continue the Senior Services East and Shadow Mountain Senior centers. Finally, \$105,000 was allocated to restore the prosecutor assigned to handle inspection cases from Neighborhood Services and Development Services. With these changes, the recommended 2005-06 budget included reductions totaling \$15.4 million and the elimination of 92.9 jobs. With the exception of the Police and Fire departments which were cut by .9 percent, most general-funded department budgets were reduced by 2.6 percent.



Community members are given the opportunity to comment on a balanced budget before it is adopted by the Phoenix City Council. A newspaper insert about the Proposed Budget was distributed in The Arizona Republic and La Voz and El Monitor.





Tentative Budget Adoption - June 1

A public hearing and tentative budget adoption were held on June 1 in compliance with the Charter requirement that the budget be adopted no later than June 30. Upon tentative adoption, the budget becomes the City Council's program of services for the ensuing fiscal year. At this point, the Council may later decrease the budget, but only in certain instances may the budget be increased. Generally, the ability to increase the budget applies to expenditures exempted from the state expenditure limitation. Transfers between department appropriations are still permissible before the final budget is adopted.

Final Budget Adoption - June 15

A public hearing and final adoption were conducted on June 15. Adoption of the property tax levy was scheduled no less than 14 days later, on July 1 in accordance with state law.

The following chart is an overview of the 2005-06 budget calendar.

2005-06 Budget Calendar

December 14	Early General Fund Budget Outlook and Calendar
February 1	General Fund Budget Status Report
March 8	2005-06 Proposed Balanced Budget
Week of March 13	Budget Inserts in Local Newspapers
March 9 - 25	Community Budget Hearings
April 5	2005-06 Proposed Budget and 2005-10 Preliminary Capital Improvement Program presented to the City Council
April 14	2001 Bond Committee Meeting
May 3	City Manager's Recommended 2005-06 Budget distributed to City Council
May 23	Budget Reductions Effective
June 1	Tentative Adoption of 2005-06 Budget and 2005-10 Capital Improvement Program
June 15	Final Budget Adoption
July 1	Property Tax Adoption



General Budget and Financial Policies

City of Phoenix budget and financial policies are governed by Arizona state law, the City Charter and generally accepted accounting standards. These laws and standards set budget calendar dates, provide for budget control, describe ways to amend the budget after adoption, and identify appropriate methods for budgeting, accounting and reporting. The Arizona Constitution establishes the property tax system and sets tax levy and assessed valuation limits. The constitution also provides annual expenditure limits and sets total bonded debt limits.

The city's budget policies are extensions of these basic laws and follow generally accepted governmental budgeting and accounting standards.

A BALANCED BUDGET IS REQUIRED

Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as “the primary property tax levy, when added together with all other available resources, must equal these expenditures.”

Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a “rainy day fund”) is included in the budget each year.

The City Charter also requires an annual balanced budget. The Charter further requires that “the total of proposed expenditures shall not exceed the total of estimated income and fund balances.”

Annual Budget Adoption Requirements

The City Charter and state statutes contain legal deadlines and actions that must be followed in adopting the budget. In cases where the deadlines conflict, the city meets the earlier of the two dates. The deadlines and formal actions prescribed by both, as well as the actual or planned dates for the 2005-06 budget development process are as follows.

Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2005-06 Budget Dates
City manager's recommended five-year Capital Improvement Program submitted to the City Council	At least 3 months prior to final date for submitting the budget or a date designated by the City Council.	Capital Improvement Program not required.	April 5
City manager's proposed budget for ensuing year presented to the Mayor and City Council.	On or before the first Tuesday in June or a date designated by the City Council.	City manager budget not required.	April 5
Publish general summary of budget and notice of public hearing that must be held prior to tentative budget adoption.	Publish in newspaper of general circulation at least two weeks prior to first public hearing.	No requirement.	Publish week of May 16
Publish notice of public hearing which must be held prior to adoption of five-year Capital Improvement Program by resolution.	Publish in newspaper of general circulation at least two weeks prior to first public hearing.	No requirement.	Publish week of May 16





Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2005-06 Budget Dates
Public hearing immediately followed by tentative budget adoption with or without amendment.	On or before the last day of June.	On or before the third Monday of July.	June 1
Publish summary of tentatively adopted budget and notice of public hearing which must precede final adoption. Publish truth-in-taxation notice.	No requirement.	Once a week for two consecutive weeks following tentative adoption.	Publish weeks of May 30, June 6 and 13
Public hearing including truth-in-taxation hearing immediately followed by final budget adoption.	No requirement.	No later than second Monday in August.	June 15
Property Tax Levy Adoption.	No later than the last regularly scheduled Council meeting in July.	No sooner than 14 days following final budget adoption and no later than the third Monday in August.	July 1

Amendments to the Budget After Final Adoption

Generally, by Arizona state statute, no expenditure may be made nor liability incurred for a purpose not included in the budget even if additional funds become available. The level of legal budgetary control is by fund except for the General Fund for which control is by program.

In certain instances, however, the budget may be amended after adoption. All budget amendments require City Council approval. These are (1) transfers from any contingency appropriation, (2) increases in funds exempt from the

Arizona State Constitution expenditure limit and (3) reallocations of amounts included in the original budget. An amount for contingencies is included in the General Fund and in other restricted funds. Informal reservations of contingencies are made throughout the fiscal year as approved by the City Council. Actual expenditures are recorded in the appropriate departmental budget. Then, at the end of the fiscal year, contingency amounts actually needed are transferred by City Council formal action to the appropriate departmental budget.

If funds are available, appropriations may be increased for certain funds specifically excluded from the limitations in the Arizona Constitution. These funds are bond proceeds, Arizona Highway User Revenue, debt service and grants. At the end of each fiscal year, the City Council adopts an amendment to the budget ordinance for any necessary increases in these funds. These increases are largely caused by federal grants that become available throughout the fiscal year.

Finally, transfers of amounts within any specific fund or General Fund program can be made upon approval of the city manager.

PROPERTY TAXES AND BONDED DEBT LIMIT

Arizona’s property tax system provides for two separate tax systems. A primary property tax is levied to pay current operation and maintenance expense. Therefore, primary property tax revenue is budgeted and accounted for in the General Fund. A secondary property tax levy is restricted to the payment of debt service on long-term debt obligations. Therefore, secondary property tax revenue is budgeted and accounted for as a Special Revenue fund.

Primary Property Tax Restrictions

Primary property tax levies are restricted to an annual 2 percent increase plus an allowance for growth attributable to previously unassessed properties (primarily new construction). Growth in primary assessed valuation is restricted annually to the greater of 10 percent, or 25 percent of the difference between primary and secondary values, plus an allowance for previously unassessed properties. The City Charter requires that 8 cents of the primary property tax levy be allocated to the Parks and Playground Fund.



Secondary Property Tax Restrictions

Secondary property tax levies are restricted in their use to the payment of annual debt service on long-term debt obligations. Any over-collection of the secondary levy or any interest earned by invested secondary property tax funds must be used to reduce the following year's levy. No restrictions limit the annual growth in secondary assessed valuations. Secondary assessed valuations are intended, therefore, to follow general market conditions.

Generally, Arizona counties assess property and collect all property taxes. Proceeds are distributed monthly to the appropriate jurisdictions.

Bonded Debt Limit

Arizona cities can issue general obligation bonds for purposes of water, sewer, artificial light, open space, preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20 percent of the secondary assessed valuation. General obligation bonds can be issued for all purposes other than those previously listed up to an amount not exceeding 6 percent of the secondary assessed valuation. An analysis of bonded debt limits is provided in the Debt Service and Lease Purchase chapter.

ANNUAL EXPENDITURE LIMITATION

Since fiscal year 1982-83, the city of Phoenix has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the city's actual 1979-80 expenditures adjusted for interim growth in population and inflation as measured by the gross domestic product implicit price deflator.

The constitution exempts certain expenditures from the limitation. The principal exemptions for the city of Phoenix are debt-service payments, expenditures of federal funds, certain state-shared revenues and other long-term debt obligations. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may be adjusted for the transfer of functions between governmental jurisdictions.

The constitution provides for four processes to exceed the expenditure limitation: (1) a local four-year home rule option, (2) a permanent adjustment to the 1979-80 base, (3) a one-time override for the following fiscal year, and (4) an accumulation for pay-as-you-go capital. All require voter approval.

City of Phoenix voters have approved six local home rule options in 1981, 1985, 1991, 1995, 1999 and 2003. Before 1999, the home rule options generally excluded enterprise operations such as Aviation, Water, Wastewater and Solid Waste from the expenditure limitation. In 1999, and again in 2003, the voters approved establishing the city's annual budget as the spending limit. The current home rule option is in effect through fiscal year 2007-08. Finally, in 1981, the voters approved the permanent annual exclusion of the following amounts for pay-as-you-go capital: \$5 million for Aviation, \$6 million for Water, \$6 million for Wastewater and \$2 million for General Fund street improvements.

Each year, the city uses only those exemptions needed to comply with the expenditure limitation. Exemptions not needed are carried forward to future years and used for future spending capacity.

BUDGET BASIS OF ACCOUNTING

The city's budget basis of accounting differs from generally accepted accounting principles (GAAP) used for preparing the city's comprehensive annual financial report. The major differences between the budget basis and GAAP basis are listed below. A reconciliation of budgetary and GAAP fund balances is provided each year in the Comprehensive Annual Financial Report.

1. For budgetary purposes, encumbrances (contractual commitments to be performed) are considered the equivalent of expenditures rather than as a reservation of fund balance.
2. Grant revenues are budgeted on a modified cash basis. GAAP recognizes grant revenues on an accrual basis.
3. Fund balances reserved for inventories, bonded debt and unrealized gains or losses on investments are not recognized in the budget.
4. In-lieu property taxes and central service cost allocations (levied against certain enterprise and special revenue funds) are budgeted as interfund transfers rather than revenues and expenses.
5. For budgetary purposes, all fixed assets are fully expensed in the year acquired.

The differences between budgetary and GAAP accounting listed above are similar to those of many other local governments. These differences exist largely because they provide a more conservative view of revenues and expenditures and because they provide greater administrative controls.





GENERAL FINANCIAL POLICIES

In addition to the legal constraints outlined in the previous section, a number of administrative and City Council-approved policies provide guidance and direction to the budget development process.

Form of Budget Adoption

1. Ordinances - Three budget ordinances are adopted each fiscal year: (1) the operating funds ordinance, (2) the capital (bond) funds ordinance and (3) the re-appropriated funds ordinance. The last ordinance is required because unexpended amounts, including those encumbered, lapse at the end of the fiscal year. Since all expended amounts must be included in the budget adoption ordinance, the city re-budgets all encumbrances outstanding at year-end.

2. Allocation of Appropriations - Funds appropriated by the City Council are allocated to programs, offices, departments, divisions, sections, projects, and type of expenditure by the city manager or as delegated to the Budget and Research director to provide managerial control and reporting of budgetary operations.

3. Contingency Amounts -

A contingency allowance (also known as a “Rainy Day Fund”) is appropriated to provide for emergencies, mid-year community service requests, unanticipated expenditures and revenue shortfalls. Expenditures may be made from contingencies only upon approval by the City Council with recommendation by the city manager.

In 1995-96, the City Council adopted a policy to provide a contingency equal to 3 percent of operating expenditures in the General Fund. However, in 2003-04, the City Council reduced the General Fund contingency to 2.5 percent of operating expenditures in order to close a budget deficit. In the 2004-05 budget, the contingency fund was increased to 2.6 percent of operating expenditures. The 2005-06 budget maintains the General Fund contingency at 2.6 percent of operating expenditures.

Enterprise and Special Revenue funds have varying levels of contingency funding consistent with the variability in revenues and expenditures associated with the services provided.

4. Budget Controls - At the department level, control of expenditures is governed by Administrative Regulation. City departments prepare revised expenditure estimates twice a year. The Budget and Research Department keeps the city manager and the City Council advised on the status of the budget through periodic budget status reports. Mid-year revenue shortfalls and/or expenditure increases can result in the adoption of mid-year expenditure reductions.

Cost Allocation and Expenditure Policies

1. Central Services Cost Allocation -

The Finance Department annually calculates the full cost of central services provided to enterprise funds. Except for the Golf Fund, these allocated costs are recouped from the enterprise funds through fund transfers to the General Fund.

2. Administrative Cost Recovery -

The Finance Department prepares an indirect cost allocation plan that conforms to federal guidelines for grant reimbursement of appropriate administrative costs. The allocated costs are charged to eligible federal grant funds through a fund transfer to the General Fund.

3. Internal Cost Accounting

Allocation - Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs.

4. Enterprise Cost Recovery -

Aviation, Water, Wastewater and Solid Waste are fully self-supporting from rates, fees and charges and, as such, are budgeted and accounted for as Enterprise Funds. Cost recovery includes direct operation and maintenance expenses, capital expenditures, debt service, indirect cost allocation, and in-lieu property taxes, where allowable. The Civic Plaza, while accounted for using enterprise accounting principles, is partially financed from rental and parking fees with the remainder coming from earmarked sales taxes.



The Golf Fund, also accounted for using enterprise accounting principles, does not reimburse the General Fund for citywide indirect cost allocations. Finally, federal regulations preclude the Aviation Fund from paying in-lieu property taxes. By City Council policy, the Civic Plaza Fund does not pay in-lieu property taxes.

5. Employee Compensation Costs -

Costs for employee compensation including all wages, social security, industrial, health, life, unemployment, dental insurance and other personal allowances are allocated to each department. The future values of compensated absences are not included in the budget but are disclosed in the notes to the Comprehensive Annual Financial Report at year's end. Annual amounts for cash conversion of vacation, compensatory time and sick leave are included in the budget.

6. Pension Funding - In addition to other employee compensation amounts, pension amounts are allocated to each department. The required employer contribution is determined actuarially to fund full benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over 20 years from the end of the current fiscal year.

7. Self-Insurance Costs - With a few exceptions, the city is fully self-insured for general and automotive liability exposures. The major exceptions to self-insurance include airport operations, police aircraft operations and excess general and automotive liability for losses in excess of \$5 million. An independent actuary determines the self-insurance costs, which are combined with purchased policy costs and allocated to department budgets based on the previous five years' loss experience of each department.

8. Maintenance and Replacement of Rolling Stock and Major Facilities -

A multiyear plan is used to project the need for, and costs of, significant street pavement, facility and equipment repair and replacement. The planning horizon for each asset category is matched to the life of the asset. Annually, that plan, combined with periodic physical inspections of streets, facilities, vehicles and other equipment, is used to develop funding levels for inclusion in the budget. During economic downturns, these amounts are debt-financed with a repayment schedule shorter than the expected life of the asset.

Revenue Management

All local governments struggle to generate the funds necessary to provide, maintain and enhance the service demands of their community. Due to the legal limitations on property taxes in Arizona, and due to the pre-emption of city-imposed income, luxury and gas taxes, Arizona cities and towns largely rely on local sales taxes and state-shared sales, income and vehicle license taxes. In Phoenix, 40 percent of the General Fund comes from the local sales tax. This reliance on sales tax collections results in a highly cyclical revenue base.

Given our reliance on sales taxes, developing personal income is an important step in managing our revenue base. In recent years, considerable effort has been devoted to attracting employers that will provide our residents with quality jobs and to developing a local workforce that will support the needs of quality employers. We have also worked to develop an employment base that is not as heavily concentrated in the highly cyclical construction industry.

Also important to managing our revenue base is the future growth expected in catalog and Internet sales. Our Use Tax is an important tool in reducing this potential future threat. The development of our tourism-related sales tax base (hotels, restaurants and short-term car rentals) is another important hedge against future revenue loss due to growth in Internet and catalog sales.

Finally, utility taxes that are levied against the sales of electricity, natural gas, telecommunications, water and sewer make up about 21 percent of our local sales tax base. Generally, utility taxes are not responsive to economic conditions and provide us with a fairly significant revenue source that remains stable during periods of economic downturn.





In addition, several detailed revenue policies are listed below.

1. City Sales and Use Taxes

(Privilege License Taxes) - The City Council may set the city sales tax rate by ordinance. The city sales tax rate on retail sales and most other categories is 1.8 percent. The rate varies for certain other specialized taxing categories as outlined in the Operating Fund Revenues section of this document.

2. Property Taxes - By City Council policy, the combined city property tax rate is \$1.82 per \$100 of assessed valuation. The primary property tax levy is annually set at the previous year's levy amount plus an amount associated with new construction and an amount to partially provide for the operating costs of new capital facilities. The secondary levy is then set at an amount necessary to achieve a total \$1.82 tax rate.

3. In-Lieu Property Taxes -

In-lieu property taxes are charged to the Water, Wastewater, Solid Waste and Public Housing funds based upon acquisition or construction cost with the appropriate assessment ratio and current property tax rate applied. These amounts are calculated annually by the Finance Department.

4. Annual User Fee Review -

The city auditor conducts a comprehensive user fee review to project cost recovery rates, and then compares the projections to the established cost recovery policy. The rates are based upon generally accepted full-cost accounting standards. The city manager recommends expenditure reductions or fee adjustments to the City Council to maintain the established cost recovery policy.

5. Fines and Forfeitures -

The Municipal Court has jurisdiction over establishing many of the fine and forfeiture fee schedules.

6. Parks and Recreation Fees and Charges -

The Parks and Recreation Board has jurisdiction over establishing charges for miscellaneous recreational facilities and advising the City Council on fees to be set for golf courses, tennis centers and swimming pools.

7. Interest Earnings - Interest earnings from the investment of temporarily idle funds are credited to the fund generating the earnings.

FUND STRUCTURE

The budget presented here is made up of three distinct fund groups: General, Special Revenue and Enterprise funds.

All planned uses of these fund types are included in the annual budget. Fiduciary funds, which are described later in this section, are not included in the annual budget.

General Funds

General – These revenues come from four major sources: local sales (privilege license) taxes, local primary property taxes, state-shared revenues, and user fees and other revenues. State-shared taxes include state-shared sales, vehicle license and income taxes. User fees and other revenues include cable and ambulance fees as well as interest earnings and fines. General funds are used to provide the most basic of city services: police, fire, parks, library, municipal court and neighborhood services.

Parks and Recreation – The City Charter requires that a portion of the primary property tax levy be used to support Parks programs. To demonstrate compliance with this requirement, all Parks revenues and expenditures are segregated in a separate fund.

Library – State law requires that funds received for library purposes be segregated in a separate library fund. Revenues include library fines and fees, which are used to help offset library expenditures.

Cable Communications – Included in this fund are the revenues and expenditures associated with administering cable television licensing and programming the government and education access channels.

Special Revenue Funds

Excise Tax – The excise tax fund is used to account for tax revenues ultimately pledged to pay principal and interest on various debt obligations.

Police and Fire Neighborhood Protection

– These funds are used to account for the revenues and expenditures associated with a voter approved 0.1 percent increase in the sales tax in 1993. Revenue from the tax increase is earmarked for police and fire neighborhood protection programs, and police Block Watch programs.

Police and Fire Public Safety Enhancement

– These funds are used to account for the revenues and expenditures associated with a voter approved 2.0 percent increment of the 2.7 percent privilege license (sales) tax on utilities with franchise agreements in March 2005. The Police Department, including the Office of Emergency Management will be allocated 62 percent and the Fire Department 38 percent of revenues with the interest earnings going to the General Fund.

Parks and Preserves – This fund is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in 1999. The funds are to be used for the purchase of state trust lands for the Sonoran Desert Preserve Open Space, and the development and improvement of regional and neighborhood parks to enhance community safety and recreation.



City Improvement – This fund is used to account for lease/purchase payments incurred as a result of facilities built by the Civic Improvement Corporation.

Capital Construction – This fund is used to account for the utility taxes (2 percent) on telecommunication services that are to be used for pay-as-you-go capital projects.

Transit 2000 – This fund is used to account for the 0.4 percent sales tax dedicated to transit approved by voters on March 14, 2000. Also included in this fund are fare box collections and DASH (Downtown Area SHuttle) revenues.

Development Services – Fee revenues and expenditures associated with permitting and inspection services provided by the Development Services Department are maintained in this fund.

Court Awards – This fund includes revenue resulting from court awards of confiscated property under both the federal and state Organized Crime Acts. Expenditures are restricted to additional law enforcement programs in the Police and Law departments.

Secondary Property Tax and General Obligation Bond Redemption – In Arizona, property taxes are divided into two separate levies: primary and secondary. The primary levy can be used for general operating and maintenance expense. The secondary levy can only be used for payment of general obligation bond interest and redemption. Because of this restriction, secondary property tax funds are segregated in a Special Revenue fund.

Arizona Highway User Revenue (AHUR) – AHUR funds are made up of state-collected gas taxes and a portion of other state-collected fees and charges such as registration fees, driver's licenses and motor carrier taxes. These funds can only be used for street maintenance and construction, and street-related debt service.

Local Transportation Assistance (LTA) – This fund includes the Phoenix share of Arizona State Lottery proceeds distributed to cities and towns. These funds are to be used for mass transit operating and capital expenses. In addition, if \$23 million is distributed, then up to 10 percent may be used for cultural, educational, historical, recreational, or scientific facilities or programs. LTA funds used for non-transit purposes must be matched on a 50/50 basis with non-public cash.

Sports Facilities – This fund accounts for revenues generated from a 1 percent hotel/motel tax and a 2 percent tax on short-term vehicle rentals. These funds are designated for payment of debt service and other expenditures related to the downtown sports arena.

Public Transit – This fund is used to account for transit services that are paid by and provided for other cities or funded by the Regional Public Transportation Authority.

Community Reinvestment – Revenues and expenditures associated with economic redevelopment agreements are maintained in this fund.

Other Restricted Funds – This is a combination of funds used to segregate restricted revenues and related expenses. Included are Court Technology Enhancement Fees, Parks revenues such as Heritage Square and Tennis Center, and various other receipts and contributions received in small amounts and earmarked for restricted purposes.

Grant Funds – Grant funds include Community Development Block Grant funds, Public Housing funds, Human Services funds and various other smaller grant allocations. Grant funds can be applied only to grant-eligible expenditures.

Enterprise Funds

Enterprise funds include Water, Wastewater, Aviation, Solid Waste, Golf and Civic Plaza funds. With the exception of Civic Plaza funds, these funds come entirely from the fees and rents paid by those who use the services and facilities provided. Enterprise funds are "self-contained" and can only be used to pay for the costs associated with Enterprise fund-related services and programs. Therefore, fees are set to recover all costs associated with providing these services. These costs include day-to-day operations and maintenance, in-lieu property taxes, pay-as-you-go capital improvements and debt service.

Civic Plaza funds come from a combination of rental and parking income and earmarked sales taxes. These earmarked taxes include a portion of the hotel, restaurant and bar, construction contracting and advertising taxes levied by the city. This tax stream has been earmarked to repay the debt issue for the Civic Plaza facility and to provide for operations and maintenance costs.

Fiduciary Funds

Fiduciary funds, including trust and agency funds, represent funds held for others. As such, these funds are not included in the annual budget. Also, reserves and expenditures for fiduciary funds are not presented in the comprehensive annual financial report (CAFR). However, the year-end balances held in fiduciary funds are provided in the CAFR.



Revenue Estimates

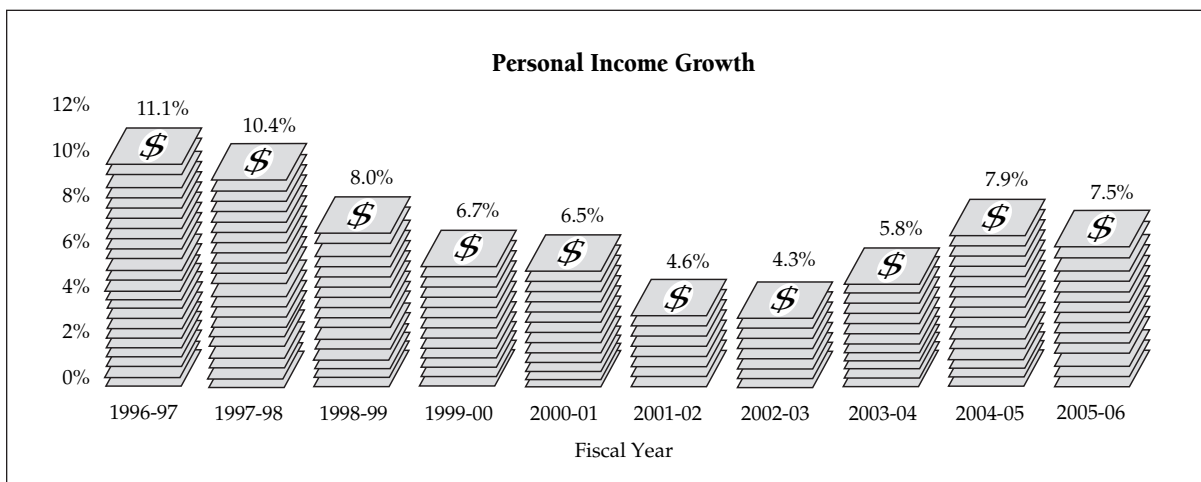
Revenue estimates for 2005-06 are based on assumptions about the local economy and population changes, on underlying cost estimates for cost-recovery rates and fees, and on the continuation of current state revenue collection and sharing practices. Adjustments to fees, such as those for water and sewer service, are established in separate planning processes and are incorporated in these estimates. In addition, other revenue estimates are developed using the most current information from outside entities that establish such fees. Examples of revenues derived from fees set by outside entities

include portions of court fines and fees and ambulance fees. Finally, the revenue estimates reflect an approved adjustment to property tax revenues. The primary property tax levy, which is a General fund revenue, has been increased by approximately \$5 million to the maximum allowable and is offset by a like reduction in the secondary property tax levy. The current \$1.82 property tax rate will remain the same.

The state and local economy began to recover in late 2002-03 and that recovery continued in 2003-04. It is assumed that recovery growth rates will continue

through early 2004-05, and then stabilize for the balance of the year. Personal income is a major driver for estimating state and local sales taxes and state-shared income taxes. Consistent with projections by local economists, the chart below shows that personal income is expected to grow by 7.5 percent in 2005-06, down from the 7.9 percent estimated for 2004-05.

In non-General Fund revenues, the 2005-06 estimates for Water, Wastewater and Solid Waste systems reflect full year impacts of 2004-05 fee increases.





GENERAL REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2003-04 Actuals	% of Total	2004-05 Estimate	% of Total	2005-06 Estimate	% of Total	Increase/(Decrease) from 2004-05 Est.	
							Amount	Percent
Local Taxes								
Sales Tax	\$332,906	42.1%	\$357,959	42.4%	\$386,880	42.0%	\$28,921	8.1%
Privilege License Fees	2,234	0.3	2,350	0.3	2,350	0.3	–	0.0
Subtotal	\$335,140	42.4%	\$360,309	42.6%	\$389,230	42.2%	\$28,921	8.0%
State-Shared Revenues								
Sales Tax	111,594	14.1	122,554	14.5	134,822	14.6	12,268	10.0
State Income Tax	119,118	15.1	121,470	14.4	138,455	15.0	16,985	14.0
Vehicle License Tax	53,522	6.8	57,100	6.8	60,765	6.6	3,665	6.4
Subtotal	\$284,234	36.0%	\$301,124	35.6%	\$334,042	36.2%	\$32,918	10.9%
Primary Property Tax	76,392	9.7	83,304	9.9	91,311	9.9	8,007	9.6
User Fees/Other Revenues								
License & Permits	2,650	0.3	2,496	0.3	2,496	0.3	–	0.0
Cable Communications	8,257	1.0	8,529	1.0	8,785	1.0	256	3.0
Fines & Forfeitures	17,873	2.3	18,883	2.2	20,070	2.2	1,187	6.3
Court Default Fee	839	0.1	928	0.1	1,079	0.1	151	16.3
Engineering & Architectural Services	2,798	0.4	1,752	0.2	2,529	0.3	777	44.4
Fire	21,072	2.7	26,692	3.2	30,153	3.3	3,461	13.0
Hazardous Materials Inspection Fees	1,038	0.1	1,300	0.2	1,325	0.1	25	1.9
Library Fees	995	0.1	1,024	0.1	1,673	0.2	649	63.4
Parks & Recreation	4,038	0.5	3,358	0.4	3,467	0.4	109	3.2
Planning	3,013	0.4	1,444	0.2	1,471	0.2	27	1.9
Police	11,084	1.4	11,477	1.4	11,536	1.3	59	0.5
Street Transportation	2,267	0.3	2,618	0.3	1,636	0.2	(982)	(37.5)
Other Service Charges	16,058	2.0	17,165	2.0	19,886	2.2	2,721	15.9
All Others	2,468	0.3	2,486	0.3	1,473	0.2	(1,013)	(40.8)
Subtotal	\$94,450	12.0%	\$100,152	11.9%	\$107,579	11.7%	\$7,427	7.4%
TOTAL GENERAL FUND	\$790,216	100.0%	\$844,889	100.0%	\$922,162	100.0%	\$77,273	9.1%



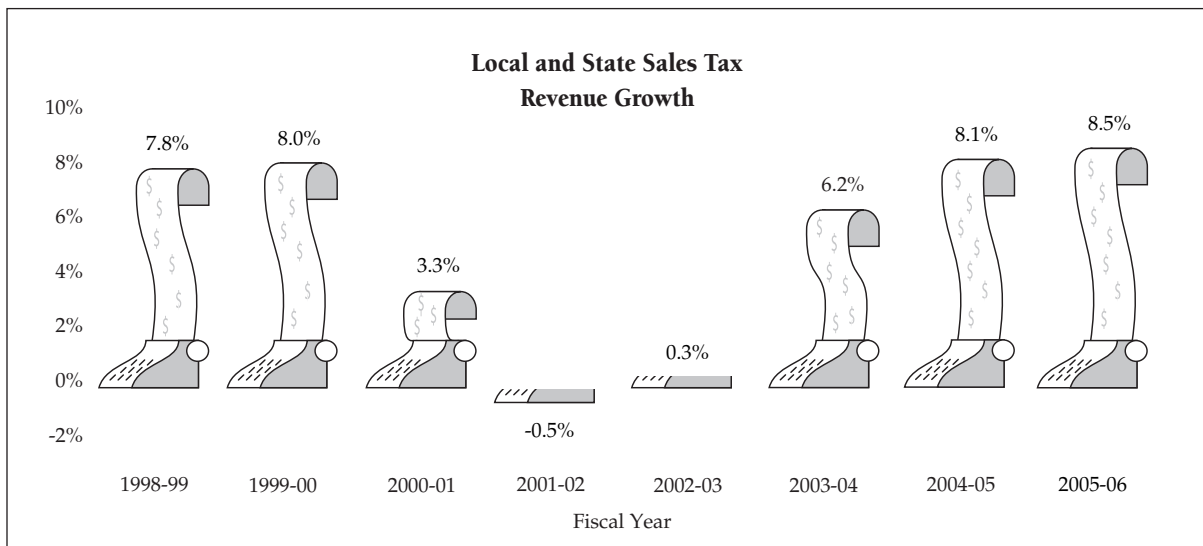
GENERAL FUNDS

Total 2005-06 General Fund revenues are estimated to be \$922.2 million or 9.1 percent more than 2004-05 estimates of \$844.9 million. General Fund revenues consist of four major categories: local taxes, state-shared revenues, primary property taxes and user fees. Following are descriptions of the revenue sources within these four categories and explanations of 2005-06 revenue estimates.

Local and state sales tax collections represent approximately 57 percent of General Fund revenues. Local and state sales tax collections for 2005-06 are expected to grow by 8.5 percent over the 2004-05 estimates. This is a slight increase from the 8.1 percent growth rate anticipated in 2004-05; however, as shown in the chart below, the growth

rates for both years are significantly higher than those experienced over the past four years.

The table on the opposite page details estimated General Fund revenues by major category.





LOCAL SALES TAXES AND FEES

This major revenue category consists of various local sales taxes, privilege license fees, use tax, and franchise taxes and fees. The 2005-06 estimate is \$389.2 million, which is \$28.9 million or 8.0 percent greater than the 2004-05 estimate of \$360.3 million. The assumptions used to estimate local sales taxes follow.

Local Sales Tax

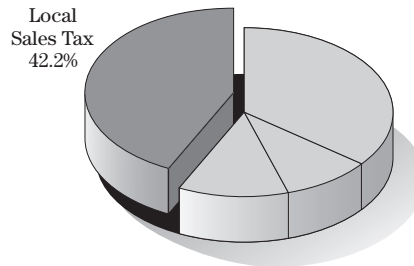
The city of Phoenix’s local sales tax consists of 15 general categories that are collected based on a percentage of business income accruing in each category. To protect local businesses, Phoenix also levies a use tax on purchases where no sales taxes were paid. Finally, two additional local taxes are collected based on water service accounts.

Of the 15 categories collected as a percentage of income, all except advertising provide General Fund resources. All but advertising and utilities contribute voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising

category are restricted to the Civic Plaza fund and/or the Sports Facilities fund. Beginning in May 2005, utilities sales tax collections will be directed to the general fund as well as the newly established Public Safety Enhancement fund. Finally, an additional 2 percent tax on the telecommunications category provides resources for the Capital Construction fund. The table below provides a listing of the local sales tax categories, indicating the specific tax rates for each fund and the total tax rate for each category.

The General Fund portion of the local sales tax estimate is \$389,230,000 for 2005-06. This is an increase of \$28,921,000 or 8.0 percent from the 2004-05 estimate of \$360,309,000. The increase in local sales tax revenue is based on estimated growth of 7.6 percent in the retail sales category, and reflects the economy’s continuing improvement. Projected increases in other categories include 13.2 percent for utility and franchise which takes into account rate increases for APS, SRP, Water and Wastewater;

GENERAL FUNDS
Total Revenues – \$922.2 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

	General Fund	Neighborhood Protection	Public Safety Enhancement	Parks & Preserves	Transit 2000	Civic Plaza	Sports Facilities	Capital Construction	Total
Advertising	–	–	–	–	–	0.5%	–	–	0.5%
Contracting	0.7%	0.1%	–	0.1%	0.4%	0.5%	–	–	1.8%
Job Printing	0.7%	0.1%	–	0.1%	0.4%	0.5%	–	–	1.8%
Publishing	0.7%	0.1%	–	0.1%	0.4%	0.5%	–	–	1.8%
Transportation/Towing	0.7%	0.1%	–	0.1%	0.4%	0.5%	–	–	1.8%
Restaurants /Bars	0.7%	0.1%	–	0.1%	0.4%	0.5%	–	–	1.8%
Leases/Rentals/Personal Property	1.2%	0.1%	–	0.1%	0.4%	–	–	–	1.8%
Short-Term Motor Vehicle Rental	1.2%	0.1%	–	0.1%	0.4%	–	2.0%	–	3.8%
Commercial Rentals	1.3%	0.1%	–	0.1%	0.4%	–	–	–	1.9%
Lodging Rentals Under 30 Days	1.2%	0.1%	–	0.1%	0.4%	2.0%	1.0%	–	4.8%
Lodging Rentals 30 Days and Over	1.2%	0.1%	–	0.1%	0.4%	–	–	–	1.8%
Retail	1.2%	0.1%	–	0.1%	0.4%	–	–	–	1.8%
Amusements	1.2%	0.1%	–	0.1%	0.4%	–	–	–	1.8%
Utilities	2.7%*	–	2.0%**	–	–	–	–	–	4.7%
Telecommunications	2.7%	–	–	–	–	–	–	2.0%	4.7%

* The General fund portion of the utilities category includes the 2.0% franchise fee paid by utilities with a franchise agreement.

** The Public Safety Enhancement designated 2.0% sales tax applies only to those utilities with a franchise agreement.



7.2 percent for commercial rentals; 6.4 percent for restaurants and bars; and 7.7 percent for hotel/motel room rentals.

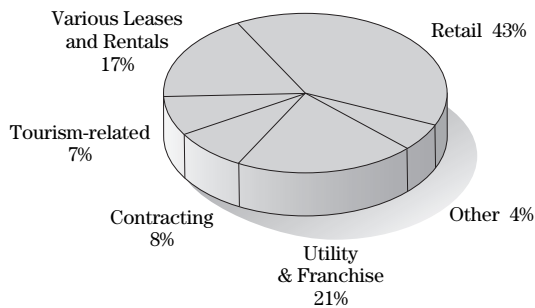
As shown in the pie chart to the right, the retail category represents approximately 43 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 7.5 percent for 2005-06. Overall, sales tax growth tends to follow a growth pattern similar to personal income growth.

General fund sales tax revenue is collected on three rental categories: Leases and Rentals of Personal Property, Commercial Real Property Rentals and Apartment Rentals. For 2005-06, these categories are expected to increase 2.9 percent, 7.2 percent and 5.0 percent respectively. These three categories combined are approximately 17 percent of General fund sales tax revenue.

The contracting category is expected to increase by 16.7 percent. The city has experienced tremendous growth rates in this category over the past several years, led by booming residential construction. The expected 2004-05 growth is 27.2 percent. For 2005-06, indicators for job creation and population growth predict that residential construction activity will continue, but at a slightly slower rate. This slowing, however, will be offset by significant commercial construction projects such as the Civic Plaza expansion and Light Rail. This category represents approximately 8 percent of the General fund sales tax revenue.

The restaurants and bars category is expected to increase 6.4 percent and the hotel/motel category is expected to increase 7.7 percent in 2005-06. These two categories, combined with revenue from short-term motor vehicle rentals, are closely related to tourism activity and continue to benefit from the rebounding tourism industry. Revenues from these tourism-related activities represent approximately 7 percent of General Fund sales tax revenue.

**GENERAL FUNDS
Local Sales Taxes**



The utility tax category is approximately 21 percent of General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2005-06 estimate for utility sales and franchise tax revenue is \$80,649,000, which is an increase of 9.6 percent over the 2004-05 estimate. The large increase is due to rate increases for APS, SRP, Water and Wastewater.

A use tax is assessed on the purchase of tangible personal property, which is stored, used or consumed within the city, and for which a local sales tax has not been paid at an equivalent rate to the city of Phoenix rate. The tax also applies to items purchased for resale and subsequently used or consumed in the business. The 2005-06 estimate of \$12,895,000 for use tax is 5.5 percent or \$675,000 more than the 2004-05 estimate. This category is subject to variation in purchasing practices, as well as economic drivers. The use tax category is approximately 3 percent of General Fund sales tax revenue.

The following table shows General Fund sales tax collections since 2001-02. The amounts shown exclude the two utility tax items that are collected based on water service accounts.

A portion of the utility sales tax is based on water service accounts. The first was implemented on Oct. 1, 1990. The 2005-06 estimate of \$6,244,000 for this category is 2.2 percent higher than the 2004-05 estimate of \$6,110,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2005-06 estimate of \$1,251,000 for this tax is 2.2 percent greater than the 2004-05 estimate of \$1,224,000. This increase provides for modest growth in accounts.

**GENERAL FUND SALES TAXES
(In Thousands of Dollars)**

Fiscal Year	Revenues	% Change From Previous Year
2001-02	\$307,741	0.1%
2002-03	307,699	0.0
2003-04	325,547	5.8
2004-05 (Est.)	350,485	7.7
2005-06 (Est.)	379,245	8.2





Privilege License Fees

The city charges a \$16 fee to process an application for a privilege tax license and assesses a \$50 annual fee for existing licenses. These fees are intended to recover the costs associated with administering a fair and efficient sales tax system. This category also includes a \$50 annual fee on each apartment complex for non-transient lodging. The 2005-06 estimate for privilege license fee revenue of \$2,350,000 represents no change from the 2004-05 estimate. Historically, the net change in the number of licensed businesses is small.

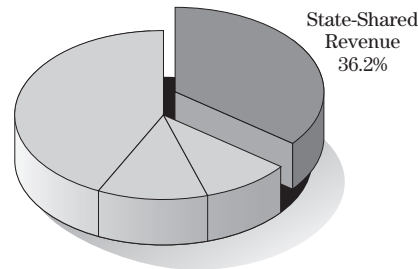
STATE-SHARED REVENUES

This major revenue category consists of the city's share of the state sales tax, the state income tax and vehicle license tax. The 2005-06 estimate for this category is \$334.0 million, which is \$32.9 million or 10.9 percent more than the 2004-05 estimate of \$301.1 million. The increase is mainly due to the projected growth rates of 10.0 percent in state-shared sales taxes and 14.0 percent in state-shared income taxes. The increase in the income tax collections reflects personal and corporate income growth in 2002-03. State-shared vehicle license tax revenue for 2005-06 is estimated to grow at 6.4 percent over the 2004-05 estimate.

State Sales Tax

The state sales tax rate on most taxable activities is 5.6 percent with several relatively minor categories having tax rates ranging from 2.5 percent to 5.5 percent. The revenues are split between a "distribution base," of which Phoenix receives a share, and a "combined non-shared" category, which is allocated entirely to the state. With exceptions for some categories, the distribution base consists of 40 percent of collections. The 0.6 percent education tax included in the total tax rate is not included in any distribution base.

GENERAL FUNDS
Total Revenues – \$922.2 Million



Under the current formula, incorporated cities receive 25 percent of the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2005-06 is estimated at 32.6 percent.

The city of Phoenix's share of the state sales tax for 2005-06 is expected to be \$134,822,000, which is \$12,268,000 or 10.0 percent more than the 2004-05 estimate of \$122,554,000. This estimate

is based on the assumption that, similar to the local economy, the state economy will continue to improve. At the state level, retail sales are anticipated to increase about 9.6 percent over the current fiscal year. The table below shows the cities' share of state sales taxes, Phoenix's allocation and annual increases since 2001-02. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year.

STATE SALES TAXES
(In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix's Share		
	Total	% Change	Percent	Amount	% Change
2001-02	312,426	0.1	32.7*	102,211	(3.0)
2002-03	316,406	1.3	32.7	103,409	1.2
2003-04	340,536	7.6	32.6**	111,594	7.9
2004-05 (Est.)	372,080	9.3	32.6	122,554	9.8
2005-06 (Est.)	410,523	10.3	32.6	134,822	10.0

*Impact of 2000 census population changes.
**The adjustment to the percentage is due to a correction made to the 2000 Census population amount of another Arizona city.



State Income Tax

Beginning in 1973, cities in Arizona shared 15 percent of the actual state personal and corporate income tax collected two years earlier. Individual cities received their portion based on the cities' share of the state population. In 1990, legislation lowered the cities' share of the state income tax to 12.8 percent beginning in the 1992-93 fiscal year. Then in 1994, legislation raised the percentage to 13.6 percent beginning in 1996-97, and 1996 legislation raised the percentage back to 15 percent for the 1997-98 and 1998-99 fiscal years. Legislation in 1997 provided for a 15.8 percent share for the 1999-2000 fiscal year. In the 1999 legislative session, the formula was again reduced to a 15 percent share beginning in 2000-01. Until the 1999 legislative action, these changes were enacted by the state in conjunction with revisions to the individual and corporate state income tax in order to keep the cities' share of rate and other changes revenue-neutral. The 1999 change did not hold cities harmless. Legislation in 2002 reduced the formula to a 14.8 percent share for 2002-03 and 2003-04 only, as part of the effort to reduce the anticipated shortfall in the state budget. The formula reverted to a 15 percent share in 2004-05. The 2005-06 estimate is based on a 15 percent share.

The portion of the state income tax, which will be distributed to cities and towns in 2005-06, is expected to be \$425.2 million. The distribution represents actual individual and corporate income tax collections by the state in the 2003-04 fiscal year. The anticipated \$425.2 million is a 14.0 percent increase from the previous fiscal year. The large increase is a result of increased personal income and corporate profits as well as extremely low collections in the previous year. The city of Phoenix's portion of the state income tax is estimated to be approximately 32.6 percent of the 15 percent share distributed to cities. This equates to \$138,455,000 for

2005-06 and is an increase of \$16,985,000 or 14.0 percent from the 2004-05 estimate of \$121,470,000.

The table below shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2001-02. Similar to sales tax sharing, population is changed only on the basis of a census count with periodic corrections made throughout the year.

Vehicle License Tax

Vehicle license taxes have been shared with Arizona cities and towns since 1941. The tax is assessed on the basis of an ad valorem rate on each \$100 in value. The value is equal to a percent of the manufacturer's base retail price at the time of initial registration. During each succeeding year, this value is decreased until the established minimum amount is reached. The Arizona Department of Transportation collects and distributes the tax.

STATE INCOME TAX (In Thousands of Dollars)

Fiscal Year	% Shared w/Cities	Cities' Share of State Collections		Phoenix's Share		
		Total	% Change	Percent	Amount	% Change
2001-02	15.0%	\$421,367	6.3%	32.7%*	\$137,787	3.1%
2002-03	14.8	429,988	2.0	32.7	140,600	2.0
2003-04	14.8	365,842	(14.9)	32.6**	119,118	(15.3)
2004-05 (Est.)	15.0	373,065	2.0	32.6	121,470	2.0
2005-06 (Est.)	15.0	425,230	14.0	32.6	138,455	14.0

*Phoenix growth rate is lower than the city share growth due to population changes in the 2000 Census.

**The adjustment to the percentage is due to a correction made to the 2000 Census population amount of another Arizona city.

VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2001-02	\$ 99,443	46.1%	\$45,843	\$1,104	2.5%
2002-03	103,596	46.1	47,758	1,915	4.2
2003-04	116,100	46.1	53,522	5,764	12.1
2004-05 (Est.)	123,807	46.1	57,100	3,578	6.7
2005-06 (Est.)	131,753	46.1	60,765	3,665	6.4





Currently, 37.61 percent of collections are allocated to the Arizona Highway Users Revenue fund. The remainder is allocated by percentage to various state funds as well as to the counties and cities. The state is responsible for distributing funds to cities according to their relative population within the county. Based on the 2000 census, Phoenix's percentage of population within Maricopa County is approximately 46.1 percent. This distribution formula was used in developing the 2005-06 estimate.

Phoenix's share of the vehicle license tax for 2005-06 is anticipated to be \$60,765,000, which is \$3,665,000 or 6.4 percent more than the 2004-05 estimate of \$57,100,000.

The table on page 61 shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2001-02.

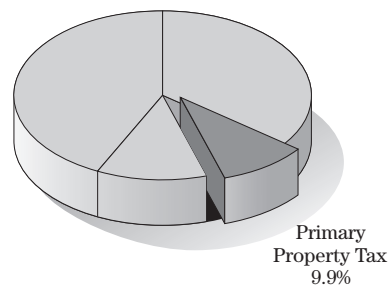
PRIMARY PROPERTY TAX

Arizona property taxes are divided into two levies. The primary levy is used for general operation and maintenance expense. The secondary levy can only be used for general obligation debt service.

The annual increase in the primary property tax levy is limited by the Arizona Constitution to a 2 percent increase over the calculated levy associated with previously assessed property plus an estimated levy for previously unassessed property (primarily new construction).

Before 1996-97, the maximum levy allowed by the Arizona Constitution had been levied each year. Leading up to 1996-97, due to a number of years of declining assessed valuations, deferral of the property tax-supported Capital Improvement Program was necessary. A new revenue policy was also established. This policy called for a maximum and minimum allowable combined primary and secondary property tax rate. By 1996-97, the application of this revenue policy had driven the combined rate down to the adopted minimum of \$1.82.

**GENERAL FUNDS
Total Revenues – \$922.2 Million**

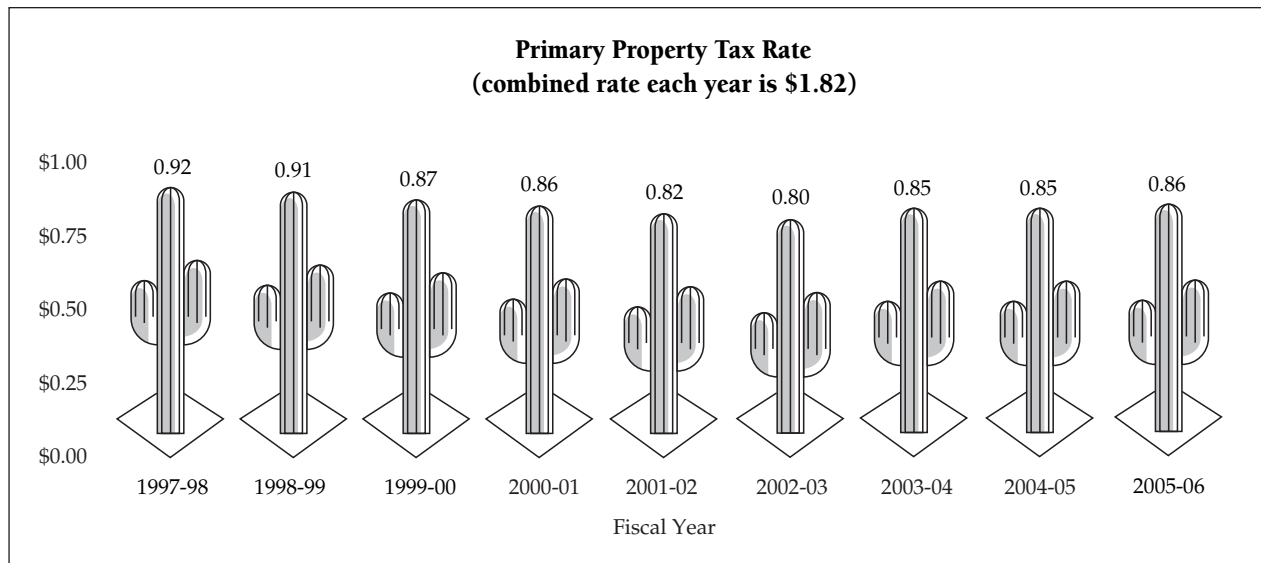


PRIMARY PROPERTY TAX

Fiscal Year	Primary Assessed Valuation (in Billions)	% Change	Primary Levy (in Thousands)	% Change	Rate per \$100 Assessed Valuation
2001-02	\$ 7,689	9.5%	\$ 61,818	3.7%	\$.82
2002-03	8,269	7.5	65,107	5.3	.80
2003-04	9,049	9.4	76,392*	17.3	.85
2004-05 (Est.)	9,800	8.3	83,304*	9.0	.85
2005-06 (Est.)	10,637	8.5	91,311*	9.6	.86

*Includes \$7 million, \$3 million and \$5 million shifted from secondary property tax in 2003-04, 2004-05 and 2005-06 respectively.





In 1997-98, a new policy was adopted that provided for the primary levy to be set at the previous year's levy plus an amount for new construction. Market updates in property values were only to be reflected in the secondary portion, which is discussed in a later section. As shown in the above chart, this policy caused the primary rate to decline over time. Then, the 2001 bond committee recommended that a total of \$10,000,000 be "shifted" to the primary property tax levy from the secondary property tax levy over a two-year period. This was accomplished in 2003-04 and 2004-05 as planned. However, even with the shift, the 2004-05 primary level was less than the maximum levy allowed by the Arizona Constitution.

The estimated 2005-06 primary property tax levy is \$91,311,000, which is the maximum allowed by the Arizona Constitution. This is a 9.6 percent increase over the 2004-05 actual levy of \$83,304,000. The increase in primary levy reflects estimated collections associated with new properties entering the rolls, plus a shift of approximately \$5 million from the secondary property tax levy to achieve the maximum primary levy while maintaining the current combined rate of \$1.82. Without the shift, the 2005-06 primary property tax levy would be 2.9 percent higher than the actual 2004-05

levy. The primary assessed valuation of \$10.64 billion is approximately 8.5 percent above the 2004-05 primary assessed valuation of \$9.80 billion.

The 2005-06 levy results in an estimated primary property tax rate of \$0.8584 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$0.9616 to maintain a total property tax rate of \$1.82 per \$100 of assessed valuation.

The table on page 62 shows primary assessed valuation, primary property tax revenues and primary rates since 2001-02.





USER FEES/OTHER REVENUES

This major revenue category consists of licenses and permits, fines and forfeitures, cable television fees, parks and libraries fees, various user fees designed to recover the costs of providing specific city services, and other miscellaneous General Fund revenue sources. The 2005-06 estimate for this category is \$107.6 million, which is \$7.4 million or 7.4 percent higher than the 2004-05 estimate of \$100.2 million. Following are descriptions of the various categories and explanations of the revenue estimates.

Licenses and Permits

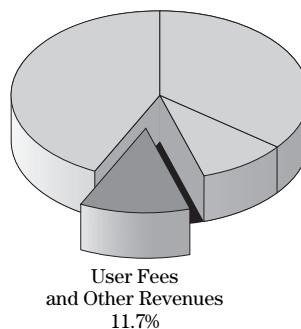
This category consists of various business permit application fees and annual permit fees including liquor license applications, amusement machines, annual liquor licenses and other business license applications and fees. The 2005-06 estimate of \$2,496,000 is the same as the 2004-05 estimate, given the slow historical growth in this category.

Cable Communications

The city imposes a 5 percent fee on the gross receipts of cable television licensees in return for the use of streets and public rights of way by cable companies in the provision of cable television service. The 2005-06 estimate of \$8,785,000 is \$256,000 or 3.0 percent greater than the 2004-05 estimate of \$8,529,000. The increase is based on conservative growth in the customer base, plus moderate rate increases of 2 percent and 2.25 percent for cable providers.

GENERAL FUNDS

Total Revenues – \$922.2 Million



Fines and Forfeitures

This category is comprised of various sanctions including traffic moving violations, criminal offense fines, parking violations, driving under the influence and defensive driving program revenues. The 2005-06 estimate of \$20,070,000 is \$1,187,000 or 6.3 percent more than the 2004-05 estimate of \$18,883,000. The estimate reflects increases in moving violations and criminal offense fines, plus greater participation in the Defensive Driving Program. About half of the expected increase is a result of the city's recent participation in the Arizona State Court enhanced collection efforts including withholding vehicle registrations until delinquent fines are paid.

Court Default Fee

A \$25 default fee was implemented in 1993-94 in order to recover court costs associated with defendants who fail to appear for court appearances or fail to pay previously imposed sanctions on civil traffic violations. The 2005-06 estimate for this revenue category is \$1,079,000, which is 16.3 percent higher than the 2004-05 estimate. The estimate is based on year to date actuals and historical growth patterns.

Engineering and Architectural Services

This user-fee category includes permits for utility construction and fiber optic construction in the public rights of way. It also includes revenues from fees for pavement cut activity. The 2005-06 estimate of \$2,529,000 is \$777,000 or 44.3 percent more than the 2004-05 estimate of \$1,752,000. A majority of the 2005-06 increase is due to a large write-off of bad debts in 2004-05. In addition, the 2005-06 estimate includes a reduction in Right of Way fees from APS and Southwest Gas resulting from the voter approved franchise agreement in March 2005.

Fire

The Fire Department receives fees from various services. The majority of the revenue comes from emergency transportation service (ETS). This user fee includes basic life support and advanced life support services and related charges for mileage and supplies for the provision of ambulance service. The 2005-06 estimate for ETS is \$25,709,000, which is \$3,389,000 or 15.2 percent greater than the 2004-05 estimate of \$22,320,000.



The increase is due to rate increases approved by the Arizona Department of Health Services as well as improved collection rates.

Other Fire revenue sources include fire prevention inspection fees, computer aided dispatch (CAD) and various other services provided to the community. The 2005-06 estimate for other fires services is \$4,444,000 which is 1.6 percent above 2004-05.

Hazardous Materials Permit and Inspection Fee

Because incidents involving hazardous materials have increased in recent years, a hazardous materials permit and inspection fee was established in October 2001. Revenues from this category are used to recover direct costs incurred for inspecting businesses that use hazardous materials. Upon review in 2003-04, the annual permit fee amount was raised. This annual permit now varies from \$400 to \$1,650 and depends on the volume of hazardous materials stored on site. The 2005-06 estimate is \$1,325,000, which is \$25,000 or 1.9 percent over the 2004-05 estimate.

Library Fees

Library fee and fine revenue for 2005-06 is expected to be \$1,673,000, which is \$649,000 or 63.4 percent above the 2004-05 estimate. The increase is largely due to increased library fines. Overdue charges were raised from \$.05 to \$.10 per day for juvenile items and from \$.10 to \$.20 per day for all other books. The charge for replacement library cards has been increased from \$1.00 to \$2.00. These new fines are consistent with other Valley city libraries. Collection fine trends indicate consistent growth with additional fine revenue coming from the new Desert Broom Library and the expanded Palo Verde Library.

Parks and Recreation Fees

This category includes parks concession revenues, swimming pool revenues, fees for the use of various park facilities such as ball fields and recreation programs, activities at Municipal Stadium, Maryvale Stadium and the Papago Baseball Facility and other miscellaneous park fees. The 2005-06 estimate of \$3,467,000 is \$109,000 or 3.2 percent greater than the 2004-05 estimate. The increase is primarily due to rentals of park ball fields and spring training facilities.

Planning

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances. The 2005-06 estimate of \$1,471,000 is \$27,000 or 1.9 percent more than the 2004-05 estimate of \$1,444,000, reflecting growth in rezoning and zoning adjustment fees.

Police

The Police Department receives revenues for various services and programs. Police services are provided on a fee-per-hour basis for school and athletic events as well as other activities where a law enforcement presence is desired. In addition, a false alarm program includes both permit fees and assessments for false alarm responses. For 2005-06, the estimate of \$11,536,000 is 0.5 percent more than the 2004-05 estimate of \$11,477,000.

Street Transportation

This user fee category includes permit fees for utility construction in the public rights-of-way as well as utility ordinance inspections. The 2005-06 estimate of \$1,636,000 is a 37.5 percent decrease from the 2004-05 estimate of \$2,618,000. In accordance with the new franchise agreement approved by the voters on March 8, 2005, utility inspection fees for Arizona Public Service (APS) and Southwest Gas have been discontinued.

Other Service Charges

Revenue in this category is composed of several non-tax sources including interest income, parking meter revenue, the Downtown Enhancement District, in-lieu property taxes, sales of surplus and abandoned property, various rental, parking and concession categories. The 2005-06 estimate of \$19,886,000 is \$2,721,000 or 15.9 percent more than the 2004-05 estimate of \$17,165,000. This is primarily due to increased interest earnings.

All Other Fees

This fee category consists of miscellaneous service charges in the Finance, Housing, Human Services and Neighborhood Services departments and miscellaneous categories. The 2005-06 estimate of \$1,473,000 is \$1,013,000 or 40.7 percent less than the 2004-05 estimate of \$2,486,000. The decrease is due to one-time revenue of \$1,011,000 in 2004-05 from the March 2005 franchise election. Arizona Public Service (APS) and Southwest Gas were required to pay the costs associated with that election.





NON-GENERAL FUNDS

Non-General Fund revenues consist of two major categories: Special Revenue and Enterprise funds. The following sections provide descriptions of the various revenue sources in each category and explanations of 2005-06 revenue estimates. The table on the next page provides the 2004-05 and 2005-06 estimates and 2003-04 actual revenue amounts for revenues within these two categories.

SPECIAL REVENUE FUNDS

This category consists of several revenue sources that are earmarked for specific purposes. Included in this category are voter-approved sales taxes for Neighborhood Protection, Parks and Preserves, Transit 2000 and Public Safety Enhancement. Also included in this category are revenue from Court Awards, Development Services, Capital Construction, Sports Facilities, Arizona Highway User Revenue funds, Local Transportation Assistance funds, Public Transit, Community Reinvestment, Secondary Property Tax, grant funds and other revenues.

Neighborhood Protection Sales Tax

This 0.1 percent sales tax rate was approved by the voters in October 1993 and implemented in December 1993. As presented to the voters, the 0.1 percent increase is specifically earmarked for Police Neighborhood Protection programs (70 percent), Police Block Watch programs (5 percent) and Fire Neighborhood Protection programs (25 percent). The 2005-06 estimate of \$27,471,000 is \$2,110,000 or 8.3 percent greater than the 2004-05 estimate of \$25,361,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$83,000 is estimated in each year for interest revenue.

Public Safety Enhancement Sales Tax

The Public Safety Enhancement Sales Tax was implemented on May 1, 2005, and is made up of the 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The fund is allocated between Police and Fire needs. The Police Public Safety Enhancement fund is allocated 62 percent of revenues and is dedicated to Police and Emergency Management needs. The Fire Public Safety Enhancement fund is allocated 38 percent of the revenues collected and is dedicated to Fire needs. The 2004-05 estimate is \$3,788,000 which reflects two months of revenue collections. The 2005-06 estimate is \$16,640,000 which reflects a full year of revenue collections.

Parks and Preserves Sales Tax

The Parks and Preserves sales tax is a 0.1 percent sales tax rate increase approved by voters in September 1999 and implemented in November 1999. Revenues from the 0.1 percent tax are allocated to park improvements and acquisition of desert preserves. Sixty percent of the revenues are to be used for preservation, 30 percent for regional parks, and 10 percent for neighborhood and community parks. The 2005-06 estimate of \$27,472,000 is \$2,110,000 or 8.3 percent more than the 2004-05 estimate of \$25,362,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. The 2004-05 estimate includes one-time interest earnings of \$1,300,000 resulting from delayed land purchases.

Transit 2000 Funds

The Transit 2000 tax is a 0.4 percent sales tax approved by the voters in March 2000 and implemented in June 2000. The 0.4 percent tax is specifically earmarked for transit programs and improvements.

The 2005-06 estimate of \$109,888,000 is \$8,441,000 or 8.3 percent greater than the 2004-05 estimate of \$101,447,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2005-06 fare box revenue estimate of \$23,132,000 is 0.9 percent greater than the 2004-05 estimate, and reflects the continued expansion of services. The 2005-06 estimate also includes interest earnings of \$6,961,000 which is a 5.4 percent decrease from 2004-05.

Court Awards Funds

The city of Phoenix receives funds as a result of participation in the arrest and/or prosecution of certain criminal cases. These funds, referred to as Court Awards funds, represent court-ordered forfeitures of seized assets. Their use is limited to the police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2005-06 is \$2,699,000.

Development Services

Revenues in this user fee category include building permits and plans review, subdivision and site plan fees, sign permit fees and engineering permits and plan review fees. These fees are used to fully support the activities of the Development Services Department. The 2005-06 estimate is \$52,977,000, which is \$1,305,000 or 2.5 percent more than the 2004-05 estimate of \$51,672,000. The growth in the residential and commercial sector is driving increases in the revenue for 2005-06. The increased revenue is primarily associated with increases in permits and plan review associated with this growth.



NON-GENERAL FUND REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2003-04 Actual	2004-05 Estimate	2005-06 Budget	Increase/(Decrease) from 2004-05 Est.	
				Amount	Percent
Special Revenue Funds					
Neighborhood Protection	\$ 23,133	\$ 25,444	\$ 27,554	\$ 2,110	8.3%
Public Safety Enhancement	0	3,788	16,640	12,852	339.3
Parks and Preserves	23,957	26,662	27,471	810	3.0
Transit 2000	121,168	131,744	139,981	8,237	6.3
Court Awards	3,036	3,343	2,699	(644)	(19.3)
Development Services	47,036	51,672	52,977	1,305	2.5
Capital Construction	18,170	19,427	20,098	671	3.5
Sports Facilities	13,311	14,284	15,086	802	5.6
Arizona Highway User Revenue	115,438	118,406	122,493	4,087	3.5
Local Transportation Assistance	7,245	7,130	7,130	—	0.0
Regional Transit Revenues	9,531	10,610	10,732	122	1.1
Community Reinvestment	2,094	2,084	2,084	—	0.0
Secondary Property Tax	94,923	102,356	110,461	8,105	7.9
Impact Fee Program Administration	0	3,015	3,165	150	5.0
Court Special Fees	1,604	1,671	1,736	65	3.9
Monopole Rental	123	133	133	—	0.0
Tennis Center	24	23	23	—	0.0
Heritage Square	17	16	16	—	0.0
Other Restricted Revenues	5,614	16,870	7,192	(9,678)	(57.4)
Grants					
Public Housing Grants	66,694	70,371	67,065	(3,306)	(4.7)
Human Services Grants	46,630	47,395	43,931	(3,464)	(7.3)
Community Development	19,009	22,943	33,381	10,438	45.5
Criminal Justice	11,575	19,892	7,843	(12,049)	(60.6)
Public Transit Grants	9,287	10,365	7,457	(2,908)	(28.1)
HOPE VI Grant	4,781	20,695	6,849	(13,846)	(66.9)
Other Grants	10,151	15,725	11,869	(3,856)	(24.5)
Subtotal - Grants	\$ 168,127	\$ 207,386	\$ 178,395	\$(28,991)	(14.0)%
Total Special Revenue Funds	\$ 654,551	\$ 746,064	\$ 746,067	\$ 3	0.0%
Enterprise Funds					
Aviation	219,275	233,443	240,367	6,924	3.0
Water System	250,046	256,365	287,350	30,985	12.1
Wastewater System	146,805	152,035	158,947	6,912	4.5
Solid Waste	100,110	105,958	111,826	5,868	5.5
Civic Plaza	51,448	55,699	60,234	4,535	8.1
Golf Courses	6,116	6,702	7,281	579	8.6
Total Enterprise Funds	\$ 773,800	\$ 810,202	\$ 866,005	\$ 55,803	6.9%
TOTAL NON-GENERAL FUND REVENUE	\$1,428,351	\$1,556,266	\$1,612,072	\$ 55,806	3.6%





Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998. This tax is intended to reimburse Phoenix residents for the use of their public rights-of-way by the telecommunications industry. The 2005-06 estimate is \$19,298,000, or a 3.9 percent increase over 2004-05 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program.

The 2005-06 estimate also includes interest earnings, for which, \$850,000 is estimated in 2004-05 and \$800,000 is estimated in 2005-06.

Sports Facilities

Sports Facilities revenues consist of a 1 percent portion of the 4.8 percent hotel/motel tax category, a 2 percent tax on short-term motor vehicle rentals, and interest revenue generated by the fund. The 2005-06 estimate is \$14,761,000, which is \$802,000 more than the 2004-05 estimate of \$13,959,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2005-06 estimate includes \$6.6 million for the hotel/motel portion and \$8.2 million for the short-term car rental portion. Also, \$325,000 is estimated in each year for interest revenue.

Arizona Highway User Revenue

The State Transportation Financing Plan adopted by the Legislature in 1981 and amended in 1982 and 1985 includes a 13 cent per gallon gas tax plus other user fees and charges such as registrations, driver's licenses, motor carrier taxes, other miscellaneous fees and an increased share of the motor vehicle license taxes. Additional gasoline taxes were added in 1986 (3 cents per gallon), in 1988 (1 cent per gallon), and in 1990 (1 cent per gallon) for a total local gas tax rate of 18 cents per gallon.

ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2001-02	\$100,406	\$(2,192)	(2.1)%*
2002-03	104,596	4,190	4.2
2003-04	111,757	7,161	6.9
2004-05 (Est.)	116,786	5,029	4.5
2005-06 (Est.)	120,873	4,087	3.5

*2000 Census adjustment to population is reflected.

A new distribution formula for Arizona Highway User Revenue (AHUR) was passed by the Legislature and signed by the governor in May 1996 (effective July 1, 1996). It was intended to be revenue neutral to cities. This distribution formula provides 27.5 percent to incorporated cities and towns (distributed one-half on the relative population of the cities and towns and one-half on the county origin of sales/relative population of the counties) and 3 percent to cities over 300,000 population (Phoenix, Tucson and Mesa). For 2005-06, it is anticipated that Phoenix will receive \$99.0 million from the 27.5 percent share and \$21.9 million from the 3 percent share.

The total 2005-06 AHUR estimate of \$122,493,000 is \$4,087,000 or 3.5 percent more than the 2004-05 estimate of \$118,406,000. Included in the estimate is \$120,873,000 state-shared AHUR, which is \$4,087,000 or 3.5 percent more than the 2004-05 estimate. Also included in the estimate for both years is \$1,620,000 in interest earnings and other income. The state-shared increase is based on anticipated increases at the state level of 6.9 percent in gasoline tax collections, 7.4 percent in motor carrier tax collections (trucking), 4.0 percent in vehicle license tax collections and 2.7 percent in vehicle

registrations. The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2001-02.

Local Transportation Assistance (LTA) Funds

In July 1981, the Legislature passed a transportation bill that provided for a Local Transportation Assistance fund. Beginning July 1, 1983, \$20.5 million (minimum) to \$23 million (maximum) annually from the sale of state lottery tickets is allocated to the Local Transportation Assistance (LTA) fund. LTA funds are distributed to incorporated cities in proportion to annual population estimates developed by the Department of Economic Security.

For cities that exceed 300,000 in population, LTA funds are to be used for mass transit operating expenses. The law also provides for up to 10 percent of the city's LTA funds to be used for cultural, educational, historical, recreational or scientific projects and outpatient developmental disability programs. LTA funds used for these non-transit purposes must be matched on a 50/50 basis with non-public funds and the total LTA funds must reach the \$23 million maximum for this type of expenditure to be made.



The 2005-06 estimate for LTA revenue is \$7.1 million which assumes the \$23 million maximum is reached. The city receives 31 percent of the total LTA funds distributed statewide. The allocation is primarily used for funding the transit system. Consistent with LTA fund provisions and past practices, \$106,000 is estimated for arts grants.

Regional Transit Revenues

This category includes revenue from the Regional Public Transportation Authority (RPTA), other state funding agencies, the sale of bus service provided to other jurisdictions, and bus shelter advertising. The 2005-06 estimate of \$10,732,000 is \$122,000 or 1.1 percent above the 2004-05 estimate of \$10,610,000. The increase is due to modest increases in other government participation.

Community Reinvestment

The 2005-06 estimate of \$2,084,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements. Redevelopment areas include Sky Harbor Center and the downtown area.

Secondary Property Tax

By law, the secondary property tax is earmarked for servicing general obligation bond principal and interest costs. There is no statutory limitation on the property taxes levied for debt service purposes.

As discussed in the General Fund revenues section, the estimated property tax rate is \$0.8584. To maintain our current \$1.82 total rate, the resulting secondary rate is \$0.9616 per \$100 of assessed value for 2005-06. The 2005-06 secondary property tax levy of \$109,811,000 is based on this projected rate and secondary assessed valuation of \$11.42 billion, but also reflects the previously discussed \$5,000,000 shifted to the primary property tax levy. This levy is \$8,055,000 or 7.9 percent greater than the 2004-05

SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2001-02	\$ 8,232	8.7%	\$ 82,642	13.7%	\$1.00
2002-03	8,803	6.9	89,948	8.8	1.02
2003-04	9,792	11.2	94,984	5.6	0.97
2004-05 (Est.)	10,490	7.1	101,756	7.1	0.97
2005-06 (Est.)	11,420	8.9	109,811	7.9	0.96

levy of \$101,756,000. The increase is primarily because of an 8.9 percent increase in net assessed property values for Phoenix, offset by the \$5,000,000 shift. Also included in the 2005-06 estimate is \$650,000 in interest earnings, an 8.3 percent increase above 2004-05.

The total property tax rate of \$1.82 for 2005-06 has remained unchanged since 1995-96.

The following above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2001-02.

Impact Fee Program Administration

In 1987, the City Council established an Impact Fee Program. Impact fees are charged in addition to building permit fees to new development in the city's peripheral planning areas. Impact fees assess new development for its proportionate costs of public infrastructure that will be required due to the development. In conjunction with the Impact Fee Program, an administrative fee of three percent of the impact fee amount is also charged. This administrative fee pays for the costs of administering the overall impact fee program.

Beginning in 2004-05, the revenue from the administrative fee and the related costs are significant enough to require separate accounting. The 2004-05 and 2005-06 revenue estimates are \$3,015,000 and \$3,165,000 respectively. Because it

is related to development activity, this revenue source can be volatile. Rising interest costs could slow new development and as a result a conservative growth rate of 5.0 percent is assumed for 2005-06.

Other Restricted Fees

Included in this category are revenues associated with the Court Technology Enhancement fee and the Judicial Collection Enhancement fund, Heritage Square, the Tennis Center at Washington Park, Affordable Housing Program revenues and monopole rentals from several city parks. Also included is revenue from restricted fees for recreation and other programs, and donations specified for various city programs. The 2005-06 estimate of \$9,100,000 is \$9,613,000 below the 2004-05 estimate of \$18,713,000. The decrease is primarily due to one-time donations of \$9,100,000 dedicated to the Phoenix Art Museum expected in 2004-05.

Public Housing Grants

The 2005-06 Assisted Housing grants revenue included in the annual operating budget is \$67,065,000. This category includes the HOME program that is aimed at increasing the availability of affordable rental housing and expanding home ownership opportunities for first-time homebuyers. Other items in this category include housing subsidies, interest income and housing assistance payments.





Human Services Grants

The 2005-06 revenue estimate of \$43,931,000 is \$3,464,000 less than the 2004-05 estimate of \$47,395,000. This category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants and Head Start funds.

Community Development Block Grant

Each year since 1974, the city has received Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. These funds are used to support a variety of projects and programs that must meet the following national objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet other urgent community development needs. The 2005-06 CDBG entitlement plus carryover amounts is \$33,381,000.

Criminal Justice Grants

The 2005-06 grant revenue for Criminal Justice programs is estimated to be \$7,843,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$1.3 million, \$3.1 million in Homeland Security grants, and renewals of ongoing state grants.

Public Transit Grants

The 2005-06 Federal Transit Administration Grant estimate is \$7,457,000 reflecting a decrease of \$2,908,000 below the 2004-05 estimate of \$10,365,000.

HOPE VI Grant

In October 2001, the U.S. Department of Housing and Urban Development awarded \$34 million in HOPE VI funding to the city for the revitalization of the Matthew Henson public housing development. The revenue estimate assumes that \$6,849,000 of that grant will be earned and expended in 2005-06.

Other Grants

The 2005-06 budget also includes \$11,869,000 for federal, state and other grants that provide funding for some parks and recreation and library activities as well as unique programs such as urban area security.

ENTERPRISE FUNDS

This category includes revenues from the city's six enterprise funds including Aviation, Water, Wastewater, Solid Waste, Civic Plaza and Golf. These enterprise funds fully recover their costs through user fees associated with the provision of their services. This category also includes the Civic Plaza that, in addition to the user fees associated with the operation of the Civic Plaza, is supported by earmarked sales taxes. Following are descriptions of each enterprise fund category and explanations of the revenue estimates.

Aviation

Aviation revenue estimates include landing fees, concession revenues and interest income at Sky Harbor International, Deer Valley and Goodyear airports. Total Aviation revenue for 2005-06 is anticipated to be \$240,367,000, which is \$6,924,000 or 3.0 percent greater than the 2004-05 estimate of \$233,443,000. The 2005-06 estimate anticipates conservative growth in airline fees, concessions and parking revenues, and increased fuel sales as airport activity continues to return to a more normal level.

The first table on page 71 shows Aviation revenue by major category and annual percent change since 2001-02.

Water System

Water system revenues include water sales, development fees, various water service fees, resource acquisition fees, fees paid by other jurisdictions for the operation of the Val Vista Water Treatment Plant and other miscellaneous fees. Total water system revenue for 2005-06 is projected to be \$287,350,000, which is \$30,985,000 or 12.1 percent more than the \$256,365,000 estimate for 2004-05. The 2005-06 estimate reflects modest increases in metered water sales from account growth, a 7 percent rate increase, as well as continued economic growth and from increased revenues related to the Val Vista Treatment Plant.

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The second table on page 71 shows water system revenues by major category since 2001-02.



SUMMARY OF AVIATION REVENUES
(In Thousands of Dollars)

	2001-02	2002-03	2003-04	2004-05 (Est.)	2005-06 (Est.)
Airline Operation	\$ 75,815	\$ 76,223	\$ 78,910	\$ 88,410	\$ 91,062
Concessions and Rentals	106,033	113,296	120,032	129,661	132,949
Interest	8,507	5,854	6,758	7,023	6,723
Other/Federal Grants	2,086	13,754	9,357	3,675	4,925
Goodyear	1,811	1,813	1,773	2,049	2,045
Deer Valley	2,351	2,419	2,445	2,624	2,663
Total Aviation Revenue	\$196,603	\$213,359	\$219,275	\$233,443	\$240,367
Change From Prior Year	1.7%	8.5%	2.8%	6.5%	3.0%

SUMMARY OF WATER SYSTEM REVENUES
(In Thousands of Dollars)

	2001-02	2002-03	2003-04	2004-05 (Est.)	2005-06 (Est.)
Water Sales	\$174,201	\$171,472	\$179,639	\$185,464	\$208,526
Environmental Consumption Charge	10,855	11,658	15,956	20,068	24,642
Raw Water Charge	17,133	15,879	16,514	16,068	17,075
Interest	13,526	10,316	8,571	6,500	10,613
Development Fees	6,242	7,625	9,038	10,000	7,000
Combined Service Fees	1,379	1,542	1,740	3,896	5,329
Val Vista	3,623	4,104	4,690	4,428	4,540
All Other	9,125	27,725	13,898	9,941	9,625
Total Water Revenue	\$236,084	\$250,321	\$250,046	\$256,365	\$287,350
Change From Prior Year	3.6%	6.0%	(0.1%)	2.5%	12.1%





Wastewater System

Wastewater system revenues include monthly sewer service charge revenues, which are based on water consumption rates, development fees, the sale of wastewater treatment services to other jurisdictions, the sale of effluent and other miscellaneous fees. The wastewater system is expected to generate revenue of \$158,947,000 in 2005-06, which is \$6,912,000 or 4.5 percent greater than the 2004-05 estimate of \$152,035,000. The increase is primarily due to projected increases in sewer charges due to a full year's realization of the 9.0 percent rate increase implemented in early 2005, account growth and continued economic

growth. The table below shows Wastewater revenue by major category and annual percent change since 2001-02.

Solid Waste

This category includes revenues from the monthly residential collection and landfill tipping fees. The 2005-06 estimate of \$111,826,000 is an increase of \$5,868,000 or 5.5 percent greater than the 2004-05 estimate of \$105,958,000. The increase assumes a full year's impact of the February 2005 rate increase of \$1 and an increase in housing units consistent with the growth of the city's economy.

Civic Plaza

The majority of Civic Plaza revenues are from earmarked sales taxes including a 0.5 percent tax on advertising, a 0.5 percent portion of the 1.8 percent tax on restaurant and bar sales, construction, publishing, printing, and transportation and towing, plus a 2 percent portion of the 4.8 percent hotel/motel tax on rooms rented for 30 days or less.

Earmarked sales taxes are expected to produce \$51,270,000 in 2005-06. Civic Plaza operating revenues are expected to be \$4,836,000, parking revenue is expected to be \$3,128,000, and interest revenue is expected to be \$1,000,000, for total

SUMMARY OF WASTEWATER SYSTEM REVENUES (In Thousands of Dollars)

	2001-02	2002-03	2003-04	2004-05 (Est.)	2005-06 (Est.)
Sewer Service Charge	\$ 75,067	\$ 79,157	\$ 88,461	\$ 97,998	\$ 105,342
Environmental Charges	20,464	22,361	22,862	21,506	21,843
Development Fees	5,788	7,260	8,487	9,500	6,000
Interest	6,724	4,258	3,909	3,255	4,854
Multi-City	12,549	14,689	17,118	15,072	16,250
Other	5,505	5,009	5,968	4,704	4,658
Total Wastewater Revenue	\$126,097	\$132,734	\$146,805	\$152,035	\$158,947
Change From Prior Year	0.1%	5.3%	10.6%	3.6%	4.5%



revenue estimates of \$60,234,000. This is \$4,534,000 or 8.1 percent more than the 2004-05 total estimated revenue of \$55,699,000. The increase is primarily from increases in the earmarked sales tax categories. Tax estimates are consistent with general fund sales tax estimates for the categories included in Civic Plaza.

The table on the right shows the Civic Plaza excise tax collections since 2001-02.

Overall growth rates differ from General fund sales taxes due to the smaller number of categories, differing proportions of the total and their more volatile nature. As shown in the pie chart on the right, contracting and tourism represent 91 percent of the sales tax revenue to this fund. Both industries are considered volatile; the tourism industry in particular has experienced dramatic changes in the last several years. In the General Fund, however, contracting and tourism represent only 15 percent of the sales tax revenue. Because of this, any changes to these more volatile industries have a greater impact in this fund's sales tax revenue than in the General Fund's sales tax revenue.

The growth rates anticipated for 2004-05 and 2005-06 reflect the continued improvement in the tourism industry. They also reflect a continuation of the outstanding growth in construction activity. Growth is anticipated from significant commercial construction projects such as the Civic Plaza expansion and Light Rail as well as consistent growth in the housing market.

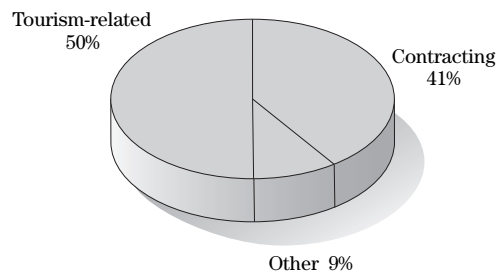
Golf Courses

Revenue sources in the Golf Course category are greens fees and concession sales at city golf courses which include Aguila, Cave Creek, Encanto, Maryvale, Palo Verde and Papago courses. The 2005-06 estimate of \$7,281,000 is \$579,000 or 8.6 percent above the 2004-05 estimate.

CIVIC PLAZA SALES TAXES
(In Thousands of Dollars)

Fiscal Year	Amount Collected	Increase/(Decrease)	
		Amount	Percent
2001-02	\$37,281	\$ (266)	(0.7)%
2002-03	36,849	(432)	(1.2)
2003-04	40,322	3,473	9.4
2004-05 (Est.)	46,758	6,436	16.0
2005-06 (Est.)	51,270	4,512	9.6

2004-05 CIVIC PLAZA
Earmarked Sales Taxes





The Phoenix City Council includes (seated from left) Greg Stanton, Mayor Phil Gordon and Peggy Bilsten, and (standing from left) Doug Lingner, Peggy Neely, Tom Simplot, Claude Mattox, Vice Mayor Michael Johnson and Dave Siebert.



General Government

MAYOR

Program Goal

The Mayor is elected on a nonpartisan ballot to represent the entire city for a four-year term that expires in January 2008. The Mayor represents the city in all official capacities and provides leadership to the City Council, administrative staff and the community at large. The Mayor recommends policy direction for the city and chairs all City Council meetings.

Budget Allowance Explanation

The Mayor's operating budget allowance of \$2,217,000 is \$73,000 or 3.4 percent more than 2004-05 estimated expenditures. The increase is due to normal inflationary increases and is partially offset by budget reductions including reducing printing and mailroom services for the Mayor's Office. These reductions may limit the Mayor and staff's ability to communicate with the public.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,933,000	\$2,144,000	\$2,217,000
Total Positions	19.0	20.0	20.0
Source of Funds:			
General	\$1,927,000	\$2,037,000	\$2,102,000
Grants	5,000	93,000	101,000
Other Restricted	1,000	14,000	14,000

CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from even-numbered districts expire in January 2006. Terms for council members from odd-numbered districts expire in January 2008. The City Council serves as the legislative and policy-making body of the municipal government and has responsibilities for enacting city ordinances, appropriating funds to conduct city business and providing policy direction to the administrative staff. Under the provisions of the City Charter, the City Council appoints a city manager, who is responsible for carrying out its established policies and administering operations.

Budget Allowance Explanation

The 2005-06 City Council operating budget allowance of \$4,237,000 is \$237,000 or 5.9 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary increases and is partially offset by 2005-06 budget reductions. The budget reductions reflected in the budget include the reduction of replacement computers, office furniture and supplies as well as further reductions in travel budgets. These reductions may impact the Council's ability to respond to constituent inquiries in a timely manner.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,344,000	\$4,000,000	\$4,237,000
Total Positions	55.0	55.0	55.0
Source of Funds:			
General	\$3,344,000	\$4,000,000	\$4,237,000

CITY MANAGER

Program Goal

The city manager provides professional administration of the policies and objectives established by the Mayor and City Council, develops alternative solutions to community problems for Mayor and City Council consideration and plans programs that meet the future public needs of the city.

Budget Allowance Explanation

The City Manager's operating budget allowance of \$1,280,000 is \$51,000 or 4.1 percent higher than the 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,068,000	\$1,229,000	\$1,280,000
Total Positions	8.0	8.0	8.0
Source of Funds:			
General	\$1,068,000	\$1,229,000	\$1,280,000

DEPUTY CITY MANAGERS

Program Goal

The deputy city managers oversee and provide assistance to city departments to ensure achievement of their departmental objectives and the objectives of the city government as a whole.

Budget Allowance Explanation

The Deputy City Managers 2005-06 operating budget allowance of \$1,647,000 is \$12,000 more than 2004-05 estimated expenditures. The increase is the result of normal inflationary adjustments, offset





by the elimination of a deputy city manager position. The budget also converts one temporary executive position and one temporary support position to regular status.

Expenditure and Position Summary

	2003-04*	2004-05	2005-06
Operating Expense	\$2,591,000	\$1,635,000	\$1,647,000
Total Positions	19.0	21.0	21.0
Source of Funds:			
General	\$1,982,000	\$1,406,000	\$1,355,000
Water	609,000	229,000	292,000

*Prior to 2004-05, the budgets of the various deputy city managers and their support staff were contained in several different departments. They have been consolidated here for purposes of comparison. Beginning in 2004-05, work order charges to enterprise and special revenue departments were increased to more accurately account for staff time allocated to these departments.

INTERGOVERNMENTAL PROGRAMS

Program Goal

Intergovernmental Programs represents the city, as appropriate, in contacts with federal, state, regional, county and other city governments. Intergovernmental Programs also is charged with citywide grants coordination.

Budget Allowance Explanation

The Intergovernmental Programs 2005-06 operating budget allowance of \$1,317,000 is \$26,000 or 2.0 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments and is partially offset by budget reductions. The budget reduces funding for legislative consultants, which will limit the city's ability to respond to issues impacting the city that emerge during the legislative sessions.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,180,000	\$1,291,000	\$1,317,000
Total Positions	6.3	6.3	6.3
Source of Funds:			
General	\$1,171,000	\$1,279,000	\$1,303,000
Other Restricted	9,000	12,000	14,000



David Ramirez, deputy public information director, is the host of "DiverseCity," a PHX 11 program that highlights some of the diverse services, programs and activities offered by the city. The award-winning PHX 11, the city's government access cable channel, provides quality programs that educate, inform and entertain residents 24 hours a day, 7 days a week.





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Budget Allowance Explanation

The Mayor's operating budget allowance of \$2,217,000 is \$73,000 or 3.4 percent more than 2004-05 estimated expenditures. The increase is due to normal inflationary increases and is partially offset by budget reductions including reducing printing and mailroom services for the Mayor's Office. These reductions may limit the Mayor and staff's ability to communicate with the public.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,933,000	\$2,144,000	\$2,217,000
Total Positions	19.0	20.0	20.0
Source of Funds:			
General	\$1,927,000	\$2,037,000	\$2,102,000
Grants	5,000	93,000	101,000
Other Restricted	1,000	14,000	14,000

CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from even-numbered districts expire in January 2006. Terms for council members from odd-numbered districts expire in January 2008. The City Council serves as the legislative and policy-making body of the municipal government and has responsibilities for enacting city ordinances, appropriating funds to conduct city business and providing policy direction to the administrative staff. Under the provisions of the City Charter, the City Council appoints a city manager, who is responsible for carrying out its established policies and administering operations.

Budget Allowance Explanation

The 2005-06 City Council operating budget allowance of \$4,237,000 is \$237,000 or 5.9 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary increases and is partially offset by 2005-06 budget reductions. The budget reductions reflected in the budget include the reduction of replacement computers, office furniture and supplies as well as further reductions in travel budgets. These reductions may impact the Council's ability to respond to constituent inquiries in a timely manner.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,344,000	\$4,000,000	\$4,237,000
Total Positions	55.0	55.0	55.0
Source of Funds:			
General	\$3,344,000	\$4,000,000	\$4,237,000

CITY MANAGER

Program Goal

The city manager provides professional administration of the policies and objectives established by the Mayor and City Council, develops alternative solutions to community problems for Mayor and City Council consideration and plans programs that meet the future public needs of the city.

Budget Allowance Explanation

The City Manager's operating budget allowance of \$1,280,000 is \$51,000 or 4.1 percent higher than the 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,068,000	\$1,229,000	\$1,280,000
Total Positions	8.0	8.0	8.0
Source of Funds:			
General	\$1,068,000	\$1,229,000	\$1,280,000

DEPUTY CITY MANAGERS

Program Goal

The deputy city managers oversee and provide assistance to city departments to ensure achievement of their departmental objectives and the objectives of the city government as a whole.

Budget Allowance Explanation

The Deputy City Managers 2005-06 operating budget allowance of \$1,647,000 is \$12,000 more than 2004-05 estimated expenditures. The increase is the result of normal inflationary adjustments, offset





by the elimination of a deputy city manager position. The budget also converts one temporary executive position and one temporary support position to regular status.

Expenditure and Position Summary

	2003-04*	2004-05	2005-06
Operating Expense	\$2,591,000	\$1,635,000	\$1,647,000
Total Positions	19.0	21.0	21.0
Source of Funds:			
General	\$1,982,000	\$1,406,000	\$1,355,000
Water	609,000	229,000	292,000

*Prior to 2004-05, the budgets of the various deputy city managers and their support staff were contained in several different departments. They have been consolidated here for purposes of comparison. Beginning in 2004-05, work order charges to enterprise and special revenue departments were increased to more accurately account for staff time allocated to these departments.

INTERGOVERNMENTAL PROGRAMS

Program Goal

Intergovernmental Programs represents the city, as appropriate, in contacts with federal, state, regional, county and other city governments. Intergovernmental Programs also is charged with citywide grants coordination.

Budget Allowance Explanation

The Intergovernmental Programs 2005-06 operating budget allowance of \$1,317,000 is \$26,000 or 2.0 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments and is partially offset by budget reductions. The budget reduces funding for legislative consultants, which will limit the city's ability to respond to issues impacting the city that emerge during the legislative sessions.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,180,000	\$1,291,000	\$1,317,000
Total Positions	6.3	6.3	6.3
Source of Funds:			
General	\$1,171,000	\$1,279,000	\$1,303,000
Other Restricted	9,000	12,000	14,000



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General Government

MAYOR

Program Goal

The Mayor is elected on a nonpartisan ballot to represent the entire city for a four-year term that expires in January 2008. The Mayor represents the city in all official capacities and provides leadership to the City Council, administrative staff and the community at large. The Mayor recommends policy direction for the city and chairs all City Council meetings.

Budget Allowance Explanation

The Mayor's operating budget allowance of \$2,217,000 is \$73,000 or 3.4 percent more than 2004-05 estimated expenditures. The increase is due to normal inflationary increases and is partially offset by budget reductions including reducing printing and mailroom services for the Mayor's Office. These reductions may limit the Mayor and staff's ability to communicate with the public.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,933,000	\$2,144,000	\$2,217,000
Total Positions	19.0	20.0	20.0
Source of Funds:			
General	\$1,927,000	\$2,037,000	\$2,102,000
Grants	5,000	93,000	101,000
Other Restricted	1,000	14,000	14,000

CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from even-numbered districts expire in January 2006. Terms for council members from odd-numbered districts expire in January 2008. The City Council serves as the legislative and policy-making body of the municipal government and has responsibilities for enacting city ordinances, appropriating funds to conduct city business and providing policy direction to the administrative staff. Under the provisions of the City Charter, the City Council appoints a city manager, who is responsible for carrying out its established policies and administering operations.

Budget Allowance Explanation

The 2005-06 City Council operating budget allowance of \$4,237,000 is \$237,000 or 5.9 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary increases and is partially offset by 2005-06 budget reductions. The budget reductions reflected in the budget include the reduction of replacement computers, office furniture and supplies as well as further reductions in travel budgets. These reductions may impact the Council's ability to respond to constituent inquiries in a timely manner.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,344,000	\$4,000,000	\$4,237,000
Total Positions	55.0	55.0	55.0
Source of Funds:			
General	\$3,344,000	\$4,000,000	\$4,237,000

CITY MANAGER

Program Goal

The city manager provides professional administration of the policies and objectives established by the Mayor and City Council, develops alternative solutions to community problems for Mayor and City Council consideration and plans programs that meet the future public needs of the city.

Budget Allowance Explanation

The City Manager's operating budget allowance of \$1,280,000 is \$51,000 or 4.1 percent higher than the 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,068,000	\$1,229,000	\$1,280,000
Total Positions	8.0	8.0	8.0
Source of Funds:			
General	\$1,068,000	\$1,229,000	\$1,280,000

DEPUTY CITY MANAGERS

Program Goal

The deputy city managers oversee and provide assistance to city departments to ensure achievement of their departmental objectives and the objectives of the city government as a whole.

Budget Allowance Explanation

The Deputy City Managers 2005-06 operating budget allowance of \$1,647,000 is \$12,000 more than 2004-05 estimated expenditures. The increase is the result of normal inflationary adjustments, offset





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Source of Funds:			
General	\$1,982,000	\$1,406,000	\$1,355,000
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	2003-04	2004-05	2005-06
Operating Expense	\$1,180,000	\$1,291,000	\$1,317,000
Total Positions	6.3	6.3	6.3
Source of Funds:			
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Expenditure and Position Summary

	2003-04	2004-05	2005-06
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PUBLIC INFORMATION

Program Goal

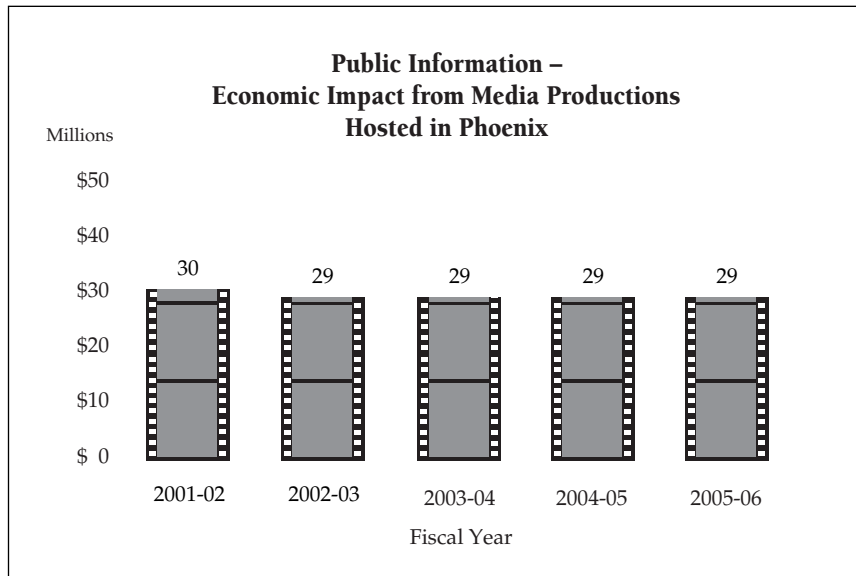
The Public Information Office disseminates information on city governmental services to residents, and assists them in using and understanding the information. The office also encourages participation in city government, develops programming for the government access cable television channel, and encourages motion picture filmmaking in the city of Phoenix through planning and coordinating city assistance to filmmakers.

Budget Allowance Explanation

The Public Information operating budget allowance of \$3,339,000 is \$72,000 or 2.1 percent less than 2004-05 estimated expenditures. The decrease reflects reductions in computer consulting, contract photography services and weekend and evening shoots. Weekend station control and news coverage will be eliminated. The decrease is partially offset by normal inflationary increases.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,269,000	\$3,411,000	\$3,339,000
Total Positions	32.0	32.0	32.0
Source of Funds:			
General	3,263,000	3,403,000	3,331,000
Other Restricted	6,000	8,000	8,000



Public Information Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of news releases, media advisories and public service announcements issued	350	350	350
City publications reviewed and produced (i.e., City Council newsletters, City Page, City Connection, Notes and various brochures for city departments)	235	235	235
Phoenix Channel television programs produced			
- Standard Programs	140	140	140
- Requested Unscheduled Programs	186	186	146
- Requested Planned Programs	19	21	21
Film/Video permits issued for movies, television programs, commercials and still photography	115	115	115
Economic impact of hosted media productions	\$29 mil.	\$29 mil.	\$29 mil.

*Based on 10 months actual experience.

The projected decrease in requested unscheduled programs reflects the budget reduction for evening and weekend shoots. The economic impact in movies and television programs filmed is determined by using the Association of Film Commissioners International Guidelines.





CITY AUDITOR

Program Goal

The City Auditor Department supports the city manager and elected officials in meeting residents' needs for quality government, products and services by providing independent and objective feedback on the city's programs, activities and functions. The city auditor's work is vital in maintaining trust and confidence that city resources are used effectively and honestly. The City Auditor budget also funds an annual independent audit conducted by outside auditors in accordance with the City Charter. This includes an audit of city accounting and financial records, the federal single audit, review of the City of Phoenix Employees' Retirement System, external audits of specific activities and review of business systems for possible improvements.

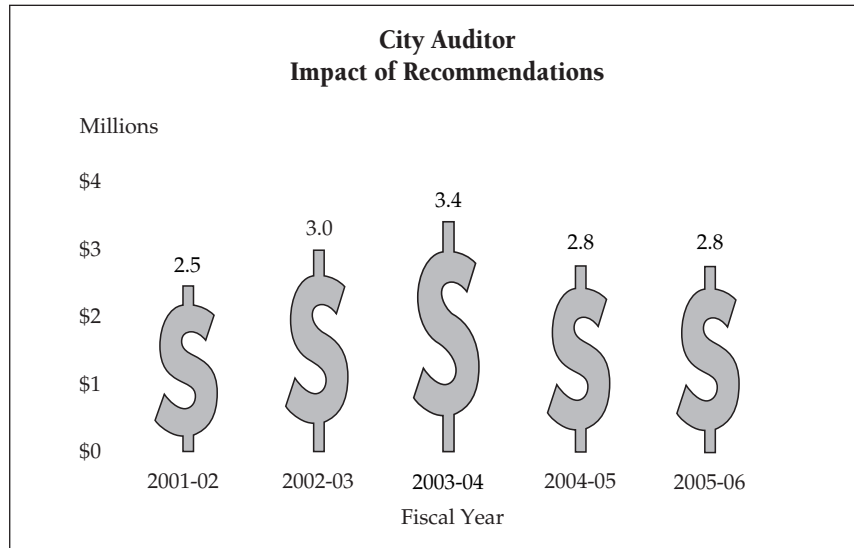
Budget Allowance Explanation

The City Auditor 2005-06 operating budget allowance of \$3,048,000 is \$246,000 or 8.8 percent more than 2004-05 estimated expenditures. This increase is primarily due to inflationary adjustments and an increase in the cost of the annual independent audit. These increases are partially offset by reduction of an internal auditor position.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$2,604,000	\$2,802,000	\$3,048,000
Total Positions	33.5	37.5	37.5
Source of Funds:			
General	\$2,604,000	\$2,802,000	\$3,048,000

**City Auditor
Impact of Recommendations**



City Auditor Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Performance audit and management reports issued	153	165	153
Percentage of commitment dates met	88%	90%	90%
Percentage of rulings issued timely	100%	100%	100%
Audit cycle time (calendar days)	134	125	125
Cost per audit	\$14,770	\$16,000	\$16,000
Customer Satisfaction (Scale 1 to 10, 10 being highest)	8.6	9.0	9.0

*Based on 10 months actual experience.

The reduction in 2005-06 performance audit and management reports issued reflects the elimination of an internal auditor position.



EQUAL OPPORTUNITY

Program Goal

The Equal Opportunity Department promotes and enforces equal opportunities for both city employees and the general public through a wide range of voluntary affirmative action, education, community involvement and enforcement programs. These programs are carried out by a combination of staff and volunteer panels appointed by the Mayor and City Council.

Budget Allowance Explanation

The Equal Opportunity operating budget allowance of \$3,750,000 is \$300,000 or 8.7 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary increases and replacement of the M/D/W/SBE computer database. These increases are partially offset by budget reductions.

Expenditure reductions include eliminating one equal opportunity specialist position. This will result in reduced staff support for various commission subcommittees and various outreach efforts.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,491,000	\$3,450,000	\$3,750,000
Total Positions	37.0	38.0	38.0
Source of Funds:			
General	\$3,070,000	\$2,995,000	\$3,341,000
Community Development			
Block Grant	196,000	198,000	193,000
Grant	177,000	209,000	168,000
Other Restricted	48,000	48,000	48,000

Equal Opportunity Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Discrimination complaints in employment, public accommodations, housing and Americans with Disabilities Act (ADA) accessibility, investigated and closed	169	161	161
Minority-owned, woman-owned and disadvantaged and small business enterprise (M/W/D/SBE) outreach presentations to area businesses and M/W/D/SBE organizations	55	55	55
M/W/D/SBEs certified or recertified as percent of goal	100%	100%	100%
SBEs certified or recertified as percent of goal	93%	100%	100%
Contracts monitored by for use of M/W/D/SBE subcontractors	394	394	419

*Based on 10 months actual experience.

The decrease in discrimination complaints from 2003-04 may reflect an increase in the number of training classes provided by the department. Contracts monitored fluctuate depending on the amount of construction work included in the annual capital program. Civic Plaza expansion, the light rail project and new concessions at Sky Harbor Terminal 4 will increase monitoring in 2005-06.





PERSONNEL

Program Goal

The Personnel Department partners with departments and employees to hire, compensate, support and develop a diverse workforce that is dedicated to delivering high-quality services to the community.

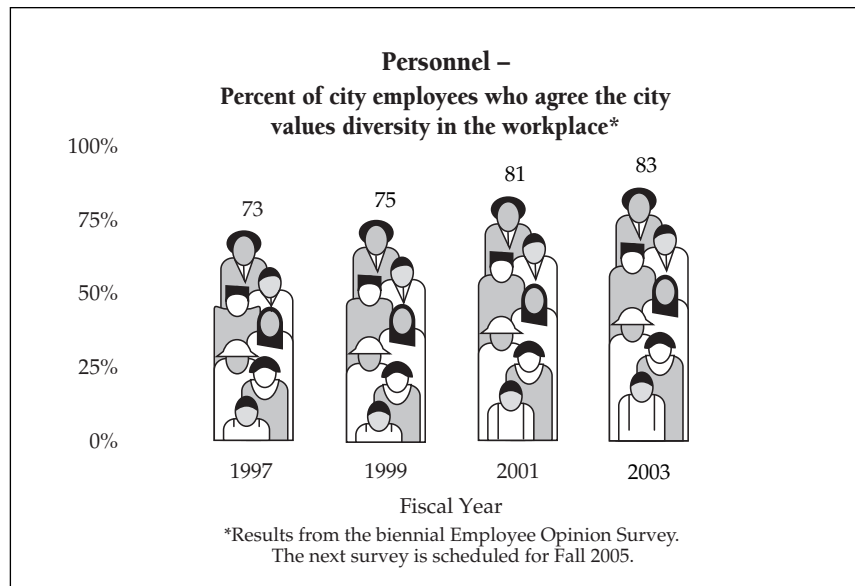
Budget Allowance Explanation

The Personnel Department 2005-06 operating budget allowance of \$15,738,000 is \$220,000 or 1.4 percent less than 2004-05 estimated expenditures. This decrease is the result of 2005-06 budget reductions in the General Fund partially offset by normal inflationary adjustments.

The 2005-06 budget reductions include reduced funding for: training and development consultants and related training materials; use of training and testing facilities which charge fees; remodeling of existing personnel facilities; advertising for the recruitment of city positions; imaging of citywide personnel records; and technical programming for the personnel/payroll system. Also included is the elimination of the RESOLVE mediation program including a personnel analyst position. These reductions will decrease the number of specialized training classes offered to city employees, require staff to accommodate multiple testing sessions in the Personnel Department, potentially diminish the applicant pool, and cause a slower turnaround on information requests. Alternate sources of mediation assistance will be provided to employees upon request.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$13,920,000	\$15,518,000	\$15,738,000
Total Positions	113.4	112.4	112.4
Source of Funds:			
General	\$13,048,000	\$14,275,000	\$14,520,000
City Improvement	757,000	915,000	1,073,000
Other Restricted	115,000	328,000	145,000



Personnel Department Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Annualized employee turnover rate	4.65%	4.50%	4.50%
Average work days from vacancy-to-fill date	112	115	115
Number of recruitment processes	614	590	610
Average work days for recruitment from opening to creation of eligibility list	25	27	27
Employees participating in city-sponsored and language classes	9,118	9,000	9,000
Number of industrial claims filed per each 125 full-time equivalent employees	12.7	13.0	13.0

*Based on 10 months actual experience.



**PHOENIX EMPLOYMENT
RELATIONS BOARD**

Program Goal

The Phoenix Employment Relations Board oversees administration of the city's Meet and Confer ordinance. Primary responsibilities of the board include conducting representation elections, and selecting mediators and fact finders to resolve impasses. The board consists of five members appointed by the City Council and has its own staff consisting of a director and a secretary.

Budget Allowance Explanation

The Phoenix Employment Relations Board 2005-06 operating budget allowance of \$234,000 is \$9,000 or 4 percent more than 2004-05 estimated expenditures. This increase is primarily due to normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$219,000	\$225,000	\$234,000
Total Positions	2.0	2.0	2.0
Source of Funds:			
General	\$219,000	\$225,000	\$234,000

RETIREMENT SYSTEMS

Program Goal

Retirement Systems provides staff support to the general, police and fire retirement boards and administers retirement programs for all city employees.

Budget Allowance Explanation

The Retirement Systems gross operating budget allowance of \$1,739,000 is \$122,000 or 7.5 percent more than 2004-05 estimated expenditures. This increase is due primarily to an increase in medical exams required for police and fire recruits in anticipation of a large number of retirements in those departments, as well as normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense (Gross*)	\$1,374,000	\$1,617,000	\$1,739,000
Total Positions	15.0	15.0	15.0
Source of Funds:			
General (Gross*)	\$1,374,000	\$1,617,000	\$1,739,000

*Gross costs are recovered through contributions to the pension fund.



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Operating Expense	\$219,000	\$225,000	\$234,000
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Source of Funds:			
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Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense (Gross*)	\$1,374,000	\$1,617,000	\$1,739,000
Total Positions	15.0	15.0	15.0
Source of Funds:			
General (Gross*)	\$1,374,000	\$1,617,000	\$1,739,000

*Gross costs are recovered through contributions to the pension fund.





LAW

Program Goal

The Law Department provides effective legal services to the Mayor and City Council, city manager, departments and advisory boards; interprets and enforces city, state and federal laws as they pertain to city services and activities; and effectively administers and prosecutes criminal cases filed in Phoenix Municipal Court using the prosecutorial function and discretion in a fair, impartial and efficient manner.

Budget Allowance Explanation

The Law Department 2005-06 operating budget allowance of \$20,891,000 is \$1,281,000 or 6.5 percent more than 2004-05 estimated expenditures. The increase is due to inflationary adjustments and the addition of two attorneys and support staff to initiate acquisition actions related to the Light Rail and other projects. Replacement funding was also added for the Victim's Rights Program grant to cover cost-of-living increases, for the Local Law Enforcement Block Grant to fund two prosecutors and one legal assistant, which provides coverage for one criminal court room, and for the Community Gun Violence Grant to fund two prosecutors to prosecute gun crimes in federal court. The increase is offset by budget reductions that include reduced funding for replacement furniture and the

elimination of a civil attorney assigned to collect past due taxes as well as a prosecutor assigned to a Municipal Courtroom.

The Law Department 2005-06 budget for court awards funds provides for computerized legal research (\$32,000), criminal justice training (\$4,000) and computer programming including ongoing technical support for the Criminal Division's case management system (\$121,000).

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$19,344,000	\$19,610,000	\$20,891,000
Total Positions	245.3	242.0	245.0
Source of Funds:			
General	\$18,255,000	\$18,464,000	\$19,907,000
Court Awards	123,000	152,000	157,000
Grants	965,000	943,000	678,000
Other Restricted	1,000	51,000	149,000

Law Department Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Criminal cases sent to diversion	3,568	3,208	3,500
Pre-trial disposition conferences set	59,627	65,000	62,000
New civil cases opened in the fields of condemnation, collection, taxes and civil litigation, excluding liability and other cases assigned to outside counsel	1,282	800	800
Number of defendants submitted for charging review	45,844	42,000	43,000
Number of civil cases closed, including those assigned to outside counsel and handled through the alternative dispute resolution process	804	900	900
Ordinances and resolutions for City Council adoption drafted and reviewed	1,123	1,000	1,000
Number of jury trials prosecuted	381	450	450

*Based on 10 months actual experience.



INFORMATION TECHNOLOGY

Program Goal

The Information Technology Department coordinates the use of information technology across the various departments and agencies of city government to ensure that accurate and timely information is provided to residents, elected officials, city management and staff in the most cost-effective manner possible. The department provides operating departments with information processing through the application and coordination of computer technology and procures, manages and maintains the city's radio, telephone and computer network systems.

Budget Allowance Explanation

The Information Technology operating budget allowance of \$6,717,000 is \$2,958,000 more than 2004-05 estimated expenditures. This increase reflects the cost to upgrade the personnel and payroll system, the carryover of maintenance costs, as well as normal inflationary increases. This increase also reflects the return to pay-as-you-go funding for major equipment purchases in 2005-06.

These increases are partially offset by budget reductions. A reduction in the costs associated with the software conversion of the city's electronic calendar

is included. This could result in the city's inability to inform the public of meetings in a timely manner. The budget also reduces the scope of the annual information technology architecture review, decreasing the ability of the department to identify possible cost efficiencies. Elimination of funding for an audit of a cable service provider is also included. Eliminating seven positions associated with court data entry reductions and other application programming services also is included.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense*	\$4,470,000	\$3,759,000	\$6,717,000
Total Positions	213.0	210.0	210.0
Source of Funds:			
General	\$3,259,000	\$2,126,000	\$4,989,000
City Improvement	883,000	930,000	1,010,000
Other Restricted	328,000	548,000	555,000
Aviation	-	155,000	163,000

*Reflects net costs; most costs are charged to other departments for services provided.

Information Technology Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Percentage of on-time operations center services	98.9%	99.0%	99.0%
Number of ITD-supported network devices	13,179	14,040	14,625
Critical Systems Availability Percentage:			
Enterprise Network	99.7%	99.0%	99.0%
Business Systems	99.1%	99.5%	99.5%
Internet Services	99.4%	99.0%	99.0%
Telephone Network	99.9%	99.9%	99.9%
Microwave Network	99.9%	99.9%	99.9%
Number of visits to phoenix.gov	10,849,431	11,661,068	15,000,000
Average cycle time of telephone service requests	2.5 weeks	2 weeks	2 weeks
Average number of CityCom phone calls processed daily	109,268	107,458	109,587
Average cycle time of wireless communication repairs	1.24 hours	1.25 hours	1.25 hours
Units of portable and mobile radio equipment	21,395	22,000	23,000

*Based on 10 months actual experience.

Increased visits to phoenix.gov are due to the expansion of e-commerce and the increase in the amount of information provided to citizens by city departments.





CITY CLERK AND ELECTIONS

Program Goal

The City Clerk Department maintains orderly and accessible records of all city activities and transactions including posting all public meeting notifications; prepares agendas and minutes for City Council formal meetings; provides for effective administration of city elections and annexations; administers liquor, bingo and regulatory license services; and provides printing, typesetting, microfilming, document imaging, office automation and mail delivery services to all city departments.

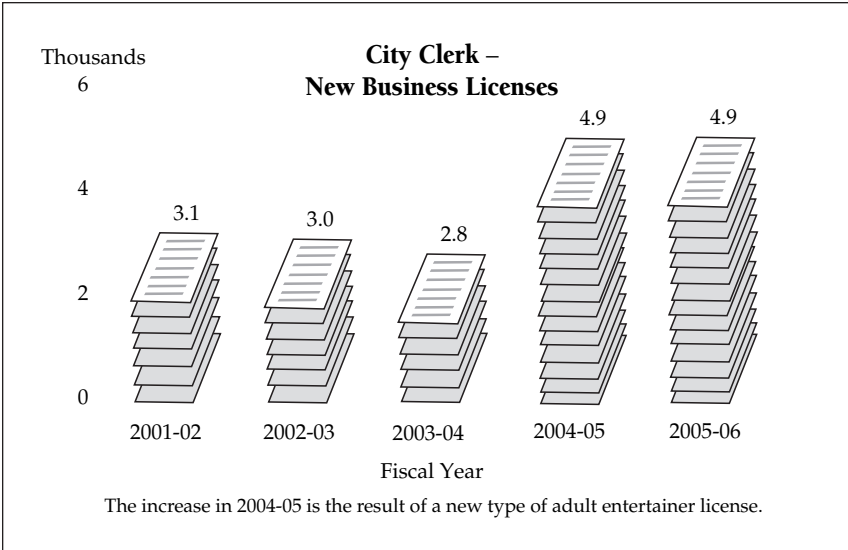
Budget Allowance Explanation

The City Clerk operating budget allowance of \$7,634,000 is \$689,000 or 9.9 percent more than 2004-05 estimated expenditures. This increase reflects a regularly scheduled citywide election in 2005, the carry-forward of funds for replacement ballot tabulation software and normal inflationary increases. These increases are partly offset by budget reductions.

These reductions include elimination of a position from Special Services, deferred facility maintenance at the Records Center and Elections Annex, reduced development of new e-mail and calendaring applications, and elimination of polling place change notification cards. The reduction in Special Services staff will create delays in updates of general information related to elections and increased response times to citizen inquiries sent through the city's Web site. Polling place change information will continue to be provided with the sample ballot sent to all voters.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$6,568,000	\$6,945,000	\$7,634,000
Total Positions	132.2	129.2	129.2
Source of Funds:			
General	\$6,509,000	\$6,782,000	\$7,468,000
City Improvement	59,000	163,000	166,000



City Clerk Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Council formal meetings for which agendas and minutes are prepared	46	47	45
Minutes prepared on-time without errors	100%	100%	100%
Notices posted in compliance with open meeting law	3,241	3,200	3,100
Rate of compliance	100%	100%	100%
Water bills and other items presorted for mailing	5.9 mil.	5.1 mil.	5.1 mil.
Average number of days to process a business license	24	24	24
Property ownership updates completed within five working days of receipt from county	100%	100%	100%
Turnaround times for printing jobs (number of days):			
Rush jobs	2.3	3.0	3.0
Routine jobs	11.6	11.5	11.5
City Council regular and special elections held	1	1	1
Election time from poll closing to final results for citywide election	2.2 hours	1.6 hours	2.2 hours
Percent of Enterprise Call Center questions answered without referral	98%	98%	90%
Customer satisfaction with department	97%	97%	95%

*Based on 10 months actual experience.

The number of Council formal meetings varies each year depending on the need for special meetings. The budget assumes two special meetings annually. The number of utility bills presorted for mailing has declined as a result of more customers receiving and paying their statements over the Internet and because some utility bills have dimensions too large to go through the presort process. Election results turnaround time decreased in 2004-05 due to lower voter turnout for a franchise election.





FINANCE

Program Goal

The Finance Department strives to maintain a fiscally sound governmental organization that conforms to legal requirements and to generally accepted financial management principles; maintains effective procurement procedures for commodities and services; provides for effective treasury management and a citywide risk management program; acquires, manages and disposes of property for public facilities; provides an effective debt management program; and provides financial advisory services for all city departments.

Budget Allowance Explanation

The 2005-06 Finance operating budget allowance of \$24,721,000 is \$382,000 or 1.6 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments and is partially offset by budget reductions totaling \$738,000.

The budget reductions include revising cost accounting formulas to more aggressively allocate administrative costs to capital projects and enterprise funds. Also included are reductions for computer programming related to the city's payroll system.

The budget also converts a temporary procurement manager and a contracts specialist to regular status. These positions assist departments in procuring professional services. In addition, the budget reflects the transfer of 13 positions from the Housing Department to the Finance Department. These positions will provide grants management for the Housing programs and will be funded by Housing funds.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$21,689,000	\$24,339,000	\$24,721,000
Total Positions	294.5	310.5	310.5
Source of Funds:			
General	\$20,318,000	\$22,778,000	\$22,946,000
Water	715,000	840,000	1,072,000
Wastewater	603,000	672,000	672,000
Sports Facilities	-	67,000	100,000
Public Housing	-	(18,000)	(69,000)
City Improvement	53,000	-	-



Finance Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Investments by Portfolio:			
Treasurer's Group Portfolio -			
Dollars Invested	\$1,221 mil.	\$1,210 mil.	N/A
Average Yield	3.58%	3.50%	N/A
Percentage of			
three-month U.S. Treasury Bill	374%	155%	110%
Average Life (years)	2.3	2.3	N/A
Yield Restricted Portfolio -			
Dollars Invested	\$200 mil.	\$230 mil.	N/A
Average Yield	1.90%	1.70%	N/A
Percentage of			
three-month U.S. Treasury Bill	198%	110%	110%
Average Life (years)	.53	.25	N/A
Other Non-Yield Restricted Portfolio -			
Dollars Invested	\$693 mil.	\$950 mil.	N/A
Average Yield	1.68%	2.00%	N/A
Percentage of			
three-month U.S. Treasury Bill	176%	110%	110%
Average Life (years)	.32	.30	N/A
Dollar value of accounts payable warrants processed	\$1.9 bil.	\$2.2 bil.	\$2.2 bil.
Privilege license tax gross dollars reviewed	\$3.7 bil.	\$6.0 bil.**	\$3.0 bil.
Bond Ratings:			
General Obligation - Standard & Poor's	AA+	AA+	AA+
General Obligation - Moody's	Aa1	Aa1	Aa1
Water Revenue - Standard & Poor's	AA	AA	AA
Water Revenue - Moody's	Aa3	Aa3	Aa3
Airport Revenue - Standard & Poor's	AA-	AA-	AA-
Airport Revenue - Moody's	A1	A1	A1
Senior Lien Street Revenue - Standard & Poor's	AA	AA	AA
Senior Lien Street Revenue - Moody's	Aa3	Aa3	Aa3
Senior Lien Excise Tax - Standard & Poor's	AAA	AAA	AAA
Senior Lien Excise Tax - Moody's	Aa2	Aa2	Aa2
Risk management claims received and closed	2,942	2,820	3,100
Receivables:			
Dollar value of receivables billed	\$434 mil.	\$450 mil.	\$450 mil.
Percentage outstanding (as of June 30)	4.0%	4.0%	4.0%
City sales (excise) tax collected	\$542 mil.	\$567 mil.	\$490 mil.

*Based on 10 months actual experience.

**The decrease from 2004-05 is due to closing assessments on some very large taxpayers in 2004-05.

The amounts to be invested for 2005-06 are based on cash available during the fiscal year. Yield performance for each portfolio is measured against the performance of three-month United States Treasury Bills (T-Bill). The department's goal is to achieve at least 110 percent of the three-month United States T-Bill yield.





BUDGET AND RESEARCH

Program Goal

The Budget and Research Department ensures effective, efficient allocation of city resources to enable the City Council, city manager and city departments to provide quality services to our residents.

Budget Allowance Explanation

The Budget and Research Department's 2005-06 operating budget allowance of \$4,037,000 is \$386,000 or 10.6 percent more than 2004-05 estimated expenditures. This increase is due to normal inflationary adjustments and the addition of the Impact Fee Program administration. This increase is partially offset by a reduction in funding for computer software maintenance of the city's budget reporting enterprise system.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,196,000	\$3,651,000	\$4,037,000
Total Positions	28.0	32.0	32.0
Source of Funds:			
General	\$3,191,000	\$3,341,000	\$3,531,000
Other Restricted	5,000	310,000	506,000

Budget and Research Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Percent variance of actual expenditures to estimated expenditures (GF)	0%	0%	0%
Percent variance of actual resources to estimated resources (GF)	(.8)%	0%	0%
Costs savings and/or operational improvements identified (millions)	\$6.7	\$5.5	\$5.5
Percent of requested research completed by due date	85%	85%	85%
Customer satisfaction with services (scale of 1-10)	8.9	8.5	10.0
Percent of Capital Improvement Program awarded	93%	95%	95%

*Based on 10 months actual experience.



ENGINEERING AND ARCHITECTURAL SERVICES

Program Goal

The Engineering and Architectural Services Department provides for the economical, safe and aesthetic design and construction of facilities on city property; coordinates the bid specification process, including setting minority- and woman-owned subcontractor goals for all capital improvement construction projects; and serves as the central depository for all official records relating to capital projects.

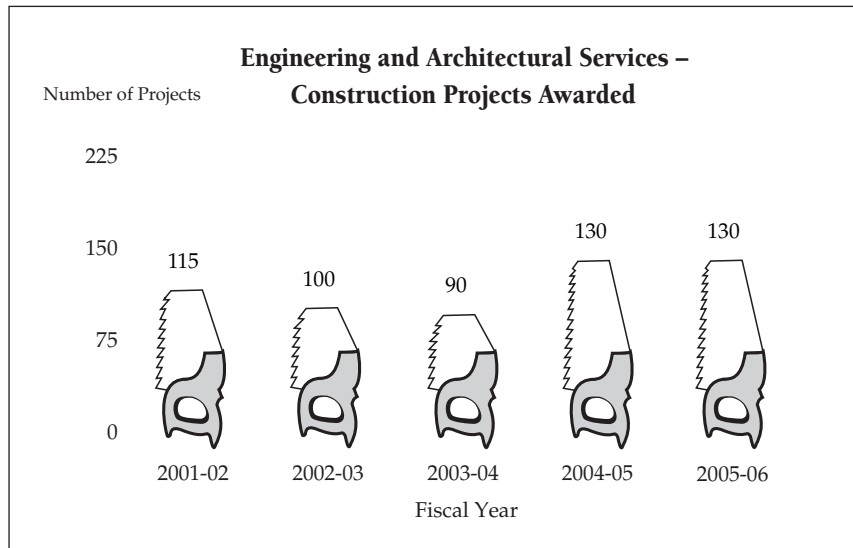
Budget Allowance Explanation

The Engineering and Architectural Services gross operating budget allowance of \$13,196,000 is \$1,104,000 or 9.1 percent higher than 2004-05 estimated expenditures. The increase is the result of normal inflationary increases and is partially offset by General Fund budget reductions for computer application and systems support. The budget also reflects the carry-forward of funds to create record drawings in the GIS system.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense (Gross*)	\$11,290,000	\$12,092,000	\$13,196,000
Total Positions	105.1	110.1	110.1
Source of Funds:			
General (Gross*)	\$11,290,000	\$12,092,000	\$13,113,000
Other Restricted	-	-	83,000

*The majority of Engineering and Architectural Services' costs are charged to the appropriate capital improvement projects.



Engineering and Architectural Services Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of utility permits requested	13,070	13,330	13,330
Percentage of utility permits reviewed and approved by target date	86%	85%	85%
Percentage of Capital Improvement Program projects bid:			
First quarter	29%	16%	25%
Second quarter	23%	33%	25%
Third quarter	23%	30%	25%
Fourth quarter	25%	21%	25%
Total	100%	100%	100%
Number of construction contract bids awarded	90	130	130
Number of engineering and architectural consultant contracts awarded	411	310	300
Construction dollars as a percentage of total dollars award:			
Minority-owned business enterprises	4.2%	4.0%	4.0%
Woman-owned business enterprises	2.95%	3.0%	3.0%
Small business enterprised	2.0%	2.0%	2.0%

*Based on 10 months actual experience.



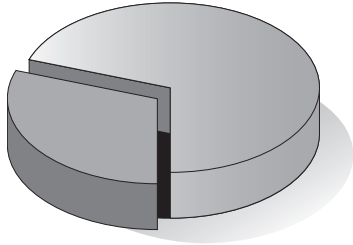


New voter-approved franchise agreements between Phoenix and Arizona Public Service (APS) and Southwest Gas will fund 199 new public safety positions for new heavy rescue units, improvements to crime suppression efforts, expanded community policing and better homeland defense capabilities.



Public Safety

The Public Safety Program Represents 30.4% of the Total Budget.



The Public Safety program budget includes the Police Department, Fire Department, Emergency Management and Family Advocacy Center.

POLICE

Program Goal

The Police Department provides the community with a law enforcement system that integrates and uses all departmental, civic and community resources for police services and protection of the lives and property of our residents.

Budget Allowance Explanation

The 2005-06 Police operating budget allowance of \$407,588,000 is \$14,932,000 or 3.8 percent more than 2004-05 estimated expenditures. This increase is due to normal inflationary increases and the additional costs for the 86 sworn and 41 civilian positions funded with the new franchise agreements between Phoenix and Arizona Public Service (APS) and Southwest Gas. The additional positions will address crime suppression, community policing, repeat offenders and critical civilian support positions.

In addition, the 2005-06 budget adds funding for fuel and non-warranty maintenance for the new 2001 Bond

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Average Response Time (Minutes)			
Priority 1 - Emergency Calls	5.5	5.5	5.5
Priority 2 - Non-Emergency Calls	19.6	19.4	19.4
Priority 3 - All Other Calls	60.6	61.1	60.9
Telephone Callbacks	70.8	60.5	62.4
Percentage of phone calls to 911 and Crime Stop answered within 10 seconds			
	83.2%	84.6%	85.1%
Cases accepted by the county attorney for issuance of complaint			
	23,502	20,768	22,136
Moving violation citations issued			
	252,363	256,443	257,126
Traffic accidents			
	32,086	32,302	32,220
Percentage of cases cleared:			
Murder	43%	43%	44%
Rape	23%	25%	21%
Robbery	20%	18%	19%
Aggravated Assault	38%	38%	38%
Burglary	5%	5%	5%
Theft	15%	15%	15%
Auto Theft	10%	9%	10%
Arson	7%	8%	8%

*Based on 10 months actual experience.





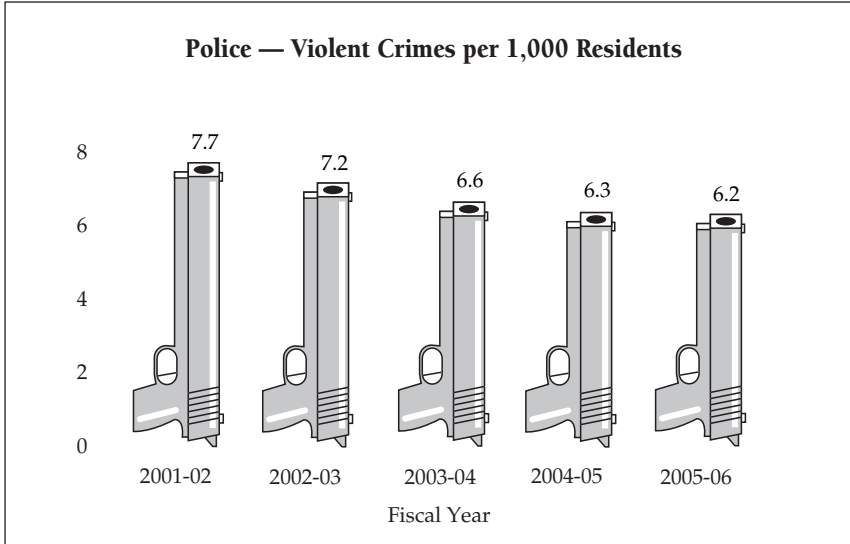
Program twin-engine helicopter which is shared by Police and Fire. The budget also includes funding necessary to replace expiring Local Law Enforcement Block Grant Funds with General Funds to continue seven evidence technicians and a criminalist supervisor position in the police crime lab. Five additional police officer positions, funded with Aviation funds, also are included in the budget to increase patrols at Sky Harbor Airport.

These increases are partially offset with cost reductions totaling \$3,195,000. These reductions include reduced funding for printing, office supplies and facilities

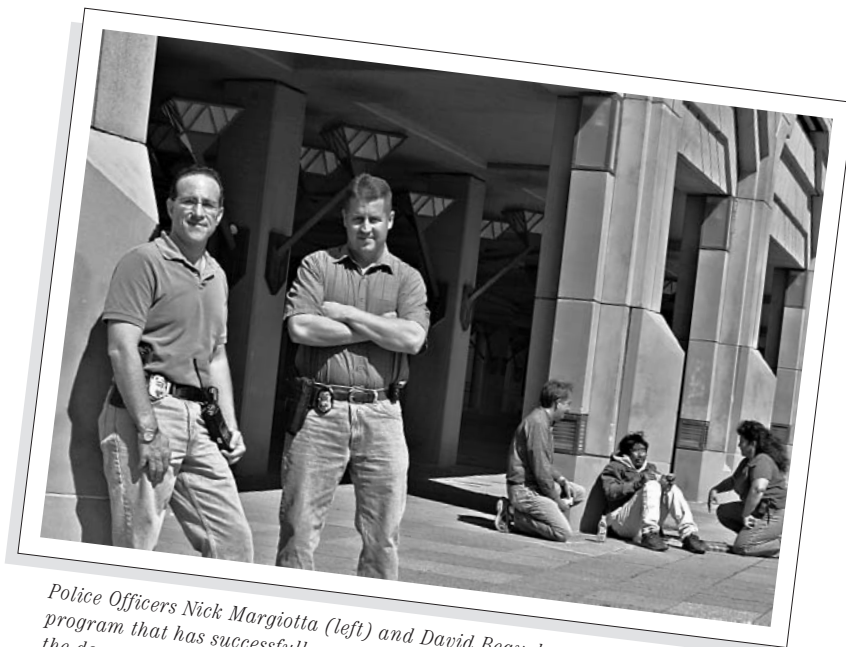
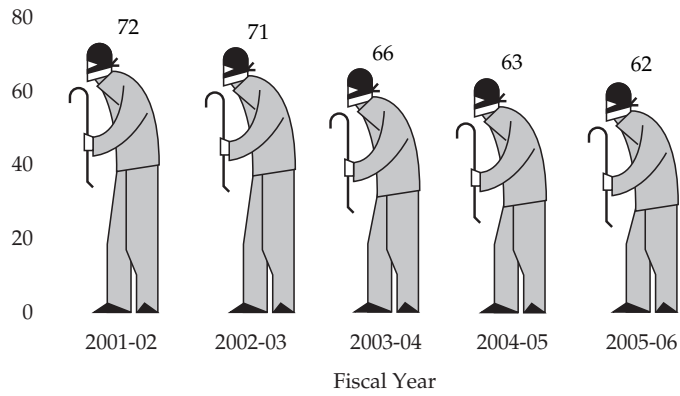
maintenance. Also included are funding reductions for consulting services for the Violence Prevention Initiative (VIP) and stand-by pay. The 2005-06 budget also eliminates six of the 12 police cadet positions and seven administrative support positions and seven administrative support positions, replaces the crime lab technical administrator with an existing police commander and transfers a portion of the General Fund costs to the revenues generated by the new franchise agreements. Cost savings also were achieved by shifting the duties of the court liaison detectives to civilian positions.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$348,067,000	\$392,656,000	\$407,588,000
Total Positions	3,900.7	4,161.7	4,160.7
Source of Funds:			
General	\$313,770,000	\$347,178,000	\$364,049,000
Police Neighborhood Protection	17,744,000	18,519,000	20,414,000
Grants	10,447,000	19,150,000	7,166,000
Court Awards	3,429,000	3,147,000	2,541,000
Public Safety Enhancement	-	2,626,000	9,713,000
City Improvement	916,000	-	1,636,000
Sports Facilities	936,000	964,000	993,000
Civic Plaza	737,000	759,000	782,000
Other Restricted	88,000	313,000	294,000



Police — Property Crimes per 1,000 Residents



Police Officers Nick Margiotta (left) and David Beauchamp helped create a program that has successfully connected 130 chronically homeless people in the downtown area to a multitude of services, including disability benefits, health care, substance abuse treatment, employment services, mental health services and shelter.





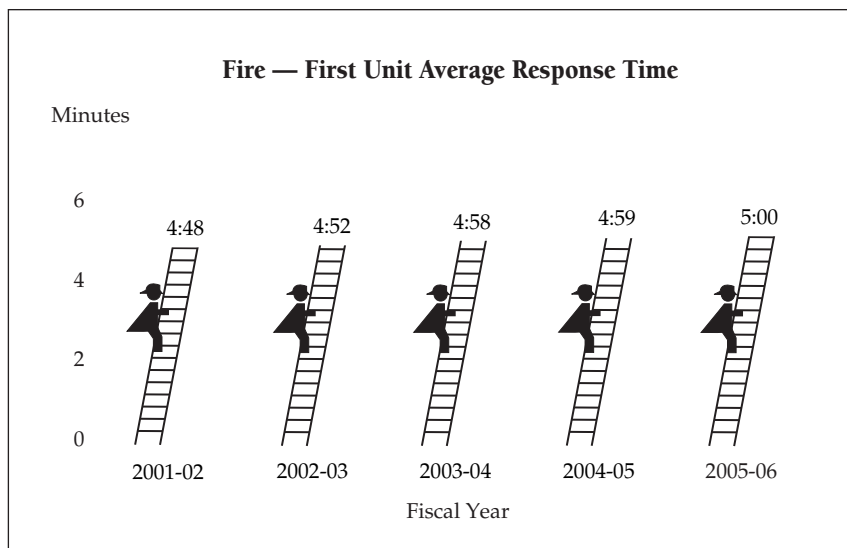
FIRE

Program Goal

The Fire Department provides the highest level of life and property safety through fire prevention, fire control, emergency medical and public education services.

Budget Allowance Explanation

The 2005-06 Fire operating budget allowance of \$220,124,000 is \$28,211,000 or 14.7 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments, increased funding requirements of the public safety pension system, as well as the costs for 66 sworn and 2 civilian positions funded with revenues from the new franchise agreements between the city and Arizona Public Service (APS) and Southwest Gas. The increases are offset by some budget cost savings.



The Fire Department's Baby Shots Immunization Program partners with the community to offer free immunization clinics in community centers, schools, hospitals and shopping malls. Clinic hours are on weekends and late weekday afternoons to accommodate working parents.



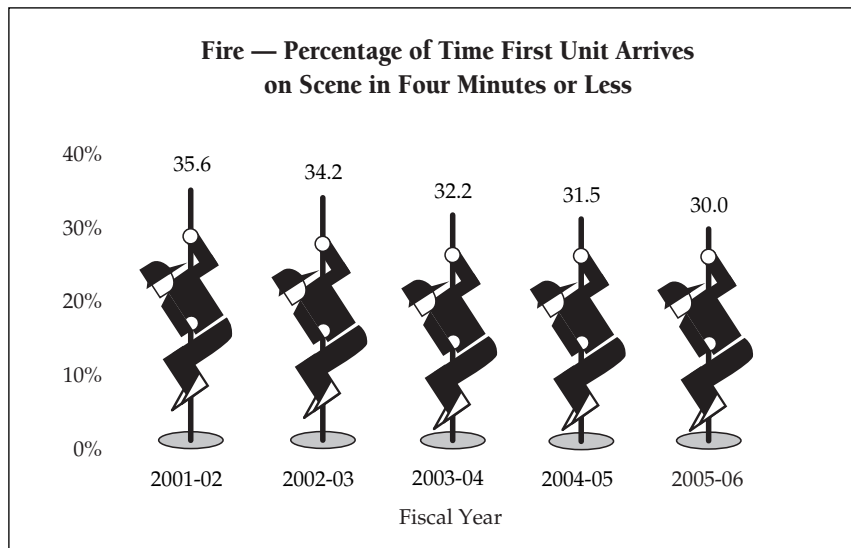
The additional positions will staff three heavy rescues for incidents involving mass casualties and expanded homeland security efforts. The new franchise agreement revenues, which are included in the Public Safety Enhancement fund, will also pay the one-time costs of the advance hire program for anticipated firefighter retirements.

Reductions in the 2005-06 budget include deferred hiring of firefighters for three new bond-funded fire stations. Station 62 at 99th Avenue and Lower Buckeye, Station 57 located at 15th Avenue and Dobbins, and Station 61 at 16th Street and Indian School will be temporarily staffed with existing adaptive response companies for three to six months. In addition, the temporary middle manager advance hiring program is eliminated.

Supplemental additions for new capital facilities also are included in the budget. These include funding for eight fire communications operators to address the increased workload associated with new fire stations added in recent years.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$172,690,000	\$191,913,000	\$220,124,000
Total Positions	1,719.2	1,873.2	1,881.2
Source of Funds:			
General	\$162,176,000	\$175,403,000	\$198,091,000
Fire Neighborhood Protection	5,715,000	6,390,000	6,869,000
Development Services	1,915,000	1,799,000	1,943,000
Grants	2,669,000	6,095,000	4,775,000
Other Restricted	182,000	98,000	107,000
City Improvement	33,000	966,000	2,198,000
Public Safety Enhancement	-	1,162,000	6,141,000



Fire Department Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Percent of fire and emergency medical call responses within four minutes	32.2%	31.5%	30%
Patient transports to Valley hospitals via emergency medical vehicles	54,036	54,250	54,800
Percentage of time Advanced Life Support (ALS) medical calls are responded to with paramedic units within five minutes	52.2%	51%	51%
Number of fire investigations to determine cause only	698	730	765
Number of calls by type:			
Emergency Medical	112,282	115,650	119,120
Fire	15,771	15,950	16,000
Other (mountain/swift water/trench/tree rescues/other)	7,665	7,800	8,000

*Based on 10 months actual experience.





EMERGENCY MANAGEMENT

Program Goal

The Emergency Management Program provides the city with the capability to mitigate, plan for, respond to and recover from large-scale community emergencies and disasters as a result of man-made, technological or natural hazards.

Budget Allowance Explanation

The Emergency Management 2005-06 operating budget allowance of \$682,000 is \$327,000 or 92.1 percent more than 2004-05 estimated expenditures. This increase is due primarily to the additional costs of four positions funded by revenues

from the new franchise agreements between Phoenix and Arizona Public Service (APS) and Southwest Gas.

The increased Public Safety Enhancement funds will provide four additional positions including an accountant, administrative assistant, secretary, and chemist to ensure compliance with complicated federal grant regulations related to homeland security and emergency preparedness.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$226,000	\$355,000	\$682,000
Total Positions	1.5	6.5	6.5
Source of Funds:			
General	\$226,000	\$254,000	\$285,000
Public Safety Enhancement	-	-	302,000
Grants	-	101,000	95,000

FAMILY ADVOCACY CENTER

Program Goal

The Family Advocacy Center provides comprehensive, seamless service to victims of domestic and family violence and sexual assault through enhanced coordination, collaboration and communication among city, county and community service providers.

Budget Allowance Explanation

The Family Advocacy Center operating budget allowance of \$1,096,000 is \$67,000 or 6.5 percent more than 2004-05 estimated expenditures. This increase is



due to normal inflationary adjustments and is partially offset by 2004-05 budget reductions, which eliminates rent savings that would have been available to help in the development of a new facility.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,008,000	\$1,029,000	\$1,096,000
Total Positions	5.0	5.0	5.0
Source of Funds:			
General	\$982,000	\$970,000	\$1,037,000
Other Restricted	26,000	59,000	59,000

Family Advocacy Center Major Performance Measures and Service Trends

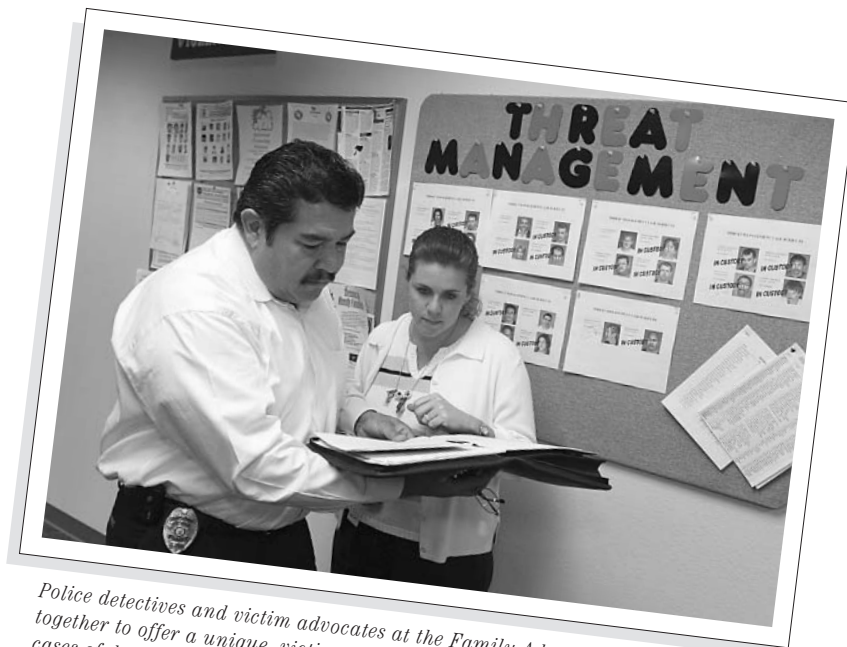
The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Phone calls received	6,125	4,000**	6,368**
Victim contacts	7,950	7,000	7,350
Services provided ¹	2,780	3,824	4,015
Presentation participants	1,100	1,110	1,165

*Based on 10 months actual experience.

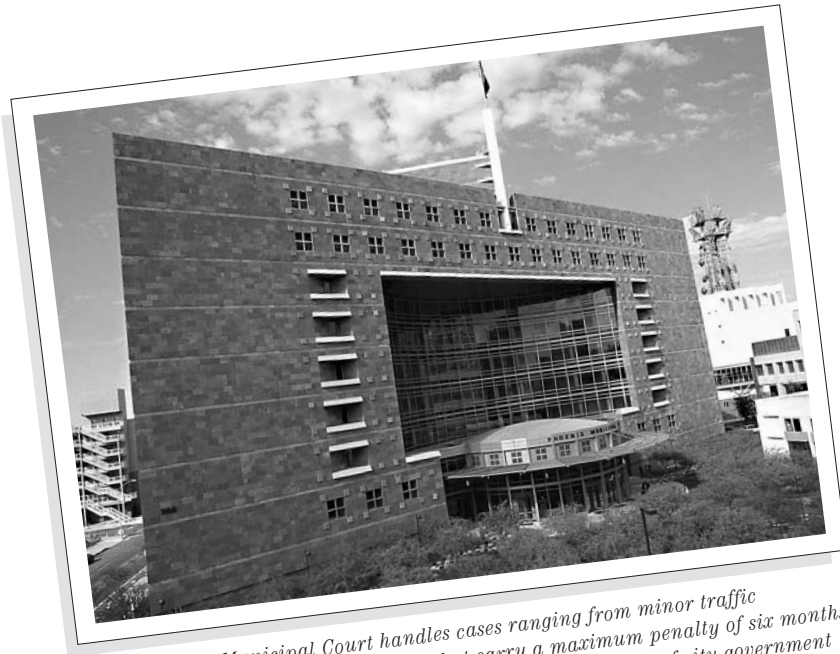
¹ Includes shelter placements, orders of protection, financial assistance, counseling services and medical examinations.

**The number of walk-in clients has increased which has decreased the number of telephone contacts.



Police detectives and victim advocates at the Family Advocacy Center work together to offer a unique, victim-oriented, collaborative approach to handling cases of domestic violence and sexual, emotional and physical abuse.



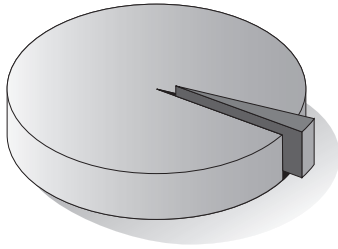


The Phoenix Municipal Court handles cases ranging from minor traffic violations to Class 1 misdemeanors that carry a maximum penalty of six months in jail and/or a \$2,500 fine. The court is a separate branch of city government and a part of the statewide court system, subject to the authority of the Supreme Court.



Criminal Justice

The Criminal Justice Program Represents 2.8% of the Total Budget.



The Criminal Justice program budget includes the Municipal Court and Public Defender.

MUNICIPAL COURT

Program Goal

The Municipal Court provides with integrity, to all individuals who come before this court: equal access, professional and impartial treatment, and just resolution of all court matters.

Budget Allowance Explanation

The Municipal Court 2005-06 operating budget allowance of \$38,062,000 is \$2,232,000 or 6.2 percent more than 2004-05 estimated expenditures. The increase is due to normal inflationary

Municipal Court Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Criminal filings	74,850	77,000	78,000
Civil filings	269,314	285,000	280,000
Average number of days from arraignment to hearing for minor traffic cases	36.7	36.0	36.0
Average volume of criminal cases with a pending trial date	2,200	2,000	2,000
Percent of trials/hearings appealed	1.0%	2.8%	2.8%
Percent of appeals affirmed	95.0%	97.0%	97.0%
Average cycle time for sending out restitution and bail refund checks	1.0 days	1.8 days	1.8 days
Average hold time for incoming information calls to the Customer Call Center	5.0 minutes	5.0 minutes	5.5 minutes**

*Based on 10 months actual experience.

**The projected increase in hold time is due to expected increases in the volume of calls related to the new F.A.R.E. program.

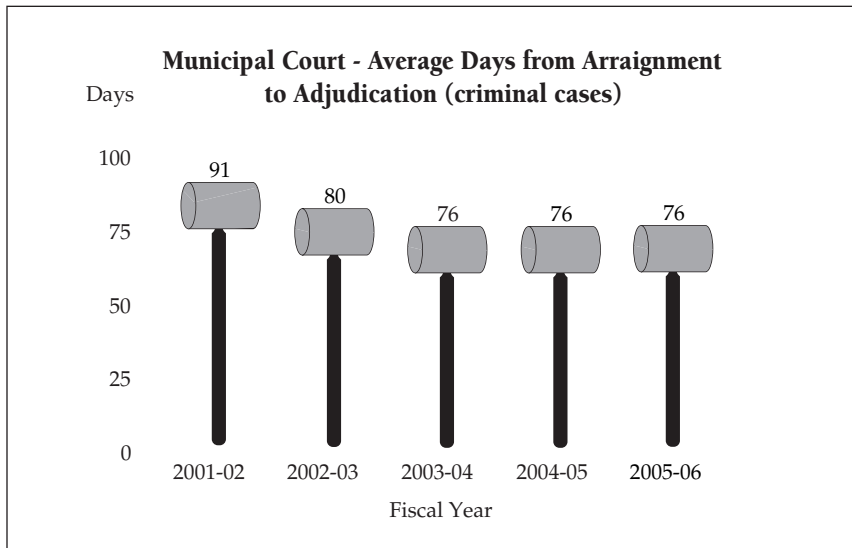




increases and is offset by savings in data entry costs resulting from participation in the Arizona State Court System Fine, Fees and Restitution Enforcement program (FARE).

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$31,886,000	\$35,830,000	\$38,062,000
Total Positions	374.9	374.9	374.9
Source of Funds:			
General	\$27,264,000	\$28,996,000	\$30,757,000
Grants	14,000	102,000	-
Other Restricted	394,000	928,000	1,501,000
City Improvement	4,214,000	5,804,000	5,804,000



In Phoenix, the term Veteran's Stand Down refers to a community-based intervention program to help the city's homeless veteran population, many of whom suffer from post-traumatic stress disorder. This year, a volunteer team from Phoenix Municipal Court provided veterans with legal assistance, helped them resolve pending misdemeanor charges, and in some cases, had criminal arrest warrants quashed. The unresolved legal problems meant veterans couldn't take advantage of social services, job training or employment opportunities.



PUBLIC DEFENDER

Program Goal

The Public Defender Program provides legal representation for indigent defendants in Phoenix Municipal Court.

Budget Allowance Explanation

The 2005-06 operating budget allowance for the Public Defender Contract Administrator's Office of \$3,939,000 is \$199,000 or 5.3 percent more than the 2004-05 estimated expenditures. This increase is primarily due to normal inflationary adjustments. Budget reductions reflected in the 2005-06 budget include decreased compensation for contracted public defender attorneys.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$3,684,000	\$3,740,000	\$3,939,000
Total Positions	7.6	7.6	7.6
Source of Funds:			
General	\$3,684,000	\$3,740,000	\$3,939,000

Public Defender Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Defendants charged with misdemeanor crimes represented in Phoenix Municipal Court	14,765	14,591	14,728
Defendants represented at Jail Court (first appearance after arrest), and K-Court (second appearance after arrest for those not bonding out after their first appearance)	25,085	24,648	243,266
*Based on 10 months actual experience.			



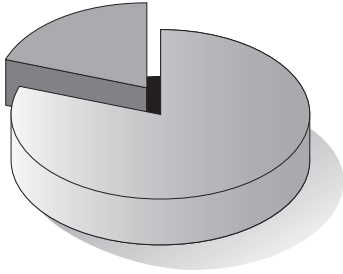


Brandon Forrey (right) in the Street Transportation Department organizes Phoenix's participation in the annual International Walk Our Children to School Day and the School Crossing Guard Training Program. He works with numerous school districts to evaluate their school traffic safety plans, making travel to and from school safer for students.



Transportation

The Transportation Program Represents 19.6% of the Total Budget.



The Transportation program budget includes the Street Transportation Department, the Aviation Department and Public Transit.

STREET TRANSPORTATION

Program Goal

The Street Transportation Department plans for the safe and convenient movement of people and vehicles on city streets, effectively maintains the city's streets, designs and inspects the construction of streets to assure they meet specifications and minimizes street damage through the control of irrigation and storm water.

Budget Allowance Explanation

The Street Transportation 2005-06 operating budget allowance of \$58,823,000 is \$2,205,000 or 3.9 percent more than 2004-05 estimated expenditures. This increase is primarily due to normal inflationary adjustments.

Street Transportation Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Street miles swept	153,000	155,000	155,000
Miles of streets per street maintenance field employee	14.6	14.7	14.8
Percent of scheduled requests for street maintenance service completed within target	86%	86%	86%
Percent of major/collector street miles with satisfactory rideability	97%	97%	97%
Requests for services completed by the Operations Division	9,396	9,000	10,300
Customer satisfaction on traffic operations requests for service (scale 1 to 10)	9.0	9.0	9.0
Number of neighborhoods actively working with the Neighborhood Traffic Management Team**	299	320	320
Miles of major streets constructed	6.0	8.0	10.0
Customer satisfaction on mid-block streetlight requests	93%	95%	95%

*Based on 10 months actual experience.

**The decrease in 2003-04 is due to vacant positions.

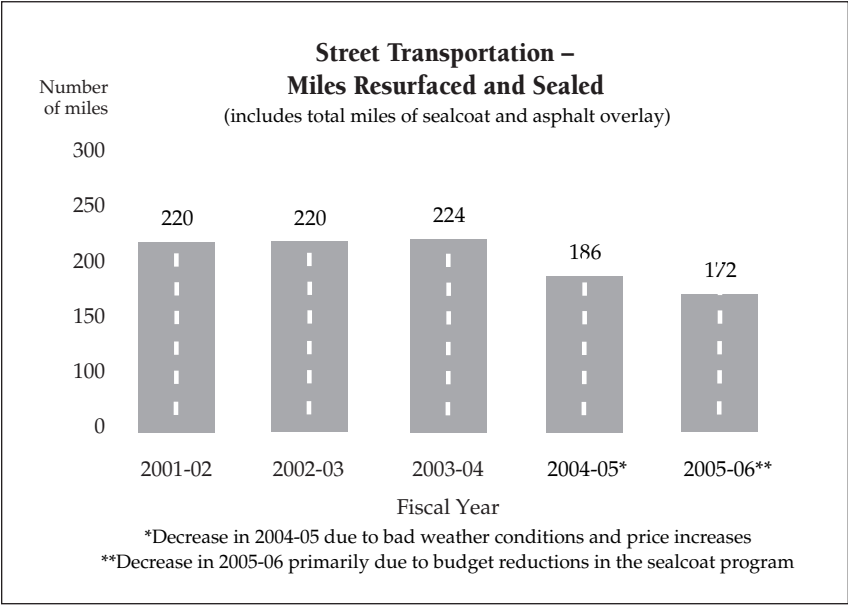




The budget reduces funding in alley dust proofing reducing the total number of annual miles dust proofed from 30 miles per year to 15 miles per year or 50 percent. Additionally, the micro-seal program is reduced by two-thirds resulting in seven miles being done annually instead of the current 20 miles. This reduces a less expensive means of extending the life a street while providing a smoother ride. Over time, this reduction may result in more emergency street repairs and an increase in public complaints. Other reductions include decreasing the number of traffic count studies conducted by 20 percent and decreasing the use of consultants for environmental assessments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$54,089,000	\$56,618,000	\$58,823,000
Total Positions	762.7	764.7	764.7
Source of Funds:			
General	\$25,054,000	\$19,518,000	\$19,667,000
Arizona Highway User Revenue	28,685,000	36,606,000	38,680,000
City Improvement	144,000	400,000	399,000
Grant	206,000	34,000	15,000
Other Restricted	-	60,000	62,000



AVIATION

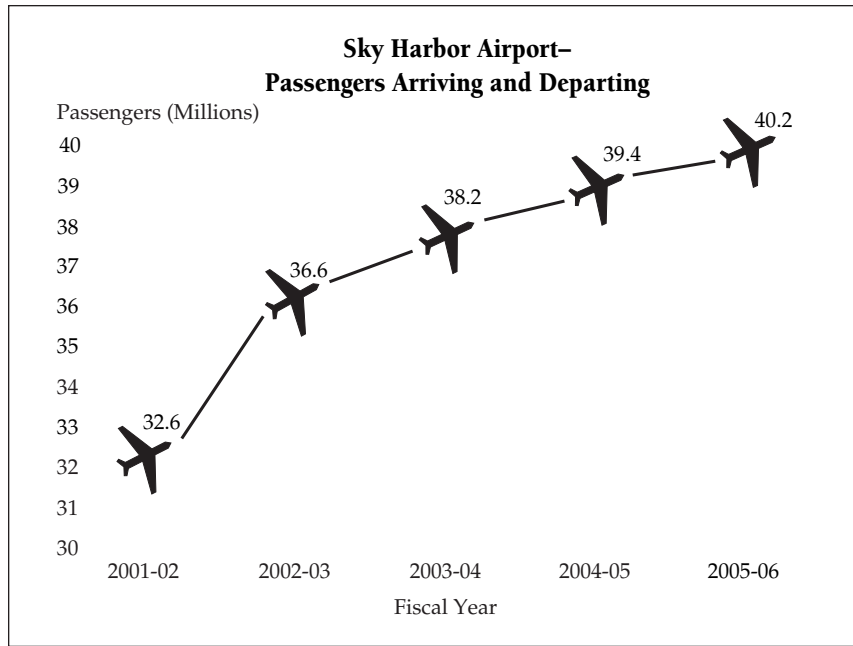
Program Goal

The Aviation Department provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial aviation in a safe, efficient and convenient manner.

Budget Allowance Explanation

The Aviation operating budget allowance of \$182,241,000 is \$34,440,000 or 23.3 percent more than 2004-05 estimated expenditures. This increase is largely due to normal inflationary increases, budget additions and additional costs associated with opening the new car rental facility. The car rental facility costs will be paid by the tenants and users of the services.

The 2005-06 budget adds seven employees to maintain the rental car center and bus maintenance facility.



More than 100,000 passengers travel through Phoenix Sky Harbor International Airport each day, with a daily economic impact of \$72 million.





The new positions include three airport operations assistants, an electrician, building equipment operator, building maintenance worker, and facility contract compliance specialist-lead. To meet increased parking management workload, four employees consisting of two aviation supervisors, an account clerk, and records clerk will be added to the Parking Section. The Landside Section will add an aviation supervisor, records clerk and administrative assistant to address increased curb management and Lost and Found Office workload. The Airside Section will add two operations assistants to comply with additional Transportation Security Administration mandates.

The 2005-06 budget also funds the Operations Division's new contract management unit and additional administrative support staff with five employees consisting of one personnel aide, administrative assistant, two contracts specialists and a project management assistant.

In addition, the budget allowance converts four temporary operations assistants to regular positions, adds four staff to increase warehouse hours of operation and funds five police officers to increase patrol of roadways and airfields (positions shown in Police Department).

Aviation Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Sky Harbor passengers arriving and departing	38.2 mil.	39.4 mil.	40.2 mil.
Airline rental rates (cost per square foot):			
Terminal 2	\$45.84	\$48.36	\$50.76
Terminal 3	\$51.36	\$53.88	\$56.76
Terminal 4	\$61.92	\$64.08	\$62.28
Customer satisfaction with curbside operations	94%	94%	95%
Customer satisfaction with parking operations	93%	93%	95%
Gross sales per departing passenger:			
Terminal 2	\$6.53	\$6.94	\$7.08
Terminal 3	\$8.81	\$9.29	\$9.49
Terminal 4	\$6.47	\$6.74	\$6.98
Aircraft takeoffs and landings (Sky Harbor Airport only)	542,648	548,000	550,000
Total international passengers	1,461,487	1,540,000	1,560,000
Air cargo processed (in tons)	326,480	330,000	337,000

*Based on 10 months actual experience.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$142,574,000	\$147,801,000	\$182,241,000
Total Positions	749.7	769.7	794.7
Source of Funds:			
Aviation	\$133,854,000	\$147,801,000	\$182,241,000
City Improvement	\$8,720,000	-	-



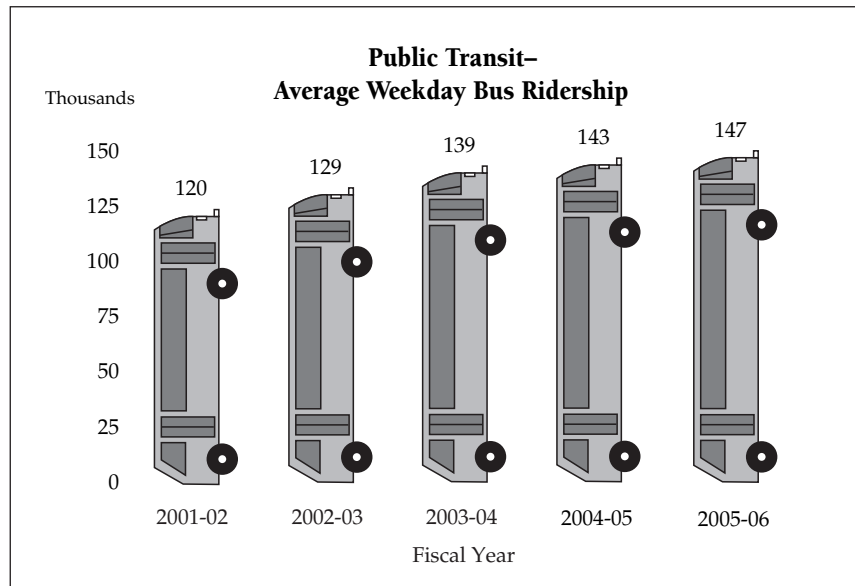
PUBLIC TRANSIT

Program Goal

The Public Transit Department strives to provide improved public transit services and increased ridership in the Phoenix urbanized area through the operation of a coordinated regional fixed route and paratransit bus transportation system.

Budget Allowance Explanation

The Public Transit operating budget allowance of \$166,212,000 is \$18,553,000 or 12.6 percent more than 2004-05 estimated expenditures. This increase is primarily due to debt service payments for the Light Rail project, full-year costs of service added in 2004-05 and inflationary and contractor increases. The budget also includes the carry-forward of 2004-05 funds for information technology improvements. These increases are offset by General Fund expenditure reductions.



In fiscal year 2004-05, average weekday ridership on city buses was more than 143,000.





The Transit 2000 budget provides for increased weekday Dial-a-Ride service hours. The cost of this service improvement is being offset by a decrease in fixed-route service. In addition, the budget includes funds for additional “helper” trips to alleviate overcrowded conditions on popular local routes (\$75,000), an extension of Route 3 (Van Buren) from 67th Avenue to the city limits at 83rd Avenue in order to

allow the city of Avondale to extend service to Dysart Road (\$228,000), and the addition of staff by converting a currently contracted position.

The General Fund expenditure reductions eliminate evening weekday fixed route service on 12 of 16 routes between the hours of 10:30 p.m. and midnight.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$119,883,000	\$147,659,000	\$166,212,000
Total Positions	63.0	86.0	87.0
Source of Funds:			
General	\$26,088,000	\$25,646,000	\$25,146,000
Transit 2000	70,509,000	85,781,000	91,648,000
City Improvement	818,000	14,811,000	27,351,000
Local Transportation Assistance	7,456,000	7,024,000	7,024,000
Other Agency	9,114,000	8,953,000	9,181,000
Grant	5,898,000	5,444,000	5,862,000



Commuters board RAPID buses more than 2,600 times each weekday. The RAPID commuter service provides passengers with a non-stop ride from park-and-rides throughout the city to the downtown and State Capitol areas.



Public Transit Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Cost recovery from fares	19.3%	17.3%	16.9%
Operating revenue (thousands)	\$24,438	\$25,301	\$25,397
On-time performance for bus service	91%	91%	92%
On-time performance for Dial-a-Ride prescheduled service	96%	96%	98%
On-time performance for Dial-a-Ride on-demand service	63%	60%	64%
Average weekday ridership for bus service	138,859	143,262	147,785
Average weekday ridership for Dial-a-Ride service	1,195	1,245	1,402
Passengers per revenue mile for bus service	2.35	2.39	2.44
Passengers per revenue mile for Dial-a-Ride service	0.10	0.10	0.10

*Based on 10 months actual experience.

Dial-a-Ride on-time performance and average weekday ridership are increasing in 2005-06 due to the addition of 12,800 service hours. Average weekday bus ridership is increasing in 2005-06 due to the maturation of additional service added in 2004-05.



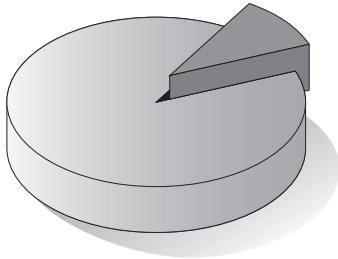


The Development Assistance Center was created to provide a relaxed, non-intimidating environment for first-time or infrequent customers who are not familiar with the city's development processes.



Community Development

The Community Development Program Represents 10.1% of the Total Budget.



The Community Development program budget includes Development Services, Planning, Business Customer Service Center, Housing, Community and Economic Development, Downtown Development Office, Neighborhood Services and the HOPE VI Project.

DEVELOPMENT SERVICES

Program Goal

The Development Services Department manages the development approval process to ensure the construction of safe buildings and compatible site improvements that enhance the urban environment and promote economic vitality.

Budget Allowance Explanation

The Development Services operating budget allowance of \$46,986,000 is \$4,285,000 or 10 percent more than 2004-05 estimated expenditures. This increase results primarily from budget additions, technology enhancements, the full year's cost for mid-year additions, the carryover of incomplete remodeling associated with staff increases and normal inflationary increases. These increases are partially offset by one-time capital costs for vehicles, furniture, and computer programming that occurred in 2004-05.

Development Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Total construction permits issued	36,669	55,200	55,200
Single-family permits issued	9,752	13,500	13,500
Multi-family units permitted	3,936	5,050	5,050
Commercial square footage permitted	20 million	15 million	15 million
Building permit valuation	\$3.2 billion	\$4.2 billion	\$4.2 billion
Number of inspections	302,732	338,000	361,100
Percent of building safety inspections performed on scheduled day:			
Residential	84%	75%	80%
Commercial	99%	96%	97%
Residential lots submitted for preliminary review	10,033	13,400	13,400
Counter customers served	117,182	118,000	118,000
Average wait time	9 minutes	10 minutes	10 minutes

*Based on 10 months actual experience.

Changes in single-family permits, multi-family permits and commercial square footage permitted, and number of inspections are primarily due to market forces. Additional counter staff has helped maintain wait times; however, the volume of customers served has increased.





The mid-year budget additions in 2004-05 included increased staff for residential inspections, new Civil Inspection and Commercial Infill Development Teams, and westside revitalization enhancements.

The 2005-06 budget includes the addition of staff for scanning of historical documents to ensure compliance with state record retention guidelines. The budget also increases staff to address workloads in the residential and commercial plan review, adds counter support to act as a central liaison for repayment agreements and provides additional staff to provide enhanced services to the development community.

The budget also converts temporary resources to regular staff to more effectively address on-going workloads in the site plan review process. The budget also transfers funding to Other Restricted Funds to account for the administration of the new impact fee program.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$36,897,000	\$42,701,000	\$46,986,000
Total Positions	400.0	459.0	473.0
Source of Funds:			
Development Services	\$36,897,000	\$42,401,000	\$46,658,000
Other Restricted	-	300,000	328,000

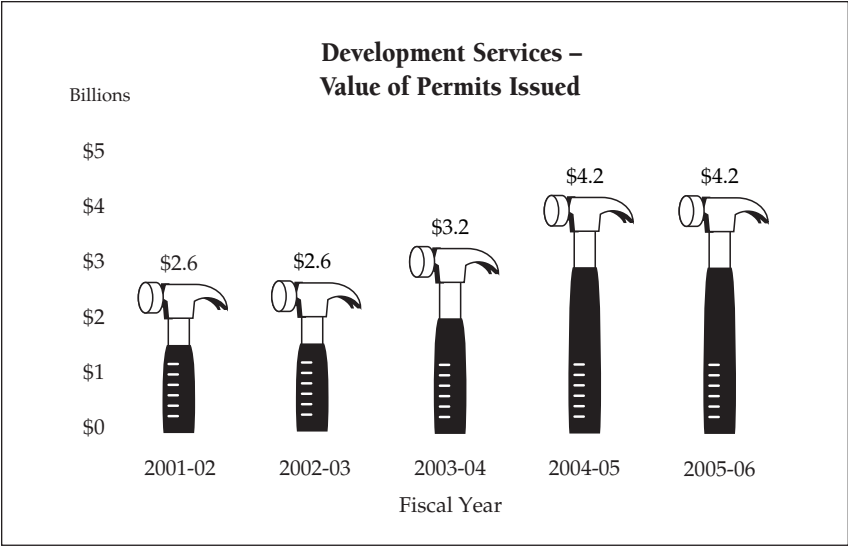
PLANNING

Program Goal

The Planning Department coordinates the orderly growth of the city and creates a quality living environment through effective comprehensive planning.

Budget Allowance Explanation

The Planning Department’s 2005-06 budget allowance of \$7,219,000 is \$869,000 or 10.7 percent less than 2004-05 estimated expenditures. The decrease is primarily due to the city’s one-time cost of the mid-decade census in 2004-05 and normal inflationary increases offset by budget





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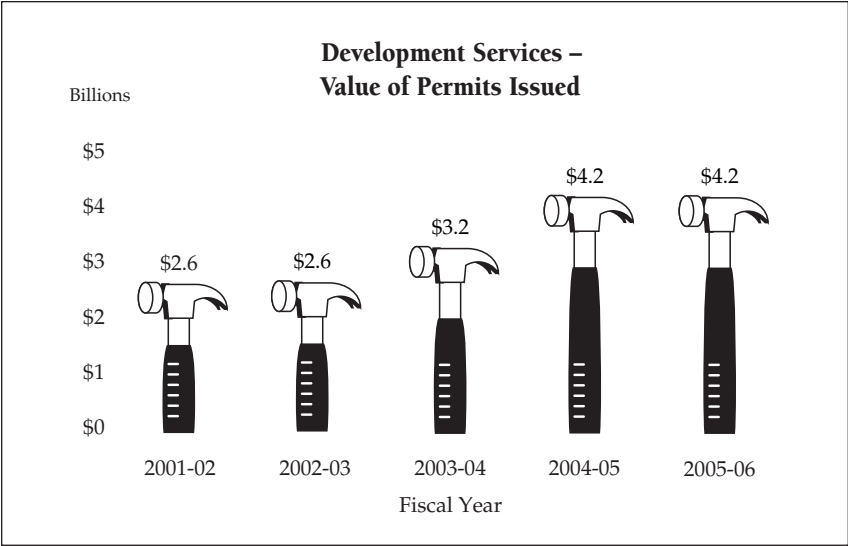
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reductions. Budget reductions include the elimination of one Geographic Information System technician, one secretary, and one planning graphic designer which will adversely affect the Planning Department's ability to provide various information sources to customers in a timely manner.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$6,551,000	\$8,088,000	\$7,219,000
Total Positions	77.9	75.9	75.9
Source of Funds:			
General	\$6,491,000	\$7,241,000	\$6,433,000
Community Development			
Block Grant	60,000	62,000	63,000
Other Restricted	-	785,000	723,000

BUSINESS CUSTOMER SERVICE CENTER

Program Goal

The Business Customer Service Center provides technical assistance to customers in the development process, evaluates and promotes changes to the development process for efficient operations, and administers the Phoenix infill-housing program.

Budget Allowance Explanation

The Business Customer Service Center operating budget allowance of \$688,000 is \$167,000 or 19.5 percent less than 2004-05 estimated expenditures. The decrease is primarily due to General Fund expenditure reductions, offset by normal inflationary increases.

The budget reductions include a suspension of General-funded residential building permit fee waivers. The reduction represents in-fill waivers for approximately 176 houses. The remaining General Funds provide staff to administer the enterprise-funded infill program, as well as provide technical assistance and other development related activities.

Planning Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Village Planning committees supported	15	15	15
Zoning adjustment hearings scheduled within 25 working days of request**	65%	46%	60%
Formal rezoning pre-application meetings scheduled within 15 working days of request	87%	69%	70%
Annual cycle General Plan amendments completed by target date	72%	84%	80%
Zoning verification letters completed within 10 days**	56%	53%	50%
Zoning case recommendations by staff that were upheld by City Council	96%	95%	95%
Zoning Adjustment Hearing Officer actions upheld by Board of Adjustment	39%	81%	60%

*Based on 10 months actual experience.

**The decline in 2004-05 is due to a significant increase in cases and staff vacancies.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$838,000	\$855,000	\$688,000
Total Positions	4.0	4.0	4.0
Source of Funds:			
General	\$451,000	\$465,000	\$298,000
Water	193,000	195,000	195,000
Wastewater	194,000	195,000	195,000



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Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$6,551,000	\$8,088,000	\$7,219,000
Total Positions	77.9	75.9	75.9
Source of Funds:			
General	\$6,491,000	\$7,241,000	\$6,433,000
Community Development			
Block Grant	60,000	62,000	63,000
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The budget reductions include a suspension of General-funded residential building permit fee waivers. The reduction represents in-fill waivers for approximately 176 houses. The remaining General Funds provide staff to administer the enterprise-funded infill program, as well as provide technical assistance and other development related activities.

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Operating Expense	\$838,000	\$855,000	\$688,000
Total Positions	4.0	4.0	4.0
Source of Funds:			
General	\$451,000	\$465,000	\$298,000
Water	193,000	195,000	195,000
Wastewater	194,000	195,000	195,000





HOUSING

Program Goal

The Housing Department provides and promotes diversified living environments for low-income families, seniors and persons with disabilities through the operation and leasing of assisted and affordable housing.

Budget Allowance Explanation

The Housing operating budget allowance of \$77,344,000 is \$2,849,000 or 3.8 percent more than 2004-05 estimated expenditures. The increase primarily results from the carry-forward of unspent grant fund allocations, additional HOME Investment Program and CDBG allocations, and normal inflationary increases. These increases are partially offset by significant reductions in the Conventional/Public Housing and Section 8 programs due to no-growth federal revenues. Also contributing to the reduction are one-time 2004-05 costs in the Affordable Housing program for major repairs at several properties

The budget reduces the Conventional/Public Housing program by \$3.6 million and 51 positions. Decreased funding for various contractual, commodity, and equipment costs and the reduction of administrative, maintenance, and supervisory positions are included. Fewer staff will be onsite to respond to resident concerns and maintenance activities will be performed on a less timely basis. All health and safety needs will continue to be met as a first priority.

The Section 8 program is reduced in the budget by \$1.1 million and 19 positions. The reduction of support and supervisory positions, as well as processing and inspection staff, is included. Processing teams will be consolidated and caseloads will increase. Walk-ins will no longer be accommodated, and tenant-landlord issues will be referred to other resources. Additional process improvements will be pursued to maintain lease-up rates for Section 8 vouchers.

Administrative reductions including staff support for accounting, technology support, and applications processing services are also included. The wait list will be closed and courtesy landlord listings will no longer be provided. Administrative processes will be streamlined. A total of 18 support positions are reduced. Costs for these positions are allocated to various programs and are included in the program reduction amounts above.

Also, as part of a reorganization of the Housing Department, 13 accounting positions are transferred to the Finance Department in 2005-06.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$66,236,000	\$74,495,000	\$77,344,000
Total Positions	235.3	137.7	137.7
Source of Funds:			
Public Housing	\$60,485,000	\$61,463,000	\$58,452,000
HOME Grant	3,866,000	10,208,000	15,076,000
Community Development Block Grant	833,000	893,000	3,203,000
General	162,000	170,000	174,000
Other Restricted	816,000	1,695,000	367,000
City Improvement	74,000	66,000	72,000

Housing Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Affordable housing units for families and individuals	1,359	1,359	1,359
Rental assistance provided for low-income residents in the private housing market	5,269	5,320	5,320
City-owned and operated public housing units for families and seniors	2,564	2,561	2,493
Percent of Section 8 vouchers under lease	99.75%	100%	100%
Occupancy rate for public housing units	98.0%	97.95%	98.0%

*Based on 10 months actual experience.

The number of Section 8 vouchers has increased by 51 for a total of 5,320 in 2004-05 due to the addition of the Desert Crest Apartments into the city's Section 8 program. The number of city-owned housing units decreases in 2005-06 when the last Matthew Henson units are demolished as a result of the new HOPE VI rehabilitation project currently in progress.

Due to the demolition of the last remaining units at the Matthew Henson/HOPE VI project site, the number of Conventional Housing units will be decreasing by 78 units, as planned, in 2005-06. Scattered Sites housing sold three houses in 2004-05 to reflect an inventory of 430 units and is expected to purchase 10 homes for the program in 2005-06.

As a final note, major service level trends for rental assistance and lease-up and occupancy rates reflect the department's commitment to continue providing low-cost housing to the community in spite of budget cuts. Other sources not reflected here, such as maintenance of the wait list, accommodations of "walk-ins" for Section 8 clients, and frequency of lower priority maintenance tasks at city-owned housing sites will be impacted by these cuts. Given the magnitude of these budget reductions, performance measures for the Housing Department will be significantly restructured.



COMMUNITY AND ECONOMIC DEVELOPMENT

Program Goal

The Community and Economic Development Department creates or facilitates development activities that add or retain jobs, enhances city revenues and enhances the quality of life including business development in Sky Harbor Center and other non-redevelopment areas.

Budget Allowance Explanation

The Community and Economic Development operating budget allowance of \$8,134,000 is \$754,000 or 8.5 percent less than 2004-05 estimated expenditures.

This decrease is due primarily to General Fund expenditure reductions, a one-time reallocation of Community Development Block Grant funds in 2004-05, the completion of the Enterprise Community program in 2004-05, and the department becoming eligible to charge certain expenses to the Workforce Investment Act grant in the Human Services Department. This decrease is partially offset by normal inflationary increases and an increase in debt service payments.

The General Fund expenditure reductions include funds for marketing and promotion of the city as an employment base and various economic studies. Reduced promotion of Phoenix could result in fewer jobs added to our future economic base.

Expenditure and Position Summary

	2003-04	2004-05*	2005-06
Operating Expense	\$13,068,000	\$8,888,000	\$8,134,000
Total Positions	50.0	36.0	36.0
Source of Funds:			
General	\$5,642,000	\$2,685,000	\$2,754,000
Community Development Block Grant	1,603,000	1,663,000	1,134,000
City Improvement	3,623,000	2,240,000	2,754,000
Sports Facilities	291,000	117,000	40,000
Aviation	429,000	499,000	438,000
Water	486,000	500,000	525,000
Civic Plaza	519,000	132,000	135,000
Grant Funds	353,000	813,000	217,000
Community Reinvestment	104,000	219,000	117,000
Other Restricted Funds	18,000	20,000	20,000

*Reflects the department reorganization and the establishment of the Downtown Development Office as a separate unit.

Economic Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Projected jobs created/retained within the city of Phoenix as a result of department efforts	7,732	6,918	6,900
Loan applications approved for the Expand Collateral Loan Assistance Program	12	12	12
Estimated sales tax generated from projects	\$18,935,538	\$22,609,389	\$23,650,899
Projected average annual salary for new jobs with companies newly located in Phoenix	\$35,727	\$38,853	\$38,000

*Based on 10 months actual experience.





**DOWNTOWN
DEVELOPMENT OFFICE**

Program Goal

The Downtown Development Office creates or facilitates development activities that add or retain jobs, enhances city revenues and enhances the quality of life in the downtown redevelopment area.

Budget Allowance Explanation

The Downtown Development Office operating budget allowance is \$21,919,000. The budget includes normal operating costs as well as new costs associated with the downtown hotel development project. These increased costs are partially offset by General Fund expenditure reductions.

The General Fund expenditure reductions include funds for sponsorship of conferences and professional development, bio-industry attraction activities, and services related to the department's implementation of the newly adopted Downtown Strategic Plan.

Expenditure and Position Summary

	2003-04*	2004-05	2005-06
Operating Expense	N/A	\$3,755,000	\$21,919,000
Total Positions	N/A	16.0	16.0
Source of Funds:			
General	N/A	\$3,252,000	\$3,396,000
Sports Facilities	N/A	102,000	106,000
Civic Plaza	N/A	401,000	417,000
City Improvement	N/A	-	18,000,000

*The Downtown Development Office was included in the Community and Economic Development Department in 2003-04.

Downtown Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of development/redevelopment projects in process	38	32	39
Estimated construction value of projects (in millions)	\$353,500	\$930,800	\$1,036,100
Number of residential units created	N/A	68	159
Projected jobs created downtown as a result of department efforts	N/A	150	43

*Based on 10 months actual experience.

Estimated construction value of projects and number of residential units created are new measures. The increase in residential units in 2005-06 is due to the opening of the Orpheum Lofts. The decrease in number of jobs created in 2005-06 reflects the opening of the TGen building in 2004-05.



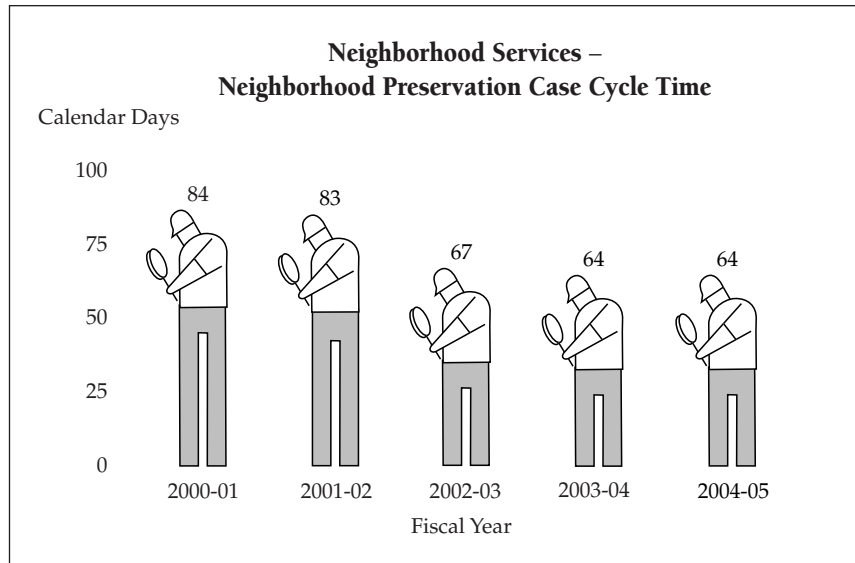
NEIGHBORHOOD SERVICES

Program Goal

To preserve and improve the physical, social and economic health of Phoenix neighborhoods, support neighborhood self-reliance and enhance the quality of life of residents through community-based problem solving, neighborhood-oriented services and public/private cooperation.

Budget Allowance Explanation

The Neighborhood Services operating budget allowance of \$47,080,000 is \$15,956,000 or 51.3 percent more than 2004-05 estimated expenditures. The General Fund budget of \$14,512,000 is \$1,505,000 or 11.6 percent more than the 2004-05 estimated expenditures. The General Fund increase primarily reflects the carry-forward of unspent but committed Fight Back funds and normal inflationary increases.



The Neighborhood Services Department offers tips and resources to help residents keep their properties and neighborhoods well-maintained.





These increases are offset by budget reductions. The budget reduces supervisory staff in the code enforcement and neighborhood coordination areas, decreases contractual funding for abatement activities, and reduces department software and training funds. These reductions could impact customer service levels and case cycle times. The budget also eliminates General Funds in the Capital Improvement Program for large-scale blight elimination projects, reducing the department's ability to revitalize neighborhoods.

The increase in all grant programs, including federal/state grants, HOME Investment Program and CDBG reflects the carry-forward of unspent grant funds.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$29,297,000	\$31,124,000	\$47,080,000
Total Positions	228.0	232.0	232.0
Source of Funds:			
General	\$12,169,000	\$13,007,000	\$14,512,000
Community Development Block Grant	13,033,000	14,762,000	25,094,000
Grant	2,360,000	1,622,000	2,320,000
HOME Grant	1,709,000	1,650,000	5,076,000
Other Restricted	26,000	83,000	78,000

Neighborhood Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Residents who receive landlord/tenant counseling	7,590	9,500	9,650
Neighborhood cleanup/resident meetings facilitated	617	658	660
Dollar value of infrastructure and development projects completed	\$8,635,406	\$10,750,000	\$29,703,000
Sites where graffiti was removed through the Graffiti Busters Program	33,462	40,766	44,000
Homeowner-occupied housing rehabilitation projects completed	580	460	420
Percent of neighborhood preservation cases resolved voluntarily	86%	84%	84%
Neighborhood preservation average response time from first call to initial inspection for occupied/non-hazard cases (in calendar days)	10	10	11
Neighborhood preservation average response time from first call to initial inspection for vacant/non-hazard/other non-pre-notification cases (in calendar days)	6	5	6
Properties acquired/demolished/redeveloped for neighborhood revitalization purposes	82	123	120

*Based on 10 months actual experience.

Increased tenant counseling numbers are due to full staffing levels. The estimated dollar value of infrastructure and development projects includes both private participation and as well as city contributions. The estimated value for 2005-06 projects includes two major residential development projects, Beazer and Trend Homes, as well as various storefront projects. These projects also impact the number of Infill Houses constructed. Additional outreach/education activities have increased graffiti awareness in neighborhoods. This has resulted in a higher level of cleanup requests. The number of homeowner-occupied housing rehabilitation projects decrease in 2004-05 is due to a shift in community need for higher cost emergency assistance projects. The decrease in 2005-06 is due to a potential reduction in HUD funding. Increase in rental rehabilitation units in 2005-06 is based on increased demand from community. Neighborhood preservation case cycle times decline in 2005-06 due to budget reductions in Neighborhood Preservation area.



HOPE VI PROJECT

Program Goal

The Hope VI Project will reconstruct the obsolete Matthew Henson public housing site and provide mixed-income home ownership and rental opportunities to residents, while providing supportive services to enhance self-sufficiency, and to encourage business development in the central city south area.

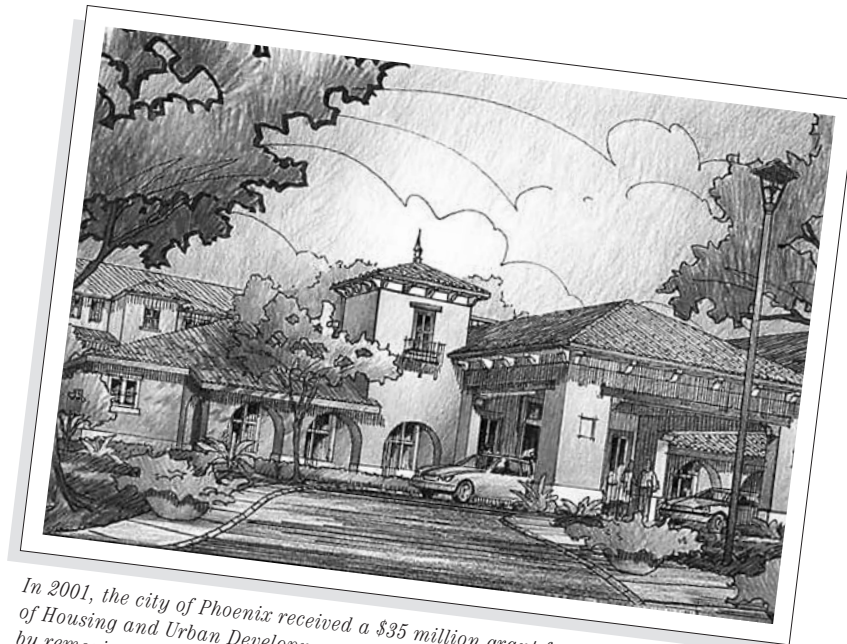
Budget Allowance Explanation

The Hope VI Project 2005-06 gross operating budget allowance of \$858,000 is \$65,000 or 8.2 percent more than 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

The operating budget includes the conversion of a temporary accountant IV position to regular status to ensure financial management is provided until project completion. Costs for this position are already reflected in the budget and do not require additional funds.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$988,000	\$793,000	\$858,000
Total Positions	9.5	9.5	9.5
Source of Funds:			
Federal Grants	\$988,000	\$793,000	\$858,000



In 2001, the city of Phoenix received a \$35 million grant from the U.S. Department of Housing and Urban Development to revitalize the Matthew Henson Community by removing the existing units and building state-of-the-art, mixed-use housing for low-income, elderly and single-family residents.



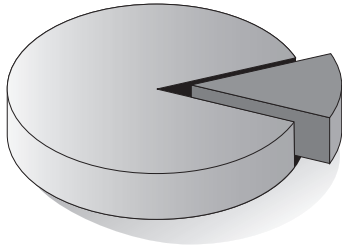


The Parks and Recreation Department's award-winning Aquatic Section operates 28 pools citywide. Pecos Pool is a state-of-the-art facility that features twin flume water slides, a zero-depth entry, separate dive well, water mushroom, tumble buckets, starburst water feature and a family changing room. The pool also features a chair lift and submersible wheelchair for people with disabilities.



Community Enrichment

The Community Enrichment Program Represents 12.3% of the Total Budget.



The Community Enrichment program budget includes Parks and Recreation; Library; Golf; Civic Plaza Convention and Theatrical Facilities; Human Services; Education and Youth Programs; International and Sister Cities Programs; Rio Salado; Historic Preservation Office; and the Office of Arts and Culture.

PARKS AND RECREATION

Program Goal

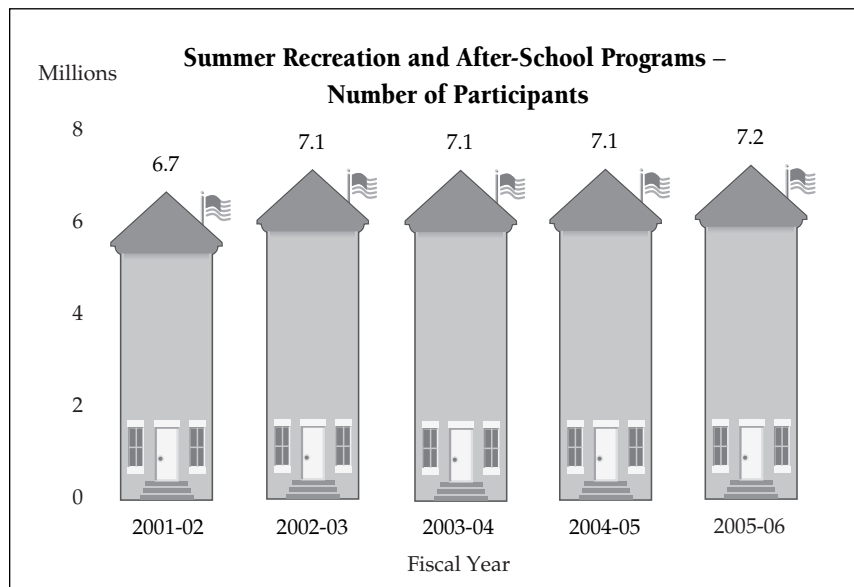
The Parks and Recreation Department provides and maintains a diverse parks and recreation system available and accessible to all, which contributes to the physical, mental, social and cultural needs of the community and permits outlets that cultivate a wholesome sense of civic pride and social responsibility.

Budget Allowance Explanation

The 2005-06 Parks and Recreation operating budget allowance of \$102,063,000 is \$6,503,000 or 6.8 percent more than 2004-05 estimated expenditures. This increase is due to inflationary adjustments, the full year's operating costs for facilities opened in 2004-05, and operating costs for new or expanded facilities opening in 2005-06. These

increases are partially offset by the effect of budget reductions effective the last month of fiscal year 2004-05. This increase also is due to the carry-forward of funds to complete remodeling projects started in 2004-05 and for continued implementation of the city's Dust Control Program.

These reductions include reduced funding for ground maintenance and recreation programming at parks citywide by eliminating seven regular maintenance positions and 30 part-time recreation positions. This will impact the department's ability to maintain parks and remove graffiti from park facilities in a timely fashion. Due to previous budget cuts in these areas, the overall appearance of park facilities will further deteriorate. Recreation programming will be provided based on demand and participation levels and focus primarily on the 11 regional parks and the larger of 48 community parks.





The budget also eliminates 10 positions associated with the reduction of community center hours by an average of 16 hours per week. Community centers would be opened for 49 to 68 hours compared to the current 65 to 82 hours. Small centers with already limited hours would not be affected.

Additionally, the budget eliminates 6.2 staff positions supporting the City Streets Program, reducing the program by 50 percent. Remaining funding will support active Teen Councils, the Teen Parks Board, the Annual Teen Conference, the Summer Volunteer Program and a small number of other high participation neighborhood events. The closure of city pools one week earlier from the current schedule is also included. The summer swimming season would be reduced from 10 to nine weeks, eliminating 5.7 part-time aquatics positions.

A reduced level of available federal grant funds is also included in the budget. Federal grant funds for the Young First Offender Program, AIM Program and Daring Adventures Program have expired.

The budget provides for additional staff and operating costs to open and maintain new or improved park facilities (\$953,000) constructed with Parks and Preserve Initiative funds, 2001 bond funds, and other funds. These facilities include the Phoenix Art Museum, Memorial Hall at Steele Indian School Park, Indian Bend

Wash Park, a community park at 17th Avenue and Peoria Avenue, the HOPE VI Coleman Recreation Center and park, Cesar Chavez Park, the Bethany Home Outfall Channel and Camp Colley.

The budget also provides staff and other operating costs for street landscaping maintenance of new streets citywide. Also included in the budget is additional staff to maintain new landscaping surrounding the new car rental facility at Sky Harbor Airport. Costs for these positions will be charged to the Aviation Department.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$86,398,000	\$95,560,000	\$102,063,000
Total Positions	1,502.7	1,513.2	1,528.4
Source of Funds:			
General	\$81,063,000	\$88,240,000	\$94,751,000
Other Restricted	2,393,000	3,495,000	3,515,000
City Improvement	1,252,000	1,393,000	1,493,000
Grant	1,094,000	1,857,000	1,711,000
Civic Plaza	324,000	305,000	312,000
Parks and Preserves	154,000	161,000	171,000
Golf	118,000	109,000	110,000

Parks and Recreation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Acres maintained:**			
Developed parks	4,374	4,409	4,445
Undeveloped park land	3,871	3,836	3,802
Parkways and medians	872	916	940
Preserves/desert parks	29,894	29,353	29,353
Cost per acre for annual maintenance:			
Developed parks	\$6,149	\$6,676	\$7,110
Undeveloped park land	\$1,687	\$1,863	\$2,019
Preserves/desert parks	\$167	\$186	\$200
Acres of developed parks per 1,000 population	2.94	3.06	3.04
Number of volunteer hours	211,000	244,000	250,000
Youth Development participants***	134,000	195,000	195,000
Aquatic participants	812,000	800,000	800,000
All other recreation services participants****	27,345,000	29,100,000	30,900,000

*Based on 10 months actual experience.

**Park acreages for 2003-04 and 2004-05 have been adjusted. The new figures include newly acquired parcels, changes in undeveloped park sites to developed facilities and other adjustments necessary to accurately reflect the total acreage under the department's control.

***The decrease in 2003-04 is due to the transfer of two youth centers to the South and Northeast Districts.

****Excludes summer and after-school, youth development, aquatics and golf participants.



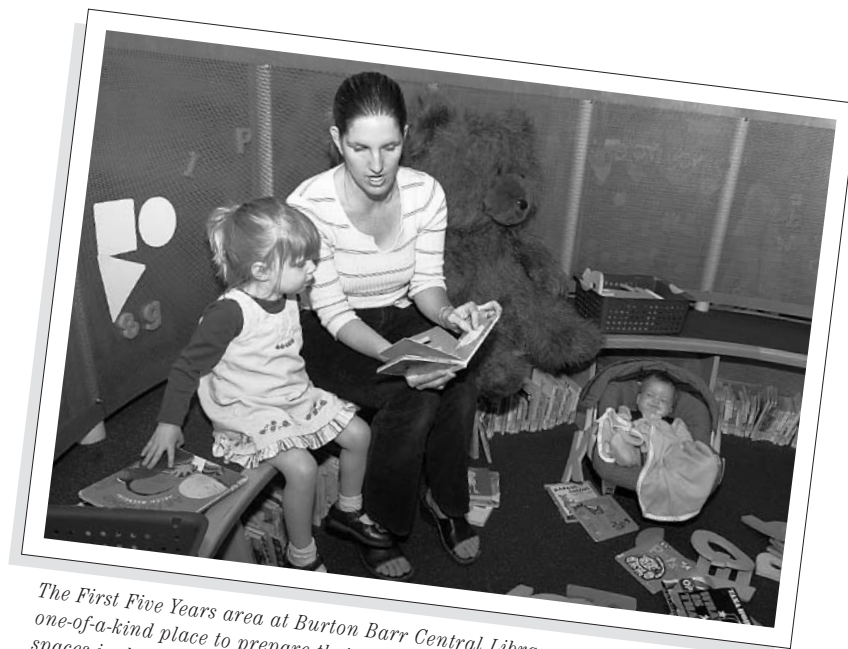
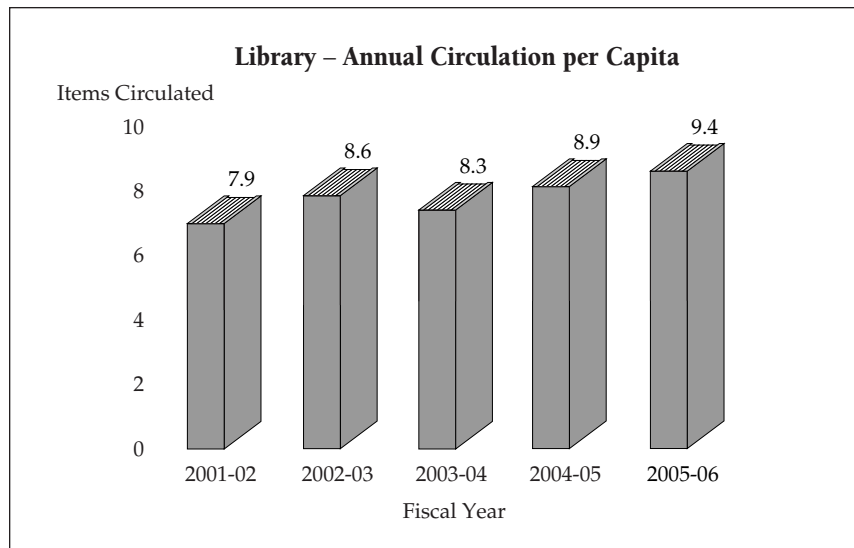
LIBRARY

Program Goal

The Library provides information and resources that are relevant, accessible and responsive to the intellectual needs and interests of the community.

Budget Allowance Explanation

The Library 2005-06 budget allowance of \$34,550,000 is \$2,903,000 or 9.2 percent more than 2004-05 estimated expenditures. The increase is due to inflationary adjustments, and the full year's operating costs for the new Palo Verde and Desert Broom branch libraries, which opened in mid 2004-05. These increases are offset by a reduction in funding for furniture



The First Five Years area at Burton Barr Central Library gives parents a one-of-a-kind place to prepare their children for reading success. Its interactive spaces include a padded surface with access to books and magnets for infants and toddlers.





replacement and equipment at the Burton Barr Central Library. The budget also reflects a delay in the opening of the new Cesar Chavez Regional Library from April 2006 to July 2006.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$28,998,000	\$31,647,000	\$34,550,000
Total Positions	383.8	420.0	420.0
Source of Funds:			
General	\$28,387,000	\$30,734,000	\$33,360,000
City Improvement	328,000	-	-
Grants	184,000	344,000	373,000
Other Restricted	99,000	569,000	817,000

Library Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of library visitors served	4,236,579	4,301,600	4,516,000
Number of electronic visits	7,026,269	10,377,000	12,452,000
Annual budget for purchase of library materials	\$4,676,904	\$4,995,000	\$5,203,000
Cost per library visitor served	\$6.77	\$7.36	\$7.58
Number of items circulated:			
Central	2,569,869	2,714,000	2,486,958
12 Branches	8,959,604	9,622,232	10,473,370
Cost per item circulated	\$2.49	\$2.56	\$2.67
Circulation per library visit	2.72	2.87	2.84
Collection turnover rate	5.63	5.67	5.63
Library card registration as a percentage of population	72.7%	72.0%	72.0%
Number of books in stock	2,047,973	2,177,230	2,303,530
Number of telephone reference requests answered**	113,528	108,421	110,590

*Based on 10 months actual experience.

**Hours of public service per week were reduced to 858 beginning March 31, 2003.



GOLF

Program Goal

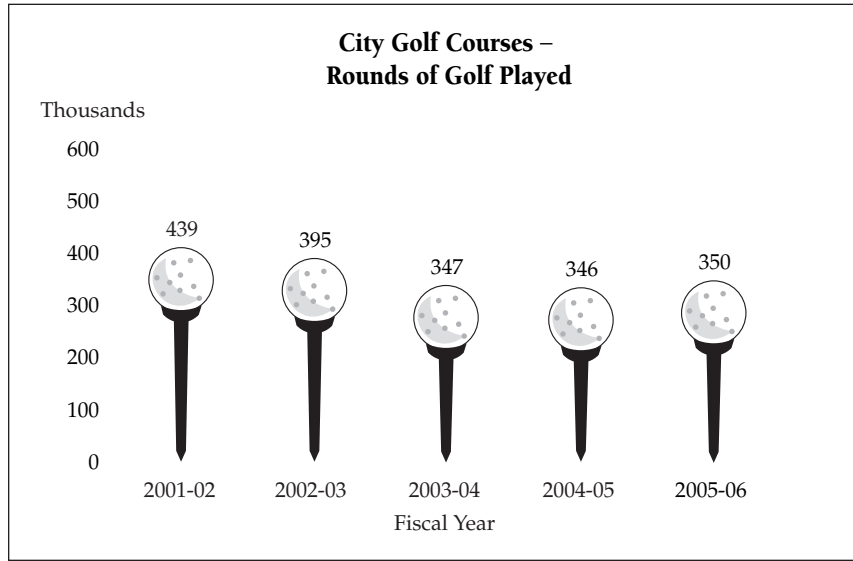
The Golf Program provides quality golf services 365 days a year on a self-sustaining basis to residents and visitors.

Budget Allowance Explanation

The Golf Program 2005-06 operating budget allowance of \$5,965,000 is \$16,000 less than the 2004-05 estimated expenditures. This decrease is due to the unusually high number of emergency infrastructure repairs required in 2004-05 and the expiration of grant funds.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$5,437,000	\$5,981,000	\$5,965,000
Total Positions	115.5	115.5	115.5
Source of Funds:			
Golf	\$5,389,000	\$5,976,000	\$5,965,000
City Improvement	36,000	-	-
Grant	12,000	5,000	-



Golf Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Acres of golf courses maintained	922	922	922
Annual cost of maintenance per acre	\$4,884	\$5,433	\$5,350
Cost per participant	\$15.58	\$17.31	\$17.03

*Based on 10 months actual experience.





CIVIC PLAZA CONVENTION AND THEATRICAL FACILITIES

Program Goal

The Civic Plaza Convention and Theatrical Facilities Department encourages organizations to hold conventions and trade shows in Phoenix, and facilitates activities that expand the leisure time activities for the general public by providing diversified entertainment and cultural programs in downtown Phoenix.

Budget Allowance Explanation

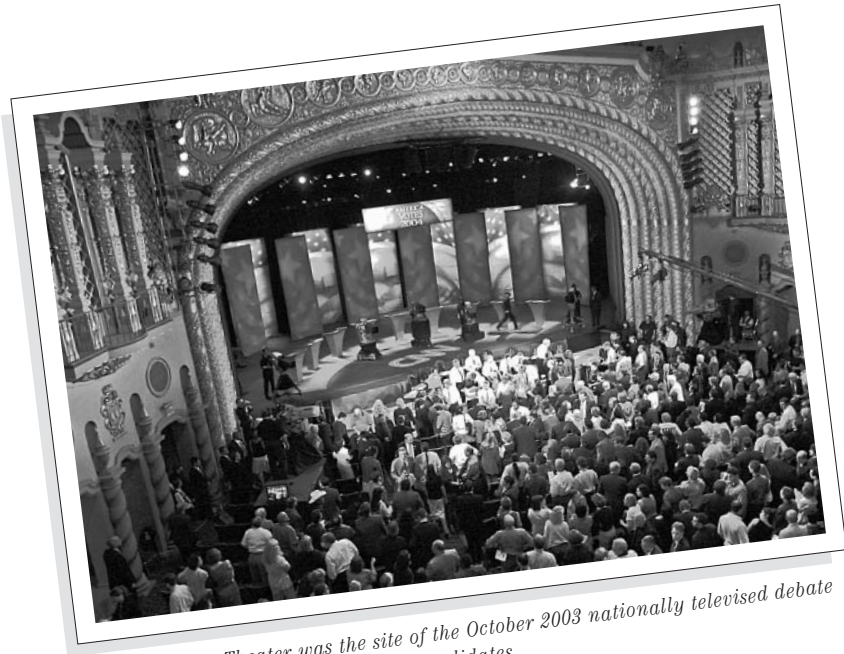
The Civic Plaza Convention and Theatrical Facilities operating budget allowance of \$36,048,000 is \$2,816,000 or 8.5 percent more than 2004-05 estimated expenditures.

The increase is primarily a result of inflationary increases and an increase in the Greater Phoenix Convention & Visitors Bureau contract due to increased revenues resulting from a recovering economy. The budget also includes the carry-forward of 2004-05 funds for painting the Patriot’s Square garage. The increase is partially offset by reductions in General Fund expenditures.

The General Fund reductions include reduced improvements to General Fund parking garages. These reductions will result in less efficient lighting of the garages.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$31,528,000	\$33,232,000	\$36,048,000
Total Positions	205.4	205.4	208.4
Source of Funds:			
Civic Plaza	\$27,462,000	\$25,409,000	\$28,298,000
General	1,862,000	1,943,000	1,995,000
City Improvement	1,641,000	1,680,000	1,556,000
Sports Facilities	563,000	4,200,000	4,199,000



The Orpheum Theater was the site of the October 2003 nationally televised debate featuring Democratic presidential candidates.



Civic Plaza Convention and Theatrical Facilities Major Performance Measures and Service Levels

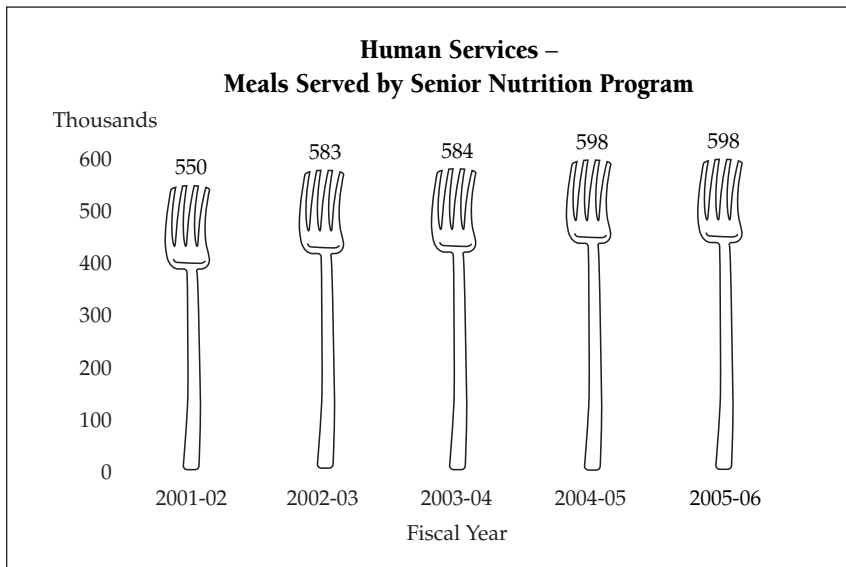
The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Estimated direct spending impact from conventions (millions)	\$83.9	\$92.1	\$99.0
Number of conventions	40	49	53
Number of local public shows	43	40	41
Percent square feet occupancy (all events)	67%	68%	62%
Number of theatrical performances	348	251	254
Total theater attendance	387,089	228,000	321,500
Total parking revenue (millions)	\$6.7	\$6.3	\$5.8
Revenue per parking space	\$853	\$829	\$759
Operating expense per parking space	\$533	\$692	\$706

*Based on 10 months actual experience.

Economic benefit of events may vary with the size, duration, type and length of event. Estimated direct spending impact is reported by the Greater Phoenix Convention and Visitors Bureau. Estimated direct spending impact and the number of conventions is increasing in 2005-06 due to a concentrated effort to book smaller conventions in order to utilize the existing space during the expansion. Theater attendance is increasing in 2005-06 due to the re-opening of Symphony Hall and its greater seating capacity in comparison to Orpheum Theater, which was being used in 2004-05 while Symphony Hall was being renovated.





HUMAN SERVICES

Program Goal

The Human Services Department promotes self-sufficiency by providing a wide array of services that foster the economic, physical and social well-being of residents.

Budget Allowance Explanation

The Human Services operating budget allowance of \$71,661,000 is \$1,381,000 or 1.9 percent less than 2004-05 estimated expenditures. This reduction is primarily due to transferring pass-through Continuum of Care grant funds from the city directly to the service-providing agencies. The budget also reflects normal inflationary adjustments.

General Fund reductions included in the 2005-06 budget include reducing



The city's family service centers provide case management, counseling services and emergency financial assistance with food, clothing, rent, utility payments, transportation and other services.



planned contract increases for the Central Arizona Shelter Services and the Local Alcohol Reception Center by 3 percent. The budget reductions also include closing the Sky Harbor Family Services Center. Case management staff at the Sky Harbor Center will be reassigned to the remaining centers.

Supplemental positions included in the budget for new capital facilities include a senior program supervisor, community worker, three secretaries, two mini bus operators, two caseworkers, and two food service workers for the Westside, Shadow Mountain and Devonshire Senior Centers. These relocated and expanded centers, which were funded in the 2001 Bond Program, will be able to provide the same array of services offered at other senior centers.

The 2005-06 budget also includes funding to convert one temporary Reserve-a-Ride driver to a regular position.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$70,212,000	\$73,042,000	\$71,661,000
Total Positions	559.4	566.4	571.0
Source of Funds:			
General	\$21,333,000	\$22,699,000	\$24,953,000
Human Services Grants	46,629,000	47,397,000	43,931,000
Community Development			
Block Grant	845,000	1,534,000	1,248,000
Federal Grants	547,000	548,000	617,000
City Improvement	207,000	227,000	266,000
Water	250,000	250,000	250,000
Transit 2000	156,000	156,000	156,000
Public Housing	151,000	148,000	159,000
Other Restricted	94,000	83,000	81,000

Human Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of children in Head Start	3,194	3,194	3,194
Number of students receiving school-based services	4,917	2,500	2,500
Community Services Division unduplicated households served	16,953	15,000	16,000
Number of community volunteer hours managed by Human Services staff	161,000	180,000	170,000
Average monthly downtown homeless population:			
Sheltered	509	509	509
Unsheltered	186	70	70
Persons served at the winter overflow shelter	3,693	3,718	3,600
Senior clients receiving daily meals	2,345	2,484	2,484
Daily average number of Reserve-a-Ride passengers	613	607	607
Participants served in Employment and Training programs:			
Adult	1,662	2,602	2,300
Youth	880	885	1,200
Small Business	100	100	100
Summer Youth	1,050	1,050	1,050
Youthbuild	40	32	32
Number of employment placements	890	889	889

*Based on 10 months actual experience.





EDUCATION AND YOUTH PROGRAMS

Program Goal

The Education and Youth Programs function facilitates communication, information and coordination between city departments and schools to better serve the youth of our community.

Budget Allowance Explanation

The Education and Youth Programs operating budget allowance of \$1,141,000 is \$114,000 or 11.1 percent more than 2004-05 estimated expenditures. The budget increase is due to inflationary increases and additional funding to update the Phoenix Education and Youth System (PEYS) software.

The budget reductions in the budget include reducing programming costs as well as funding for special projects.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,150,000	\$1,027,000	\$1,141,000
Total Positions	5.8	5.8	5.8
Source of Funds:			
General	\$703,000	\$696,000	\$868,000
Other Restricted	447,000	331,000	273,000

INTERNATIONAL AND SISTER CITIES PROGRAMS

Program Goal

International and Sister Cities Programs create exceptional people-to-people opportunities for Phoenix residents, businesses and organizations to experience and understand other cultures through international partnerships.

Budget Allowance Explanation

The International and Sister Cities Programs operating budget allowance of \$551,000 is \$8,000 or 1.5 percent more than 2004-05 estimated expenditures. This increase is the result of normal inflationary increases offset by 2005-06 budget reductions, which decrease funding for various operational expenses including printing and office supplies. The budget also converts a temporary administrator and an assistant program administrator to regular status.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$526,000	\$543,000	\$551,000
Total Positions	5.0	5.0	5.0
Source of Funds:			
General	\$526,000	\$543,000	\$551,000

RIO SALADO

Program Goal

The Rio Salado Office coordinates the Phoenix Rio Salado Habitat Restoration Project and directs the city's efforts in restoring the native wetland and riparian habitats along the banks of the Salt River.

Budget Allowance Explanation

The Rio Salado 2005-06 operating budget allowance of \$138,000 is \$11,000 or 8.7 percent more than the 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$110,000	\$127,000	\$138,000
Total Positions	1.0	1.0	1.0
Source of Funds:			
General	\$110,000	\$127,000	\$138,000





EDUCATION AND YOUTH PROGRAMS

Program Goal

The Education and Youth Programs function facilitates communication, information and coordination between city departments and schools to better serve the youth of our community.

Budget Allowance Explanation

The Education and Youth Programs operating budget allowance of \$1,141,000 is \$114,000 or 11.1 percent more than 2004-05 estimated expenditures. The budget increase is due to inflationary increases and additional funding to update the Phoenix Education and Youth System (PEYS) software.

The budget reductions in the budget include reducing programming costs as well as funding for special projects.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,150,000	\$1,027,000	\$1,141,000
Total Positions	5.8	5.8	5.8
Source of Funds:			
General	\$703,000	\$696,000	\$868,000
Other Restricted	447,000	331,000	273,000

INTERNATIONAL AND SISTER CITIES PROGRAMS

Program Goal

International and Sister Cities Programs create exceptional people-to-people opportunities for Phoenix residents, businesses and organizations to experience and understand other cultures through international partnerships.

Budget Allowance Explanation

The International and Sister Cities Programs operating budget allowance of \$551,000 is \$8,000 or 1.5 percent more than 2004-05 estimated expenditures. This increase is the result of normal inflationary increases offset by 2005-06 budget reductions, which decrease funding for various operational expenses including printing and office supplies. The budget also converts a temporary administrator and an assistant program administrator to regular status.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$526,000	\$543,000	\$551,000
Total Positions	5.0	5.0	5.0
Source of Funds:			
General	\$526,000	\$543,000	\$551,000

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Operating Expense	\$110,000	\$127,000	\$138,000
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Source of Funds:			
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INTERNATIONAL AND SISTER CITIES PROGRAMS

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Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$526,000	\$543,000	\$551,000
Total Positions	5.0	5.0	5.0
Source of Funds:			
General	\$526,000	\$543,000	\$551,000

RIO SALADO

Program Goal

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Budget Allowance Explanation

The Rio Salado 2005-06 operating budget allowance of \$138,000 is \$11,000 or 8.7 percent more than the 2004-05 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$110,000	\$127,000	\$138,000
Total Positions	1.0	1.0	1.0
Source of Funds:			
General	\$110,000	\$127,000	\$138,000



HISTORIC PRESERVATION OFFICE

Program Goal

The Historic Preservation Office works to support the protection, preservation and designation of historic resources throughout the city. The office also works with other city departments to encourage projects that are sensitive to historic building and district character.

Budget Allowance Explanation

The Historic Preservation Office operating budget allowance of \$519,000 is \$40,000 or 8.4 percent more than 2004-05 estimated expenditures. The budget reflects full staffing and normal inflationary increases. These increases are partially offset by budget reductions in administrative costs, which will result in fewer educational materials being published, fewer historic district street sign installations, and longer processing time for historic applications.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$436,000	\$479,000	\$519,000
Total Positions	6.0	6.0	6.0
Source of Funds:			
General	\$436,000	\$479,000	\$519,000

Historic Preservation Office Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Number of design reviews performed on building permits in historic districts	483	375	400
Number of city grants awarded for historic rehabilitation projects	42	35	32

*Based on 10 months actual experience.

The decreased number of permits in 2004-05 is due to the elimination of historic design reviews for routine maintenance-related permits beginning in October 2004. The HPO anticipates the number of grant applications awarded will begin to decline in 2004-05 as a decreasing amount of 2001 Historic Preservation Bonds is available for allocation to new projects.



The restoration of Tovrea Castle began in June 2005, including major structural and aesthetic improvements to the entire structure.





PHOENIX OFFICE OF ARTS AND CULTURE

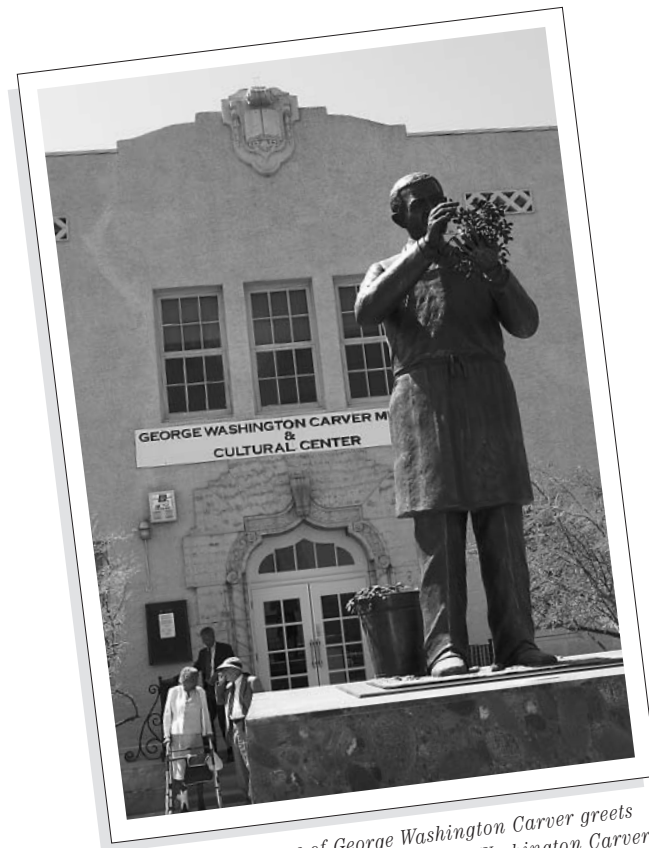
Program Goal

The Office of Arts and Culture supports the development of the arts and cultural community in Phoenix, and seeks to raise the level of awareness and participation of city residents in the preservation, expansion and enjoyment of arts and culture.

Budget Allowance Explanation

The Office of Arts and Culture operating budget allowance of \$2,243,000 is \$43,000 or 2.0 percent more than 2004-05 estimated expenditures. Of the total operating budget allowance, \$721,000 is dedicated to the matching grant program. The remaining funding represents support staff and operating expenses. The increase reflects normal inflationary increases, which are partly offset by General Fund expenditure reductions.

The budget reduces grants to arts organizations, provides for fewer communications with the community, and reduces funding for art preservation projects. Individual grant awards or the number of organizations receiving grants will be reduced. Funding for framing of artwork in the Municipal Art Collection, community art educational projects and communications highlighting new projects and events also is reduced. Replacement of interpretive plaques at the Cesar Chavez Memorial Public Art Project also is reduced.



A bronze sculpture of George Washington Carver greets visitors at the entrance of the George Washington Carver Museum and Cultural Center in downtown Phoenix. The statue presents the pioneering African-American educator and agricultural researcher wearing his trademark suit and apron, and is mounted on a pedestal inscribed with four quotations by Carver.



Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,806,000	\$2,200,000	\$2,243,000
Total Positions	12.5	12.5	12.5
Source of Funds:			
General	\$1,174,000	\$1,155,000	\$1,194,000
Local Transportation Assistance	106,000	106,000	106,000
Grant	507,000	939,000	940,000
Other Restricted	19,000	-	3,000

Phoenix Office of Arts and Culture Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance.

	2003-04	2004-05*	2005-06
Grant applications processed to support arts activities through schools and nonprofit organizations	128	141	142
Grant awards administered to support arts activities through schools and nonprofit organizations	115	112	116
Percent-for-art projects to enhance city capital improvement projects with artwork	56	58	64
Local artists/arts organizations training workshops	23	16	13
Arts management consulting projects coordinated by Business Volunteers for the Arts	53	55	55

*Based on 10 months actual experience.

The number of grants applications processed and administered will vary with the number of applicants and the size of the grants awarded. For 2004-05, the number of grants applications administered decreased as arts organizations sought funding from other sources as a result of a reduction in grants funding. The number of percent-for-art projects administered varies with capital improvement project activity and the scope of the individual projects undertaken. The reduction in training workshops is a result of expenditure reductions.



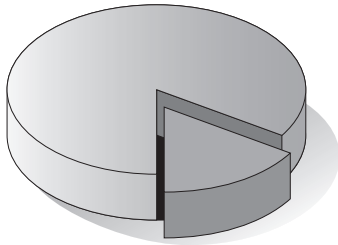


Employees from the Water Services Department worked with students from nearby Arthur M. Hamilton Elementary School at the Learning Tree Plaza, located at 19th Avenue and the I-17 Durango Curve, to further their interests in landscaping and the environment.



Environmental Services

The Environmental Services Program Represents 15.9% of the Total Budget.



The Environmental Services program budget includes Water Services, Solid Waste Management, Public Works and Environmental Programs.

WATER SERVICES

Program Goal

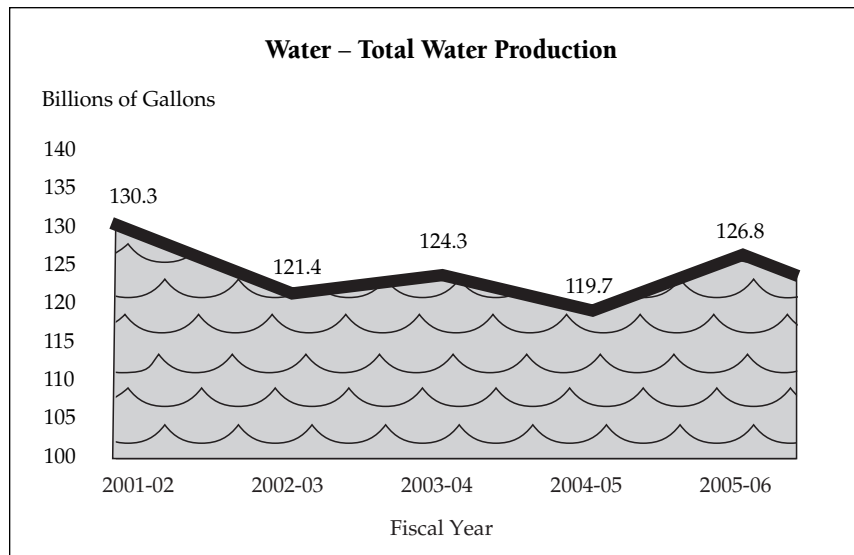
The Water Services Department is responsible for the Water and Wastewater Programs. The Water Program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. The Wastewater Program assists in providing a clean, healthy environment through the effective management of all water-borne wastes generated within the Phoenix drainage area.

Budget Allowance Explanation

The Water Services operating budget allowance of \$210,562,000 is \$18,454,000 or 9.6 percent more than 2004-05 estimated expenditures. The increase is primarily due to budget additions, equipment replacement, operating costs for new facilities and normal inflationary increases.

The budget also includes the carry-forward of funding for equipment, facility remodeling and contractual resources to develop options to address drought conditions, publish the water resources plan and provide labor relations support.

The budget provides staff and other resources to maintain consistent processes at treatment plants and support recently opened remote facilities (\$523,000),





operate the department's expanded arsenic treatment program (\$245,000), and support expanded security services at the department Control Center (\$205,000). Also included is funding for staff and supplies to provide enhanced services to the development community (\$280,000), support software applications used to share information between field crews and office staff and at public service counters (\$320,000), perform new pollution prevention inspections on commercial property and enhance monitoring of fugitive agents at the Water Lab (\$147,000) and perform customer service duties in growing areas of the city (\$86,000).

Funding is included for staff and supplies to operate and maintain the new North Gateway Pump Station (\$759,000)

and to support new facilities at the 91st Avenue (\$377,000) and the 23rd Avenue (\$178,000) wastewater treatment plants, including new chlorine equipment, multi-phase digestion equipment and new process control equipment. New staff and supplies are also added to investigate, mitigate and report sanitary sewer overflows in response to new state regulation (\$216,000).

Additionally, staff is added to improve management of the department's capital improvement program and provide better coordination with the development community. The cost of these positions is charged to project budgets.

Funding also is added for contractual services and commodities to operate and maintain newly opened capital facilities and equipment (\$2,350,000).

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$180,231,000	\$192,108,000	\$210,562,000
Total Positions	1,317.1	1,355.1	1,409.1
Source of Funds:			
Water	\$115,883,000	\$124,746,000	\$135,468,000
Wastewater	64,192,000	67,267,000	74,991,000
City Improvement	156,000	-	-
Other Restricted	-	95,000	103,000



Phoenix has adequate water supplies, but none to waste. The city's water conservation message asks residents to continue to think about water every time they use it, and make water conservation a part of their daily lifestyle, especially outdoors.



Water Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Gallons of water produced systemwide (in billions)	124.3	119.7	126.8
Gallons of wastewater treated (in billions)	69.4	69.2	70.7
Gallons of water supplied to consumers per \$.01	4.80	4.54	4.27
Miles of wastewater collection lines cleaned	1,350	1,450	1,488
Laboratory analyses and analytic screenings conducted in-house	96,074	80,04	82,000
Telephone calls:			
Received	915,123	986,813	1,085,604
Percent answered	93%	94%	97%
Customer payments processed by customer services staff (excludes mailed payments)	957,096	973,845	988,453
Emergency repairs to water distribution system	6,029	5,525	5,525
Percent of water leaks repaired within the 5-day standard	98%	98%	98%
Average gallons of water used per capita per day	222	219	218

*Based on 10 months actual experience.

Gallons of water supplied per \$.01 decreased as a result of water rate increases needed to support debt service for new treatment facilities and replacement of existing lines. Laboratory analysis and screenings are decreased in 2004-05 as a result of fewer voluntary (not compliance-related) tests being requested by internal divisions. Customers payments processed are anticipated to increase as a result of population growth, acceptance of credit cards for payment and installation of utility transaction terminals at several pay stations. The decrease in average per capita water consumption is the result of water conservation education, drought-related advertising and a wetter than normal winter monsoon. Although a smaller decrease is expected in 2005-06, the numbers remain well below pre-drought levels.





SOLID WASTE MANAGEMENT

Program Goal

The Solid Waste Management Program assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, source reduction and recycling activities.

Budget Allowance Explanation

The 2005-06 Solid Waste Management operating budget allowance of \$90,664,000 is \$9,837,000 or 12.2 percent more than 2004-05 estimated expenditures. This increase is primarily due to normal inflationary increases, expanded alley cleanup as recommended in the Westside Revitalization Study, and several budget additions. The budget also reflects savings from the managed competition process.

The city will resume providing residential refuse services in two areas that were previously serviced by contractors. Three positions were eliminated due to efficiency gains and equipment and operating costs were also reduced.

Budget additions include 20 positions to operate the North Gateway Transfer Station that will open in January 2006, upon the closure of Skunk Creek Landfill; two solid waste foreman to supervise staff at the Salt River Service Center and one solid waste administrator to manage the intergovernmental agreement between the city of Phoenix and the town of Buckeye related to the new landfill.

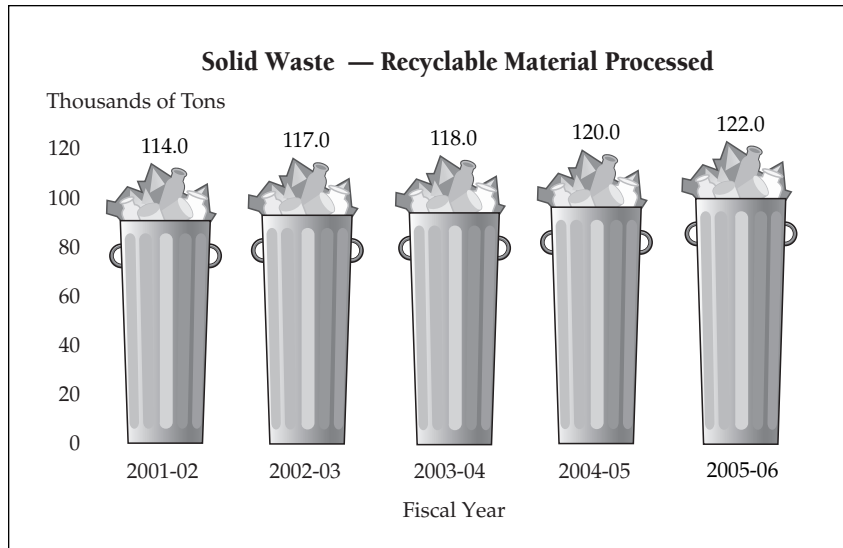
Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$69,251,000	\$80,827,000	\$90,664,000
Total Positions	424.0	498.0	521.0
Source of Funds:			
Solid Waste	\$68,476,000	\$80,153,000	\$89,961,000
General	769,000	674,000	703,000
Grants	6,000	-	-



Bulk trash is collected from city-serviced residences four times each year. Bulk trash consists mainly of materials that cannot be placed in a residential garbage container or recycled in a blue Phoenix Recycles container.





Solid Waste Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Residential households served with twice per week contained solid waste and recyclable material collections	346,854	354,000	361,000
Tons of residential recyclable materials collected	118,300	120,000	121,500
Tons of total solid waste disposed at city landfills**	915,000	945,000	1,021,000
Tons of solid waste from city residences disposed**	610,000	600,000	675,600

*Based on 10 months actual experience.

**FY 2003-04 and 2004-05 tonnages were lower due to reciprocal agreements with private landfill operators that will end in FY 2005-06.





PUBLIC WORKS

Program Goal

The Public Works Department provides mechanical and electrical maintenance and energy conservation services for city facilities, and procures, manages and maintains the city's fleet of vehicular equipment.

Budget Allowance Explanation

The 2005-06 Public Works operating budget allowance of \$25,689,000 is \$321,000 or 1.3 percent more than 2004-05 estimated expenditures. The increase is due to normal inflationary adjustments,

budget additions, and funding for the maintenance of buildings on the ASU Downtown Campus. These costs are reimbursed by Arizona State University. The increase is partially offset by budget reductions which include the elimination of one electrical apprentice position, reducing the 5 percent increase in the animal control services contract to 2.4 percent and eliminating funding for facility maintenance, refurbishing and remodeling in various city, as well as, cultural facilities.

Supplemental funds in the 2005-06 operating budget reflect funding for utility costs, landscape and exterior maintenance associated with the expansion of the Phoenix Arts Museum.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$22,671,000	\$25,368,000	\$25,689,000
Total Positions	497.0	501.0	501.0
Source of Funds:			
General	\$17,724,000	\$19,049,000	\$18,764,000
City Improvement	4,947,000	5,326,000	5,372,000
Other Restricted	-	993,000	1,553,000

Public Works Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Square feet of building space maintained	6,107,890	7,342,987	7,448,987
Facility service requests completed	17,513	18,609	19,672
Fleet vehicles per mechanic	39.7	39.5	37.0
Units of equipment for which fleet management is provided	6,402	6,441	6,520
Annual miles of fleet vehicle utilization (in millions)	49.7	50.0	50.0

*Based on 10 months actual experience.



ENVIRONMENTAL PROGRAMS

Program Goal

The Office of Environmental Programs provides coordination and monitoring for the city’s environmental programs and activities, and develops and implements regulatory policies and programs.

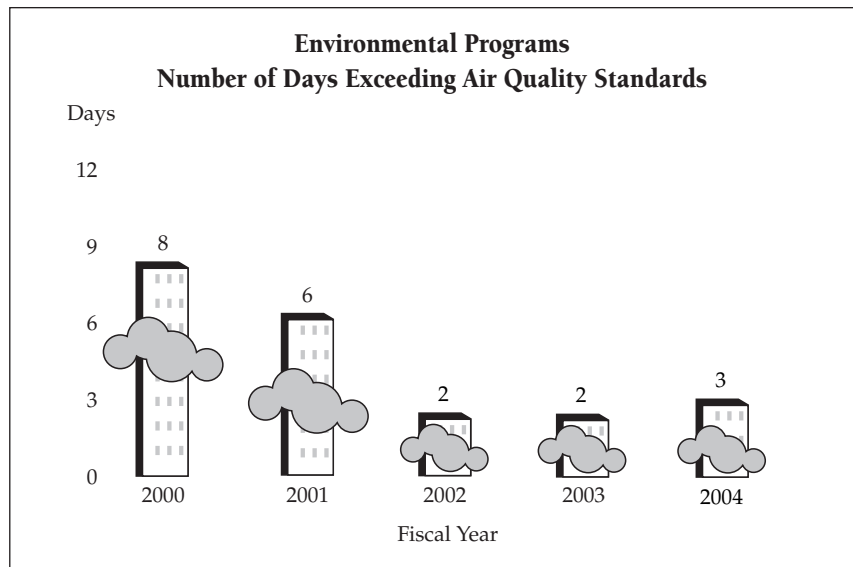
Budget Allowance Explanation

The Office of Environmental Programs 2005-06 operating budget allowance of \$1,978,000 is \$414,000 or 26.5 percent more than the 2004-05 estimated expenditures. The increase is the result of inflationary adjustments and carryover funding for dust control and brownfield projects offset by budget reductions.

The 2005-06 budget reductions include reduced funding for technical assistance for drywell compliance, brownfield projects, and employee training on federal and state environmental regulations.

Expenditure and Position Summary

	2003-04	2004-05	2005-06
Operating Expense	\$1,433,000	\$1,564,000	\$1,978,000
Total Positions	15.0	15.0	15.0
Source of Funds:			
General	\$1,154,000	\$1,221,000	\$1,336,000
Water	194,000	198,000	207,000
Capital Construction	61,000	30,000	150,000
Other Restricted	24,000	-	-
Grants	-	115,000	285,000



Environmental Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2005-06 budget allowance:

	2003-04	2004-05*	2005-06
Employees receiving training on environmental issues	1,502	705	700
Number of facility assessments and technical assistance visits conducted	69	80	50
Number of brownfield projects implemented	18	19	21
Overall customer satisfaction with technical and regulatory assistance	97%	97%	97%
Number of environmentally preferred product tests and process changes conducted/implemented to reduce hazardous materials or hazardous waste	88	34	25

*Based on 10 months actual experience.



Contingencies

The Contingency Fund (also commonly referred to as a “rainy day fund”) provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of these contingency funds requires the recommendation of the city manager and City Council approval.

In 1995-96, the City Council adopted a policy to slowly increase the contingency amount to 3 percent of operating expenditures. The following table shows the progression from the 2.5 percent level in 1995-96 to 3 percent in 2000-01. In 2003-04, a budget reduction returned the base to 2.5 percent. In 2004-05 the contingency budget was increased to 2.6 percent of operating expenditures.

The 2005-06 budget increases the contingency amount by \$940,000 maintaining the 2.6 percent level.

The following table also shows set-aside amounts. Set-asides have been used in the past to prepare for known future costs such as declining grant funding and new capital project operating costs. No set-asides are proposed for 2005-06.

GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2004-05 budgeted level of \$23,800,000 to \$24,740,000. The increase maintains a General Fund contingency equal to 2.6 percent of operating expenditures.

Comparison of Annual Budget for General Fund Contingency Amount to Operating Expenditures (000's)

Fiscal Year	General Fund Operating Expenditures*	Contingency and Set-Aside Amounts	Percent of Operating Expenditures
1995-96	\$633,964	\$15,625 3,000	2.5%
1996-97	674,619	17,318 1,320	2.6
1997-98	711,266	19,000 —	2.7
1998-99	748,937	21,000 1,150	2.8
1999-00	797,633	23,408 1,800	2.9
2000-01	883,196	26,780 4,600	3.0
2001-02	887,644	26,550 7,600	3.0
2002-03	912,192	27,190 3,652	3.0
2003-04	912,583	22,700 —	2.5
2004-05	925,603	23,800	2.6
2005-06	965,936	24,740	2.6

*Prior to 2001-02, Development Services operating expenditures were included in the General Fund contingency calculation. A separate contingency has been established in that fund.





OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.

2005-06 Other Fund Operating Expenditure and Contingency Amount (000's)

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$100,767	\$ 9,000	8.9%
Development Services	50,735	2,500	4.9
Aviation	192,313	10,000	5.2
Water	167,275	30,000	17.9
Wastewater	90,567	14,821	16.4
Solid Waste	95,946	6,000	6.3
Civic Plaza	32,738	2,800	8.6
Golf	6,121	50	0.8
Public Safety Enhancement	16,156	484	3.0



Debt Service and Lease Purchase

Debt service expenditures include payments of principal, interest, sinking fund contributions and bond reserve requirements for bonds issued. The debt service allowance in 2005-06 for existing debt and future bond sales is \$567,385,000 and the lease purchase payments are \$69,150,000 for a combined total of \$636,535,000. As shown in the following chart, the \$567.4 million in bonded debt service payments is funded by Secondary Property Tax and G.O. Bond Redemption, Water, Aviation, Wastewater, City Improvement, Arizona Highway User Revenue, Civic Plaza, and Solid Waste funds. Other funding sources include Sports Facilities, Golf and Grant funds. City Improvement includes \$69.2 million in lease purchase debt service payments funded by the General, Transit 2000 and Sports Facilities funds.

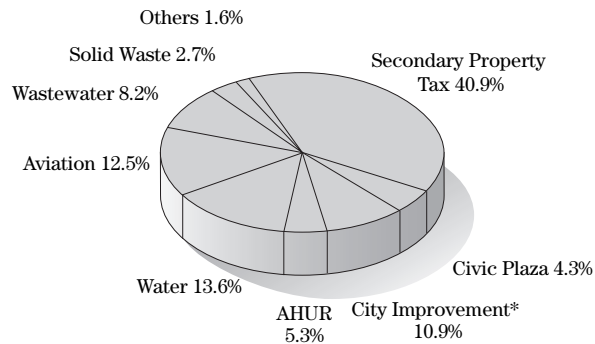
Secondary Property Tax shown in the pie chart above includes \$110.5 million from the annual tax levy for debt service and related interest earnings, plus another \$150 million from G.O. Bond Early Redemption funds. The 2001 Bond Committee recommended this early retirement of outstanding general obligation debt. Another \$30 million in early retirement is planned for the 2006-07 fiscal year.

Types of Bonds Issued and Security

Under Arizona law, cities are authorized to issue voter-approved general obligation, highway user revenue and utility revenue bonds. For the city of Phoenix, this includes property tax-supported bonds and revenue bonds (such as water revenue and airport revenue bonds).

The city's general obligation bonds are "full faith and credit" bonds. This means they are secured by a legally binding pledge to levy property taxes without

2005-06 Debt Service



*Funded by the General, Transit 2000 and Sports Facilities taxes.

limit to make annual bond principal and interest payments. Water and airport revenue bonds are secured by a pledge of these enterprises' net revenues (revenues net of operation and maintenance expenses) and do not constitute a general obligation of the city backed by general taxing power. Highway user revenue bonds are secured by state-shared gas taxes and other highway user fees and charges and also are not general obligations of the city.

Debt Management

In general, the city has used general obligation bonds to finance capital programs of general government (non-enterprise) departments. These include programs such as fire protection, police protection, libraries, parks and recreation, mountain preserves and storm sewers. The debt service on these bonds is paid from the secondary property tax levy. By state law, the city can only use its secondary property tax levy to pay principal and interest on long-term debt.

To finance the capital programs of enterprise departments, the city has made substantial use of revenue bonds secured by and repaid from the revenues of these

enterprises. In the past, the city also has used general obligation bonds for water, airport, sanitary sewer and solid waste purposes when deemed appropriate. However, these bonds are repaid from the revenues of these enterprises, not from property taxes or other general revenues.

The city's policy of servicing bonds issued for enterprise purposes with enterprise revenues (for both revenue and general obligation bonds) is viewed favorably by municipal bond analysts. This practice permits the city to maintain a low-to-moderate debt burden on the property tax base. This debt burden is a key measure evaluated by analysts to assess the city's financial strength.

Since the 1950s, the city has used a community review process to develop and acquire voter approval for general obligation bond programs. To prepare for the special bond election held on March 13, 2001, the Mayor and the City Council appointed the 2001 Citizens' Bond Committee composed of nearly 300 members to review the city's fiscal capacity, capital facility needs and operating and maintenance costs of needed facilities. This committee recommended a \$753.9 million bond





program to the voters which assumed a continuation of the city's current property tax rate of \$1.82 per \$100 of assessed valuation.

As a result of the efforts of this committee, the voters approved all \$753.9 million of recommended bond authorizations in the March 13, 2001 special election. These authorizations provided funding to construct capital improvements in the following areas:

- Police Protection Facilities and Equipment
- Police, Fire and Computer Technology
- Environmental Improvements and Cleanup
- Preserving Phoenix Heritage
- Parks, Open Space and Recreational Facilities
- Educational, Youth and Cultural Facilities
- Library Facilities
- Fire Protection Facilities and Equipment
- Neighborhood Protection and Senior Centers
- Affordable Housing and Homeless Shelter
- Storm Sewers
- Street Improvements

Bond Ratings

The city's bonds are rated favorably by the major bond rating agencies, Moody's Investors Service and Standard and Poor's. The city's general obligation bonds are rated Aa1 and AA+ respectively. These ratings are half of a rating category below each agency's highest rating.

Maintaining high bond ratings has resulted in a broader market for the city's bonds and lower interest costs to the city.

The following table is a statement of the city's bonded indebtedness as of April 1, 2005.

Statement of Bonded Indebtedness

General Obligation Bonds (In Thousands of Dollars) ⁽¹⁾

Purpose	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	\$842,594	\$ —	\$ 842,594	\$ —	\$ 842,594
Airport	—	27,605	27,605	41,240	68,845
Sanitary Sewer	—	73,731	73,731	—	73,731
Solid Waste	—	44,595	44,595	—	44,595
Water	—	130,969	130,969	—	130,969
Public Housing	—	—	—	2,145	2,145
Street and Highway	—	—	—	188,511	188,511
Subtotal	\$842,594	\$276,900	\$1,119,494	\$231,896	\$1,351,390
Less: Restricted Funds	(286,036)	—	(286,036)	—	(286,036)
Direct Debt	\$556,558	\$276,900	\$833,458	\$231,896	\$1,065,354
Less: Revenue Supported	—	(276,900)	(276,900)	(231,896)	(508,796)
Net Debt	\$556,558	\$ —	\$ 556,558	\$ —	\$ 556,558

(1) These figures do not include the outstanding principal amounts of certain general obligation bonds, water revenue bonds, and street and highway user revenue bonds that have been refunded or the payment of which has been provided in advance of maturity. The payment of the debt service requirements on such bonds (including redemption premiums where applicable) is secured by federal securities that were purchased with proceeds of the refunding issues and other available monies that are held in irrevocable trusts and special investment funds held by the city.



Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, lighting, park, open space and recreational purposes may not exceed 20 percent of a city's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's net secondary assessed valuation. Unused borrowing capacity as of April 1, 2005 based upon 2004-05 assessed valuation is shown in the following tables.

Debt Burden

Debt burden is a measurement of the relationship between the debt of the city supported by its property tax base (net direct debt) to the broadest and most generally available measure of wealth in the community: the assessed valuation of all taxable property and the assessed valuation adjusted to reflect market value. In addition, net debt can be compared to population to determine net debt per capita. The city makes these comparisons each time it offers bonds for sale. They are included in the official statements (bond prospectuses) that are distributed to prospective investors. The following table provides debt burden ratios as of April 1, 2005.

The city's debt burden remains in the low-to-moderate range. This means the amount of net debt supported by the city's property tax base is moderate relative to the value of that tax base.

The city has considerable bonded debt outstanding. However, the use of revenue bonds for enterprise activities and enterprise-supported general obligation bonds, in combination with a well-managed, property tax-supported bond program, has permitted the maintenance of a low-to-moderate debt burden.

Water, Sewer, Lighting, Parks, Open Space and Recreational Purpose Bonds

20% Constitutional Limitation	\$2,097,984,329
Direct General Obligation Bonds Outstanding	(743,253,138)
Unused 20% Limitation Borrowing Capacity	\$1,354,731,191

All Other General Obligation Bonds

6% Constitutional Limitation	\$629,395,299
Direct General Obligation Bonds Outstanding	\$376,240,000
Less: Principal Redemption Funds held in Restricted Fund as of April 1, 2005	(286,036,070)
Direct General Obligation Bonds Outstanding	(90,203,930)
Unused 6% Limitation Borrowing Capacity	\$539,191,369

Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt Pop. Est. as of April 1, 2005 (1,513,740)	Secondary Assessed Valuation (\$10,489,921,645)	Full Cash Valuation (\$83,439,807,440)
Direct General Obligation Bonded Debt Outstanding as of April 1, 2005	\$550.59	8.51%	1.05%
Net Direct General Obligation Bonded Debt Outstanding as of April 1, 2005	367.67	5.68%	0.70%





Lease Purchase

In addition to bonded debt, the city uses nonprofit corporation bonds as a financing tool. This form of financing involves the issuance of bonds by a nonprofit corporation for city-approved projects. The city makes annual payments equal to the bond debt service requirements to the corporation under a lease-purchase or purchase agreement.

The city's payments to the corporation are guaranteed by a pledge of excise taxes or utility revenues generated by the city's airport, water system or wastewater system. Pledged excise taxes may include city sales, use, utility and franchise taxes; license and permit fees; and state-shared sales and income taxes.

The city has used nonprofit corporation financing selectively. In general, it has financed only those projects that will generate revenues adequate to support the annual debt service requirements or that generate economic benefits that more than offset the cost of financing. Similar to bonded debt, these financings are rated by bond rating agencies. The most recent ratings for excise tax revenue bonds by Standard and Poor's and Moody's Investors Service were AAA and Aa2 respectively.

Debt Service and Lease Purchase Expenditures by Source of Funds (In Thousands of Dollars)

Fund	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Secondary Property Tax and G.O.			
Bond Redemption	\$ 96,586	\$102,356	\$260,461
Aviation Operating and Capital*	55,806	76,467	79,835
Arizona Highway User Revenue	31,131	29,206	34,047
Capital Projects Funds	1,077	—	—
Civic Plaza	9,633	9,638	27,635
General*	17,407	20,110	23,799
Golf	196	416	579
Grant Funds	2,542	2,142	2,139
Solid Waste	16,507	17,224	17,219
Sports Facilities*	8,735	9,135	24,519
Transit 2000*	818	15,138	27,678
Wastewater	45,664	48,066	51,985
Water*	62,940	70,218	86,639
Total	\$349,042	\$400,116	\$636,535

* Includes bonded debt and lease purchase payments



Overview of Capital Improvement Program Process

The Capital Improvement Program is a multiyear plan for capital expenditures needed to replace, expand and improve infrastructure and systems. It is a citywide presentation and summary of the results of several other planning processes that identify and provide funding for capital projects. On April 5, 2005, the City Council reviewed the Preliminary 2005-10 Capital Improvement Program and forwarded the 2001 bond-funded portion to the 2001 Bond Committee for their review and consideration. The Capital Improvement Program reflected here includes the preliminary plan presented to the City Council as adjusted for General Fund budget reductions. The preliminary program was then adjusted for projects that carried-over from 2004-05 to 2005-06 and for other miscellaneous program modifications before it was submitted to the City Council for adoption in June.

2005-10 Capital Improvement Program Development

The annual Capital Improvement Program update process began in January when departments submitted their revised 2004-05 estimates and their updated five-year capital improvement programs. The 2004-05 estimates reflect updated construction estimates, project timing changes, awarded contract amounts, project carry-overs and any other program changes. The updated five-year program includes projects planned for authorized bond funding and the latest estimates for pay-as-you-go projects funded with operating funds, federal funds, impact fees and other sources. Budget and Research staff reviewed the departments' revised

programs for funding availability, reasonableness and technical accuracy. In addition to the planning processes outlined in the following sections, this program also reflects the proposed five-year Arterial Streets Plan and adopted multi-year rate forecasts for the enterprise funds.

In conjunction with the CIP process, the Engineering and Architectural Services Department works with departments to level design and construction bid award dates evenly throughout the fiscal year. By avoiding bidding capital projects during the last quarter of the fiscal year, the city has reduced construction costs and increased project quality by making better use of construction resources. The city has also achieved lower bid prices and increased competition for city projects by avoiding busy periods for the construction industry.

2001 Citizens' Bond Committee Program

Voter-approved bond authorizations are a major funding source for the general government portion of the Capital Improvement Program. In August 2000, a Citizens' Bond Committee was appointed by the City Council to develop a recommended program to take to the voters. Nearly 300 citizen members served on various bond subcommittees. The residents reviewed the city's capacity to service new property tax-supported debt in addition to unmet capital facility needs identified by city departments and the ongoing costs of operating these facilities.

Through the work of 10 service-related bond subcommittees, the Citizens' Bond Committee recommended a detailed capital program to the City Council. This \$753.9 million recommended program assumed a relatively level schedule of bond fund programming that would not require an increase in the city's combined property

tax rate of \$1.82 per \$100 of assessed valuation. The voters approved the entire \$753.9 million recommended program. Improvements in the following areas are reflected in the 2005-10 Capital Improvement Program.

- Police Protection Facilities and Equipment
- Police, Fire and City Computer Technology
- Environmental Improvements and Clean-up
- Parks, Open Space and Recreational Facilities
- Educational, Youth and Cultural Facilities
- Library Facilities
- Fire Protection Facilities and Equipment
- Neighborhood Protection and Senior Centers
- Affordable Housing and Homeless Shelter
- Storm Sewers
- Street Improvements

It has been the city's practice to require ongoing citizen oversight of property tax-funded bond programs. The 2001 Citizens' Bond Committee has recommended this practice be continued and that this oversight include an annual review of the Capital Improvement Program, an annual review and update of actual assessed valuation results compared to forecast and an annual review of any changes to the program. Finally, the Citizens' Bond Committee expressed an interest in looking for efficiencies as the bond program progresses by using concepts such as value engineering.





The committee met on April 14, 2005, to review and recommend approval of the 2001 Bond-funded portion of the 2005-10 Capital Improvement Program. Their review and recommendations mostly involved reallocating project savings to those projects experiencing higher costs primarily due to steel and concrete prices. Savings generally result from using funding sources other than bonds where available and through efforts such as value engineering and developing joint facilities. The following are the major changes approved by the committee:

- Reprogram remaining savings from cancellation of Fire Station 45 to pay for cost increases in several other fire station projects
- Reduce the scope of the North Family Service Center to land acquisition and design only and reallocate planned construction funding to other Human Services facilities with cost increases and explore the possibility of allocating some savings to homeless facilities
- Reprogram savings due to two planned freeway interchanges now being funded through extension of the countywide half-cent transportation sales tax to other street projects with increased costs
- Reallocate savings from using unspent 1988 storm sewer bonds to add new projects
- Reprogram savings in several programs due to the availability of impact fees to pay for portions of planned projects

Parks and Preserves Funds

In September 1999, the voters approved a one-tenth of 1 percent sales tax to purchase state trust lands for the Sonoran Desert Preserve and for the development and improvement of regional and neighborhood parks. The 2005-10 Capital Improvement Program includes \$174.1 million of these funds, which are

programmed for nine regional parks, community and neighborhood parks and Sonoran Preserve land acquisition. Land acquisitions are programmed to take advantage of state grant funding opportunities. The 2009-10 plan reflects the final partial year of funding from this 10-year sales tax.

Transit 2000 Funds

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of 1 percent sales tax to implement the Transit 2000 plan. The 2005-10 Capital Improvement Program includes \$528.1 million of these funds, which are programmed for:

- Additional buses for expanded regular, express, and Dial-a-Ride service (\$15.9 million)
- New and expanded passenger and maintenance facilities (\$53.0 million)
- Bus pullouts, left-turn arrows and bicycle lanes (\$13.7 million)
- Technology upgrades (\$7.4)
- Rail, bus rapid transit and other facilities (\$415.6 million)
- Contingencies for unanticipated needs or cost increases (\$22.5 million).

Capital Construction Funds

The Capital Construction fund was established in 1998-99 and now provides about \$21 million each year for critical infrastructure improvements in the right-of-way. Community input from a series of public meetings supported using these funds for neighborhood street rehabilitation, sidewalks and wheelchair ramps, traffic safety and traffic calming projects and neighborhood traffic mitigation projects.

The 2005-10 Capital Improvement Program includes \$116.6 million in Capital Construction-funded projects. Most of the funds are programmed as lump sum

amounts in the project categories defined in the community process. Individual projects are determined based on traffic engineering data and neighborhood input. These funds are also programmed to pay for net increased cost of installing a new 69-kilovolt electric line underground rather than above ground. The planned path of these lines crosses the northern portions of the city including the Sonoran Desert preserve.

Programming of Development Impact Fees

In 1987, the City Council adopted an ordinance requiring new development in the city's peripheral planning areas to pay its proportionate share of the costs associated with providing public infrastructure. The program and fees are based on long-range planning for forecasted growth and related facility needs.

Development impact fee collections initially progressed slowly because of a slowdown in construction in the late 1980s and early 1990s. However, over time development impact fee collections have become more significant. The 2005-10 Capital Improvement Program includes \$111.6 million in development impact fee-funded projects.

Development impact fees collected for a specific peripheral planning area must be expended for capital infrastructure in that area and are not available for any other use. In addition, development impact fee-funded projects must directly benefit the parties that paid the fees. Budget and Research staff have worked with Planning and operating department staff to program development impact fee funds appropriately in the 2005-10 Capital Improvement Program. Additional development impact fees will be programmed in future capital improvement programs as these fees are collected.

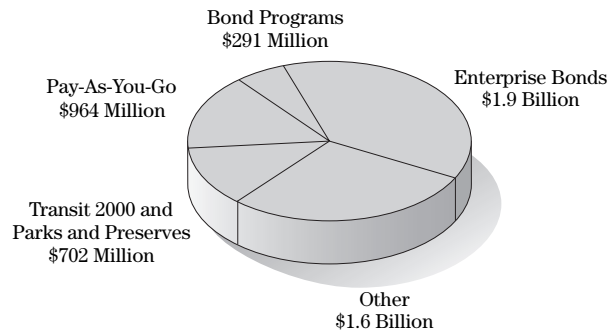


2005-10 Capital Improvement Program Highlights

The Capital Improvement Program (CIP) totals \$5.4 billion over the next five years. As shown in the pie chart, funding for the 2005-10 program comes from five main sources: \$291.3 million in 1981, 1988, 1989 and 2001 voter-approved bond funds, \$964.3 million in pay-as-you-go operating funds, \$1.9 billion in various enterprise bonds, \$702.1 million in Transit 2000 and Parks and Preserve Initiative funds, and \$1.6 billion in other funds. The \$1.6 billion in other funds includes \$669.0 million in lease-purchase funds, \$334.2 million in capital grants, \$295.9 million payments by other cities and agencies for participating in projects in programs such as Water and Wastewater, \$39.2 million in grants, \$111.6 million in development impact fees, \$117.1 million in passenger facility charges, \$7.4 million in Solid Waste remediation funding and \$5.1 million from miscellaneous capital sources.

Projects included in the first year total \$2.3 billion and are funded from pay-as-you-go operating funds (\$384.2 million), bond funds (\$1.1 billion) and other capital financing (\$801.1 million). Two schedules at the end of this section summarize the 2005-06 Capital Budget. The first summarizes each program by source of funds and the second summarizes the resources, expenditures and fund balances by capital fund. A brief overview of the five-year plan for each program follows.

2005-10 Capital Improvement Program Sources of Funds



Arts and Cultural Facilities

The \$8.4 million Arts and Cultural Facilities program is funded with 2001 bonds and includes the following projects:

- Complete an expansion of the Phoenix Museum of History
- Construct an expansion of the Museo Chicano
- Complete land acquisition and renovation of the Phoenix Family Museum

Aviation

The Aviation program totals \$579.9 million. This program includes improvements at Sky Harbor International Airport and the two satellite airports, Goodyear and Deer Valley. The Aviation program is funded with Aviation operating revenue, federal grant funds, Aviation nonprofit corporation bonds and Passenger Facility Charge funds.

Major improvements planned for Sky Harbor International Airport include the following:

- Reconstruct existing asphalt taxiways in concrete
- Clean up fueling sites at Sky Harbor International Airport
- Complete a terminal blast analysis
- Complete other required security improvements at Sky Harbor International Airport
- Soundproof homes near Sky Harbor International Airport and other noise mitigation projects
- Remodel former rental car areas at Terminal 3 and Terminal 4





- Construct automated pay stations in parking structures
- Remodel air cargo buildings
- Design an airport people mover system, including a light rail train station
- Acquire land for future airport expansion
- Remodel security checkpoints at Terminals 2, 3 and 4
- Rehabilitate Terminal 4 sidewalk expansion joints

The Aviation program also includes reconstructing the south ramp at Deer Valley Airport and constructing security fencing at Deer Valley and Goodyear Airports.

Civic Plaza

The \$424.2 million Civic Plaza program is funded with Civic Plaza operating revenue, Civic Plaza nonprofit corporation bonds, 2001 bonds, General funds and lease-purchase funds. In addition to the Convention Center, this program includes the Herberger and Orpheum Theaters, Symphony Hall plus the Patriot's, Hyatt Regency, Heritage, Jefferson Street and Civic Plaza parking garages.

The multi-year Convention Center expansion is the primary project in this program. Other convention center projects include only internal repairs. Miscellaneous improvements and studies are also planned for the garages and theaters.

2001 bonds are planned to complete a refurbishment of Symphony Hall, including infrastructure, public and backstage areas, operating systems and roofing.



The area formerly known as the Symphony Terrace will be home to the new Civic Plaza West Building, which will offer 160,000 square feet of meeting and exhibition space when it opens in 2006.



Downtown Development

The \$299.8 million Downtown Development program is funded with nonprofit corporation bonds, Community Reinvestment funds, Sports Facilities funds, lease-purchase funds and 2001 bond funds.

Acquisition of land, design and construction of a 1,000-room hotel and the first phase of an ASU campus in downtown Phoenix are the major projects in this program. Completion of the Phoenix Union and Fillmore properties acquisitions and the TGEN/IGC projects also are included. Community Reinvestment funding also is programmed for downtown redevelopment purposes.

Energy Conservation

The \$7.8 million Energy Conservation program is funded with General, Civic Plaza, Wastewater and Water operating funds. This program includes projects to continue the city's energy conservation and cost reduction efforts at various city facilities.

The city's Energy Conservation program has been in place for more than 20 years. Through the program's efforts in addressing energy efficient retrofits, energy efficient design and management, metering for efficient operations and implementation of new technology, the annual cost savings average \$250,000.

Facilities Management

The Facilities Management program totals \$34.9 million and is funded with 2001 bonds, General funds, lease-purchase funds and impact fees. The following projects are planned for 2001 bond funding:

- Renovation of the Glenrosa Service Center
- Construction of accessibility improvements at existing service centers
- Construction of the Pecos Community Center
- Conceptual design of customer service centers



The state-of-the-art TGen building is the first of several buildings being planned for the 24-acre downtown Phoenix Biomedical Center at Copper Square.





Also provided from 2001 bonds is funding for environmental clean-up at various city project sites.

2001 bond funds for CNG fueling stations are included but have been deferred pending analysis of the ongoing feasibility of the overall CNG program.

Projects planned for General funding include remediation of contaminated soil from leaking underground storage tanks; construction of mechanical upgrades at the Calvin C. Goode Building; constructing improvements at the Adams Street Garage; design and construction of facilities improvements at the Union Hills, Salt River, Central and Okemah service centers; design and construction of a fuel dispensing station at the Glenrosa Service Center and the construction of equipment repair canopies at the Glenrosa and Okemah service centers. Development impact fees partially fund construction of the Pecos Community Center and the North Gateway Fuel Site.

Fire Protection

The \$32.6 million Fire Protection program is funded with 2001 bonds and General funds. The following fire stations are planned for 2001 bond funding:

Fire Station Construction

- New Station 57 at 15th Avenue and Dobbins Road
- Infill Station 60 at 19th and Dunlap avenues
- Infill Station 61 at 16th Street and Indian School Road
- Infill Station 62 at 48th Street and Camelback Road

Fire Station Land Acquisition

- Station 55 at I-17 and Jomax Road
- Station 64 at 51st Avenue and Osborn Road
- Station 63 at Seventh Street and Thunderbird Road

The following firefighter training and technology projects also are programmed for 2001 bond funding:

- Acquisition of firefighter safety equipment
- Expansion of the Fire Training Academy and acquisition of firefighter training technology
- Installation of additional traffic signal preemption
- Land acquisition for a future Fire Operations Center expansion

General funds are programmed to acquire multi-agency computer-aided dispatch equipment. Revenue from participating entities will fund their portion of the project.



In 2004, the Phoenix Fire Department responded to more than 137,000 calls, with an average response time of 4 minutes, 59 seconds.



Freeway Mitigation

The Freeway Mitigation program totals \$6.9 million. This program is funded with 1988 and 2001 bonds.

The Freeway Mitigation program provides for the development of freeway corridor improvements to buffer the impact of existing and new limited-access roadways on the city's neighborhoods. Improvements are programmed in the Piestewa Peak Parkway, Outer Loop, South Mountain Loop, Papago/Red Mountain Freeway and Black Canyon/Maricopa Freeway corridors. Costs of advancing an Arizona Department of Transportation project to install rubberized asphalt on the freeways within the city also are included.

Historic Preservation

The Historic Preservation program totals \$3.4 million and is funded with 1989 Historic Preservation and 2001 bonds. The following projects are planned for 2001 bond funding:

- Construction of historic preservation demonstration projects
- Construction of city-owned historic preservation demonstration projects
- Assistance to preserve the exteriors of historic homes including a low-income program

HOPE

The HOPE VI project is programmed for \$11.2 million and is funded with federal grants and 2001 bonds. The HOPE VI project will reconstruct the public housing units at Matthew Henson and revitalize the surrounding neighborhood. The

project will establish a mixed-use, mixed-income development and will create incentives to attract additional investment to the area through public/private partnership.

Housing

The Housing program totals \$41 million and is funded with various federal grant funds and 2001 bonds.

The Housing program provides for the purchase and modernization of housing units for low-income families throughout the city.

Grant-funded modernization projects are planned based on the availability of these funds. Federal funds planned to acquire new scattered-site homes include proceeds from sales of existing scattered-site homes. City Council approved allocations of Community Development Block Grant funds also are programmed.





Human Services

The \$16.5 million Human Services program is funded with 2001 bonds. This program provides for completion of the Westside, Pecos and Shadow Mountain Senior Centers and the South Family Services Center. Funding for the purchase of land for the North Family Services Center and development of a Family Transitional Living Center also is included.

Information Technology

The \$26.8 million Information Technology program is funded with 2001 bonds, Water and Wastewater revenues, Solid Waste Disposal revenues, Aviation revenues, Civic Plaza operating funds, lease-purchase funds, participation from other cities and Arizona Highway User Revenue funds. Projects planned for 2001 bond funding include the following:

- Continuing work to replace the public safety and public service radio system

with the Phoenix Regional Wireless Network project

- Implementation and improvement of e-commerce
- Acquisition of information system management and security software and hardware
- Improvement of data communications infrastructure
- Stabilization of the telephone system

Libraries

The Libraries program totals \$18.7 million and is funded with General funds, impact fees and 2001 bonds. Projects for 2001 bond funding include the following:

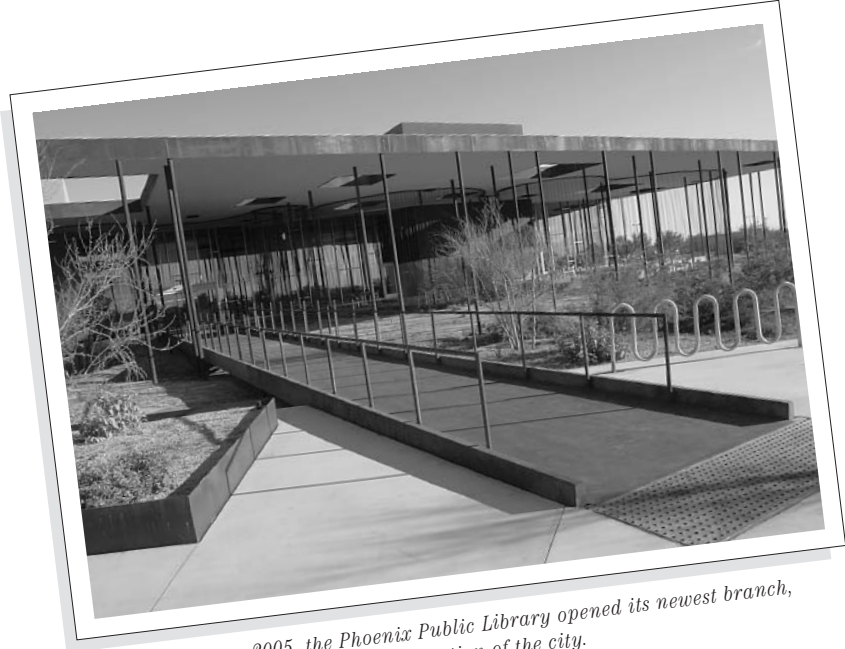
- Completion of the Cesar Chavez Regional Branch Library
- Acquisition of land for a North Gateway Branch Library
- Acquisition of land for the Harmon Branch Library replacement

- Acquisition of land for a Desert View Branch Library
- Acquisition of land for the West Ahwatukee Branch Library
- Design of the South Mountain (southeast) Branch Library
- Construction of the Adobe Mountain Regional Branch Library

General funds are planned to construct minor improvements to the Cholla Branch Library. Impact fees are planned to acquire sites for new libraries in North Gateway, West Ahwatukee and for the design of the Estrella Branch Library.

Neighborhood Services

The Neighborhood Services program totals \$10.6 million and funded with Industrial Development Authority (IDA) loan proceeds, Community Development Block Grant (CDBG) funds, lease-purchase funds, and 2001 bonds. 2001 bond funds are planned to construct neighborhood



In February 2005, the Phoenix Public Library opened its newest branch, Desert Broom, in the northeast section of the city.



infrastructure, eliminate blight and revitalize neighborhoods. General funds, lease-purchase funds, CDBG funds and IDA loan proceeds are planned for infill projects. In addition, CDBG funds are planned for blight elimination projects.

The program total includes the impact of a General fund budget reduction of \$103,000 for blight elimination/revitalization projects.

Parks, Recreation and Mountain Preserves

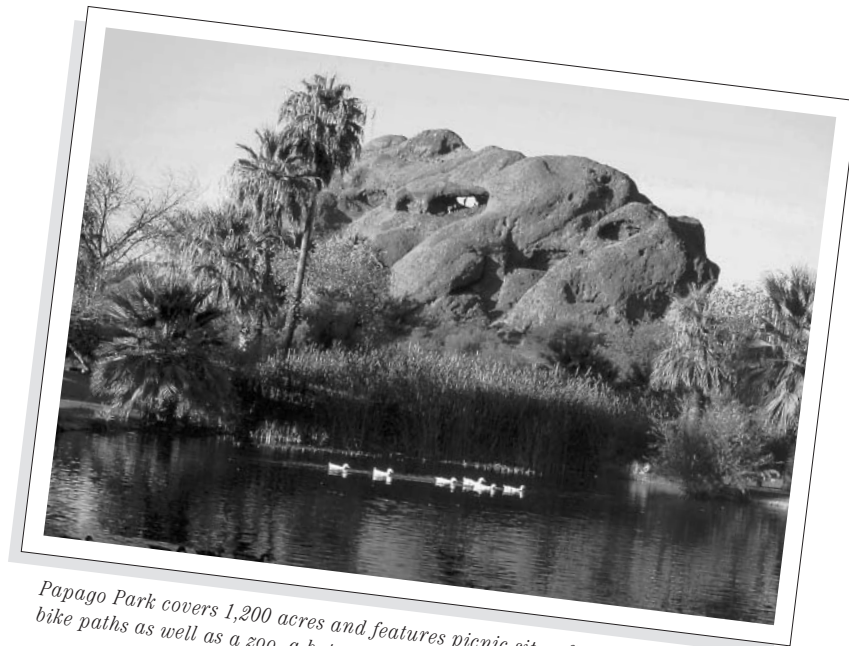
The Parks and Recreation program totals \$295.6 million and is funded with 1988 bonds, 2001 bonds, Parks Monopole Sites revenue, impact fees and Parks and Preserves Initiative funds. The program provides for acquisition and development of new park sites and specialty areas and improvements to existing parks.

The following major projects are included in 2001 bond-funded improvements:

- Acquisition of land in the Ahwatukee Foothills area
- Construction of Rio Salado Parks Operations Center
- Restoration of the Rio Salado Habitat
- Construction of the Washington Adult Center Expansion
- Installation of youth sports lighting citywide
- Design and construct improvements to Papago Park
- Improvement and renovation of parks citywide
- Renovation of aquatics facilities citywide

- Renovation of Boys' and Girls' Club facilities citywide
- Renovation of Memorial Hall at Steele Indian School Park
- Renovation of the Phoenix Center for the Community Arts

Parks and Preserves projects include regional parks development, improvements to community and neighborhood parks and land acquisition for the Sonoran Preserve. Development impact fees are planned to acquire and develop park sites in the Ahwatukee, Deer Valley, Desert View, Estrella, Laveen and North Gateway areas and to acquire open space preserve land in the northern areas. Parks Monopole Sites revenue is planned to add amenities to parks with monopole sites.



Papago Park covers 1,200 acres and features picnic sites, fishing lagoons and bike paths as well as a zoo, a botanical garden, fire museum and a golf course.





Police Protection

The Police Protection program totals \$31.8 million. This program is funded with 2001 bonds.

The following projects are planned for 2001 bond funding:

- Acquire land for new police precincts
- Design improvements to the police firing range and construct improvements to the police driving track
- Construct renovations to Phoenix Police Department headquarters and other facilities
- Complete construction and equip a new forensics crime lab
- Acquire land, design and construct a neighborhood police station in the Ahwatukee Foothills area
- Complete replacement of mobile data terminals in vehicles, motorcycles and hand units.

Public Transit

The \$1.0 billion Public Transit program is funded with Transit 2000 revenue, Transit lease-purchase funds, and federal and state grants.

Phoenix voters approved Transit 2000, a 0.4 percent sales tax, on March 14, 2000, to fund extensive improvements to the city's public transit system. Projects planned in the Public Transit program with these revenues include bus acquisition, new passenger facilities, technology enhancements, improvements to bus stops and shelters, upgrades to maintenance facilities, bus pullouts and rapid transit and light rail planning and construction.

Federal and state grant funds are planned to purchase buses, construct passenger facility improvements, construct light rail, upgrade maintenance facilities and enhance technologies.

Solid Waste Disposal

The \$81.8 million Solid Waste Disposal program includes projects at the city's landfills and is funded with Solid Waste Disposal revenue, Solid Waste Remediation funds and nonprofit bond funds.

Projects at the Skunk Creek Landfill include the methane gas extraction systems, cell lining, capping and landscaping. Improvements to the 19th Avenue Landfill include maintaining soil capping and the methane gas collection system. Projects at the 27th Avenue Landfill include transfer station hopper and floor repairs, painting, landscaping and upgrading recycling equipment. In addition, the Solid Waste Disposal program includes cell excavation and construction of a drainage system and methane gas system for the new SR85 landfill.

Storm Sewers

The Storm Sewers program totals \$52.4 million and is funded with 2001 bonds, Capital Construction funds, impact fees and participation by other agencies. This program is scheduled to coordinate with the Major Street construction program and provides for construction of storm sewer lines, detention basins and other facilities to control flooding. Storm drainage construction for 2001 bond funding includes the following projects:

- 28th Street, Red Mountain Freeway to Thomas Road storm drain
- 35th Avenue, Broadway Road to the Salt River storm drain
- Deer Valley Road, 16th to 20th streets storm drain
- 24th Avenue and Camelback Road detention basin
- 26th Avenue and Verde Lane detention basin
- Bethany Home Road Outfall Channel
- 51st Avenue, Dobbins to Laveen Conveyance Channel storm drain
- 51st Avenue, Laveen Conveyance Channel to Salt River storm drain
- 36th Avenue, Thomas to Indian School roads storm drain
- 28th Street, Thomas to Indian School roads storm drain
- Camelback Road, Agua Fria to 99th Avenue storm drain
- Cave Creek, Bell Road to Union Hills Drive storm drain
- Cave Creek, Union Hills Drive to Pima Freeway storm drain
- 23rd Avenue and Roeser detention basin

In addition, 2001 bond funds are planned to construct local drainage improvements, provide floodplain survey assistance and rehabilitate existing storm drains.



Major Streets and Bridges

The \$292.4 Major Street program is funded with Arizona Highway User Revenues (AHUR), Capital Construction funds, 2001 bonds, impact fees and participation by other agencies. This program provides for the construction of 28 miles of major arterial streets over the next five years. Major street construction for 2001 bond funding includes the following projects:

- Deer Valley Road, Seventh Street to Cave Creek Road
- 75th Avenue, Buckeye Road to Van Buren Street
- Acquire right-of-way for East-West Parkway in the Sonoran Desert Preserve
- 35th Avenue Bridge at Salt River
- Black Mountain Parkway, Deer Valley to Pinnacle Peak roads

Major street construction for AHUR funding includes the following projects:

- 19th Avenue, Baseline Road to Southern Avenue
- Van Buren Street, 59th to 67th avenues
- Van Buren Street, 67th to 75th avenues
- Pinnacle Peak Road, 43rd to 51st avenues
- Pinnacle Peak Road, 40th to 48th streets
- Pinnacle Peak Road, 48th to 56th streets
- Pinnacle Peak Road, 64th Street to Scottsdale Road
- 32nd Street, Southern Avenue to Broadway Road
- Retrofit Program

Development impact fees are planned for street improvements in the Laveen area.

Other Street Improvements

The Other Streets program totals \$156.8 million and is funded with Arizona Highway User Revenues, 2001 bonds, Community Development Block Grants (CDBG), Capital Construction funds and participation from other agencies. The Other Streets program includes funds for local paving projects, mid-block streetlights, bikeways, residential street resurfacing, major street overlay and micro-seal, sidewalks and ramps.

The program also includes the annual concrete repair and slurry seal programs. Capital Construction funds are included for dust control to stabilize dirt shoulders and alleys.

The program total includes the impact of General Fund budget reductions of \$1.3 million. These reductions consist of \$432,000 to the annual Alley Dust Proofing program and \$833,000 to the micro-seal program.

Traffic Improvements

The Traffic Improvements program totals \$61.5 million and is funded with Arizona Highway User Revenues, impact fees, Capital Construction funds and participation by other agencies. This program includes traffic congestion, screen wall projects, speed humps, painting, bottleneck removal projects, upgrade of the traffic signal system, new warranted traffic signals and left turn arrows.

Arizona Highway User Revenue funds are programmed for construction of a pedestrian underpass at 25th Street and Camelback Road.

Capital Construction funds are included in the program for traffic safety and calming projects. Funds will be allocated to specific traffic improvement projects as needs are identified.





Wastewater

The Wastewater program totals \$933.8 million and is funded with Wastewater operating revenue and nonprofit corporation bonds, impact fees, federal aid and other cities' participation in the 91st Avenue Wastewater Treatment Plant (SROG) joint venture.

Major projects programmed at the 91st Avenue Wastewater Treatment Plant include support system upgrades, odor control facilities, instrumentation and control improvements, metering station upgrades, security improvements and unified plant expansion.

Other major Wastewater projects include the following:

- Rehabilitation of critical sections of the Salt River outfall interceptor sewer owned by SROG cities
- Construction of a reuse/river restoration project at Tres Rios
- Design and construction of Salt River Outfall and Southern Avenue Interceptor Parallel sewers to meet wastewater system flow demands
- Construction of odor control facilities for the Salt River Outfall and Southern Avenue Interceptor sewers
- Construction of replacement sewer lines entering the 23rd Avenue Wastewater Treatment Plant to increase cleansing velocities and capacity

- Conversion to multi-phase sludge digestion at the 23rd Avenue Wastewater Treatment Plant
- Repair and replacement of equipment at the 23rd Avenue Wastewater Treatment Plant
- Security improvements at remote facilities
- Sewer lift station improvements and construction of a sewer lift station at 107th Avenue and Roeser
- Construction of parallel sections of the Broadway Sewer from 32nd Street to 51st Avenue to provide needed additional capacity
- Rehabilitation and capacity improvements for selected sewers of various sizes and materials located throughout the city
- Sewer relocations for light rail

Water

The \$926.6 million Water program is funded with Water operating revenue and nonprofit corporation bonds, impact fees, capital reserve funds and city of Mesa participation in the Val Vista Water Treatment Plant joint venture.

In addition to water line construction, major projects programmed include the following:

- Construction of new wells and rehabilitation of existing wells
- Construction of new reservoirs and rehabilitation of existing reservoirs
- Construction of new booster stations and rehabilitation of existing booster stations

- Rehabilitation of steel tanks
- Construction of arsenic treatment facilities at various well sites
- Construction of the new Supervisory Control and Data Acquisition System (SCADA) control facility and training center
- Cave Creek Water Reclamation Plant rehabilitation and security upgrades
- Construction of a new water treatment plant at 15th Avenue and Dobbins
- Replacement and rehabilitation of the Val Vista Transmission Main from the Val Vista Water Treatment Plant (WTP) to 48th Street
- Conversion of plant filtration to granular activated carbon at Val Vista, Deer Valley, 24th Street and Union Hills WTPs
- Security upgrades at Val Vista, Deer Valley, 24th Street and Union Hills WTPs and remote facilities
- Rehabilitation of the Val Vista, Deer Valley, 24th Street and Union Hills WTPs
- Investigate limits of soil erosion beneath the Deer Valley WTP
- Construction of a new water distribution maintenance yard
- Construction of water main improvements recommended in the integrity study
- Construction of new mains in growth areas
- Upgrade/replace the billing system
- Acquisition of additional water resources
- Relocations for light rail



SUMMARY OF 2005-10 CAPITAL IMPROVEMENT PROGRAM
(In Thousands of Dollars)

Program	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total
Arts and Cultural Facilities	\$ 8,350	\$ -	\$ -	\$ -	\$ -	\$ 8,350
Aviation	391,098	143,060	38,060	6,440	1,236	579,894
Civic Plaza	401,590	13,150	3,100	3,000	3,310	424,150
Downtown Development	107,112	62,244	69,910	59,656	900	299,842
Energy Conservation	2,642	1,250	1,250	1,250	1,388	7,780
Facilities Management	10,288	5,200	5,265	3,750	350	34,853
Fire Protection	32,609	-	-	-	-	32,609
Freeway Mitigation	5,017	1,848	-	-	-	6,865
Historic Preservation	2,754	606	-	-	-	3,360
HOPE	9,260	1,250	300	350	-	11,160
Housing	19,637	5,771	5,731	4,931	4,911	40,981
Human Services	16,454	-	-	-	-	16,454
Information Technology	26,828	-	-	-	-	26,838
Libraries	18,493	200	-	-	-	18,693
Neighborhood Services	9,011	400	400	400	400	10,611
Parks, Recreation and Mountain Preserves	174,053	39,872	32,710	28,200	20,800	295,635
Police Protection	31,818	-	-	-	-	31,818
Public Transit	459,091	247,589	164,394	62,293	104,373	1,037,740
Solid Waste Disposal	28,326	33,512	11,294	4,217	4,500	81,849
Storm Sewers	37,980	11,461	1,000	1,000	1,000	42,441
Streets - Major Streets	100,022	54,618	53,569	43,500	40,695	292,404
Streets - Other Streets	37,114	26,610	28,300	29,443	35,341	156,808
Streets - Traffic Improvements	21,831	8,819	9,515	10,816	10,511	61,492
Wastewater	157,394	165,408	315,102	138,731	157,124	933,759
Water	184,943	213,950	133,000	211,375	183,375	926,643
Total	\$2,303,715	\$1,036,818	\$872,900	\$609,372	\$570,214	\$5,393,019





**SUMMARY OF 2005-10 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

Source of Funds	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total
General Funds	\$ 5,120	\$ 5,670	\$ 6,015	\$ 4,500	\$ 1,410	\$ 22,715
Parks and Preserves	69,349	33,507	29,210	24,700	17,300	174,066
Transit 2000	75,295	194,282	138,965	42,992	56,542	528,076
Capital Construction	31,431	20,253	20,939	21,646	22,379	116,648
Arizona Highway Users	76,774	64,138	61,840	60,418	63,068	326,238
Community Reinvestment	1,738	900	900	900	900	5,338
Other Restricted	674	143	—	—	—	817
Community Development Block Grants (CDBG)	2,447	400	400	600	600	4,447
HOPE Grant	6,849	1,250	300	350	—	8,749
Grant Funds	1,250	—	—	—	—	1,250
Aviation	33,840	18,510	2,360	940	736	56,386
Water	39,618	47,928	46,059	54,838	57,739	246,182
Wastewater	29,795	27,881	28,638	28,130	27,031	141,475
Solid Waste	3,349	2,500	2,750	3,000	3,439	15,038
Civic Plaza	6,655	3,105	3,100	3,000	3,138	18,998
Total Operating Funds	\$ 384,184	\$ 420,467	\$341,476	\$246,014	\$274,282	\$1,666,423
Property Tax Supported:						
1981 Various Purpose	\$ 75	\$ —	\$ —	\$ —	\$ —	\$ 75
1988 Various Purpose	2,372	828	—	—	—	3,200
1989 Historic Preservation	159	—	—	—	—	159
2001 Various Purpose	276,234	11,681	—	—	—	287,915
Nonprofit Corporation Bonds:						
Aviation	229,075	47,550	5,700	5,500	500	288,325
Civic Plaza	385,345	10,025	—	—	—	395,370
Wastewater	88,646	104,964	165,829	72,600	99,557	531,596
Water	136,513	157,359	80,259	142,866	123,352	640,349
Total Bond Funds	\$1,118,419	\$ 332,407	\$251,788	\$220,966	\$233,409	\$2,146,989
Impact Fees	\$ 77,156	\$ 10,244	\$ 11,784	\$ 9,704	\$ 2,742	\$ 111,630
Lease Purchase	442,312	91,364	76,574	58,776	—	669,026
Passenger Facility Charge	55,398	31,750	30,000	—	—	117,148
Other Cities' Share -						
SROG and Val Vista	46,908	41,465	127,557	46,910	33,060	295,900
Solid Waste Remediation	3,151	993	980	1,217	1,061	7,402
Capital Grants	146,089	102,327	29,160	24,033	32,543	334,152
Federal, State and Other Participation	24,962	5,801	3,581	1,752	3,117	39,213
Parks Capital Gifts	2,386	—	—	—	—	2,386
Private Participation	750	—	—	—	—	750
Other Capital	2,000	—	—	—	—	2,000
Total Other Capital Sources	\$ 801,112	\$ 283,944	\$279,636	\$142,392	\$ 72,523	\$1,579,607
TOTAL	\$2,303,715	\$1,036,818	\$872,900	\$609,372	\$570,214	\$5,393,019



**2005-06 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

	Total Program	Pay-As- You-Go Operating	Misc. Bonds *	2001 Bonds	Nonprofit Corporation Bonds	Other Capital Sources
Arts and Cultural Facilities	\$8,350	\$639	\$ -	\$7,711	\$ -	\$ -
Aviation	391,098	33,719	75	-	229,075	128,230
Civic Plaza	401,590	4,725	-	10,265	386,345	255
Downtown Development	107,112	1,738	-	2,304	-	103,070
Energy Conservation	2,642	2,642	-	-	-	-
Facilities Management	20,288	4,168	-	13,940	-	2,180
Fire Protection	32,609	-	-	30,410	-	2,200
Freeway Mitigation	5,017	-	1,534	3,482	-	-
Historic Preservation	2,754	-	159	2,595	-	-
HOPE	9,260	8,113	-	1,147	-	-
Housing	19,637	-	-	10,682	-	8,955
Human Services	16,454	-	-	16,454	-	-
Information Technology	26,828	7,212	-	17,554	-	2,062
Libraries	18,493	200	-	15,539	-	2,754
Neighborhood Services	9,011	1,632	-	7,089	-	290
Parks, Recreation and Mountain Preserves	174,053	75,002	-	39,232	-	59,361
Police Protection	31,818	-	458	27,714	-	3,724
Public Transit	459,091	82,845	380	-	-	376,246
Solid Waste Disposal	28,326	2,953	-	-	-	25,373
Storm Sewers	37,980	1,520	-	26,141	-	10,319
Streets - Major Streets	100,022	42,674	-	43,189	-	14,159
Streets - Other Streets	37,114	34,380	-	686	-	2,047
Streets - Traffic Improvements	21,831	14,812	-	-	-	7,019
Wastewater	157,394	28,200	-	-	88,646	40,548
Water	184,943	37,010	-	100	135,513	12,320
Total	\$2,303,715	\$384,184	\$2,606	\$276,234	\$839,579	\$801,112

*Remaining 1981, 1988 and 1989 bond funds.





RESOURCES AND EXPENDITURES BY CAPITAL FUND
2005-06 CAPITAL IMPROVEMENT PROGRAM
(In Thousands of Dollars)

Capital Fund	RESOURCES			EXPENDITURES	FUND BALANCES		
	Beginning Balance	Projected Revenue *	Total	Estimated Expenditures	Ending Fund Balances	Available For Sale	Funds Available Beyond 6/06
Bond and Related Funds							
Affordable Housing & Service Facilities**	\$ 53	\$ -	\$ 53	\$ -	\$ 53	\$ -	\$ 53
2001 Affordable Housing & Homeless Shelter	(10,146)	-	(10,146)	18,463	(28,609)	28,700	91
Criminal Justice & Productivity Improvements	-	-	-	-	-	-	-
2001 Educational, Youth & Cultural Facilities	(13,480)	-	(13,480)	22,388	(35,868)	36,000	132
2001 Environmental Improvement & Cleanup	(6,105)	-	(6,105)	8,892	(14,997)	15,500	503
Equipment Repair	-	-	-	-	-	-	-
Fire Protection, Criminal Justice & Municipal Center**	261	-	261	-	261	-	261
2001 Fire Protection Facilities & Equipment	(9,620)	-	(9,620)	25,722	(35,342)	35,500	158
Freeway Mitigation, Neighborhood Stabilization & Slum & Blight Elimination**	(643)	-	(643)	1,534	(2,177)	3,300	1,123
Historic Preservation**	464	-	464	159	305	-	305
Libraries	-	-	-	-	-	-	-
2001 New & Improved Libraries	(9,687)	-	(9,687)	15,538	(25,225)	25,300	75
2001 Neighborhood Protection & Senior Centers	(14,708)	-	(14,708)	26,425	(41,133)	41,860	727
2001 Parks, Open Space & Recreation	(11,793)	-	(11,793)	33,114	(44,907)	46,500	1,593
Parks, Recreation & Mountain Preserve**	460	-	460	458	2	-	2
Police Protection**	(507)	-	(507)	380	(887)	980	93
2001 Police Protection Facilities & Equipment	(41,247)	-	(41,247)	23,227	(64,474)	65,300	826
2001 Police, Fire & Computer Technology	(12,725)	-	(12,725)	28,075	(40,800)	40,800	-
2001 Preserving Phoenix Heritage	(3,621)	-	(3,621)	2,113	(5,734)	6,300	566
Storm Sewers**	(1,987)	-	(1,987)	-	(1,987)	1,987	-
2001 Storm Sewers	(7,942)	-	(7,942)	26,141	(34,083)	43,470	9,387
2001 Street Improvements	(24,292)	-	(24,292)	46,132	(70,424)	71,500	1,076
Other Streets**	(1,110)	-	(1,110)	-	(1,110)	1,110	-
Various Aviation**	41,294	701	41,995	229,150	(187,155)	319,045	131,890
Various Civic Plaza**	(204,328)	-	(204,328)	385,345	(589,673)	600,000	10,327
Various Solid Waste**	(18,175)	-	(18,175)	22,222	(40,397)	84,268	43,871
Various Water**	(331,223)	-	(331,223)	136,513	(467,736)	935,000	467,264
Various Wastewater**	(107,893)	-	(107,893)	88,646	(196,539)	672,000	475,461
Various Other**	447	-	447	-	447	-	447
Other Financing							
Lease Purchase	220,282	-	220,282	420,090	(199,808)	461,700	261,892
Capital Reserves	228,515	-	228,515	-	228,515	N/A	228,515
Capital Grants	2,807	174,187	176,994	174,187	2,807	N/A	2,807
Impact Fees	124,903	-	124,903	77,156	47,747	N/A	47,747
Other Cities' Participation in Joint Ventures	-	46,908	46,908	46,908	-	N/A	-
Proceeds - Sale of Capital Assets	21,422	-	21,422	2,000	19,422	N/A	19,422
Passenger Facility Charge***	51,762	312,844	364,606	68,759	295,847	145,000	440,847
Responsible Party Remediation Funds	9,721	-	9,721	3,151	6,570	N/A	6,570
TOTAL	\$(128,841)	\$534,640	\$405,799	\$1,932,888	\$(1,527,089)	\$3,681,120	\$2,154,031

*Includes bond proceeds and funds which "pass through" bond funds such as grants, land sales and other agency and private participation.

164 **Includes various bond funds approved by the voters prior to 2001.

***Estimated expenditures include \$13.4 million for Aviation capital debt service payments.

Operating Costs for New Capital Facilities

On March 13, 2001, Phoenix voters approved a \$753.9 million bond program, as recommended by the Citizens' Bond Committee. As part of their recommendation, the bond committee included a careful analysis of the impact of operating costs, cost savings and revenues on the General Fund. To help offset the net operating costs associated with the new program, the bond committee recommended that \$7 million be shifted from secondary property taxes (used for the payment of debt service) to primary property taxes (a General Fund revenue source) in fiscal year 2003-04, and that an additional \$3 million be shifted from secondary property taxes to primary property taxes in 2004-05. This shift would then remain in place at no more than the combined \$10 million per year. The combined property tax rate would remain at the current \$1.82.

Then in 2003, in response to a projected shortfall in the General Fund, the bond committee recommended that 2003-04 projects requiring General Fund operating costs be delayed. Land acquisition, design and other non-operating cost projects were advanced with the overall bond program remaining a five-year program. The bond committee's recommended changes reduced General Fund operating costs for 2003-04 from \$9.5 million to \$3.6 million.

Based on the bond committee's latest schedule, the full year's impact of facilities operated with General Funds and opening in 2005-06 is \$2.4 million. Projects opening beyond 2005-06 are estimated to result in \$3.9 million in new General Fund operating costs.

Multi-year rate planning processes are used by enterprise operations to provide the City Council with the effects new capital facilities will have on future rate-payers. That is, each year, the City Council considers the impact of future capital facilities as it sets annual utility rates. Rates are increased today to pay for tomorrow's facilities.

Finally, for more than 20 years the energy conservation program has generated annual cost savings in excess of \$250,000. This program provides for energy efficient retrofits, energy efficient design and metering for efficient operations.

Each fall, departments are asked to review all capital projects, their estimated completion dates and any costs associated with operating new facilities and systems. The 2005-06 budget includes \$29 million in new operating and maintenance costs for new facilities and systems.

The schedule on the next page provides operating and maintenance costs for the 2005-06 budget, along with the full-year operating and maintenance costs for the 2006-07 fiscal year and the source of funds that would be used for these costs.





OPERATING COSTS FOR NEW CAPITAL FACILITIES

	2005-06	2006-07
Aviation		
Rental Car Center and Bus Maintenance Facility	\$22,340,000	\$22,206,000
Fire		
Fire Communications Operators	270,000	420,000
Human Services		
Westside Senior Center	206,000	224,000
Shadow Mountain Senior Center	198,000	216,000
Devonshire Senior Center	48,000	42,000
Parks and Recreation		
Memorial Hall Renovation	92,000	183,000
Indian Bend Wash Park	57,000	85,000
Community Park at 17th Avenue & Peoria	35,000	42,000
Cesar Chavez Park	98,000	196,000
HOPE VI Coleman Recreation Center and Park	133,000	212,000
Bethany Home Outfall Channel	116,000	122,000
Camp Colley	279,000	282,000
New Street Landscaping Maintenance	143,000	108,000
Police		
Twin Engine Helicopter - Operation and Maintenance	318,000	234,000
Public Works		
Phoenix Art Museum Expansion	93,000	82,000
Public Works - Solid Waste		
North Gateway Transfer Station	539,000	874,000
Water Services		
Arsenic Treatment Program (at 15 wells)	620,000	865,000
Chlorine Containment Phase 3	114,000	129,000
Well #296	133,000	133,000



OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

	2005-06	2006-07
Wastewater Services		
23rd Avenue WWTP Security System	94,000	85,000
91st Avenue WWTP Unified Plant 1 Expansion	257,000	636,000
Tres Rios Constructed Wetlands Demo Project	646,000	672,000
North Gateway Pump Station	759,000	585,000
91st Avenue WWTP Chlorine Facility	80,000	110,000
91st Avenue WWTP Multi-Phase Digestion	40,000	56,000
23rd Avenue WWTP Chlorine Facility	43,000	55,000
91st Avenue WWTP Security System	65,000	65,000
23rd Avenue WWTP Headworks Improvement Project	41,000	56,000
Odor Control Sites (4 locations)	1,205,000	1,205,000
Net Total Costs	\$29,062,000	\$30,180,000
Source of Funds		
General	2,086,000	2,448,000
Aviation	22,340,000	22,206,000
Water	867,000	1,127,000
Wastewater	3,230,000	3,525,000
Solid Waste Disposal Operating	539,000	874,000
Total Source of Funds	\$29,062,000	\$30,180,000



SCHEDULE 1: RESOURCES AND EXPENDITURES BY FUND
(In Thousands of Dollars)

	Resources						Expenditures				
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer		Total	Operating	Capital	Lease Purchase & Debt Service	Restricted Fund Total	Fund Balances
				To	From						
General Funds:											
General	\$35,189	\$234,724	\$1,500	\$709,977	\$141,844	\$839,546	\$834,626	\$4,920	–	\$839,546	–
Parks and Recreation	–	11,977	–	82,774	–	94,751	94,750	–	–	94,750	–
Library	–	1,673	–	31,888	–	33,561	33,361	200	–	33,561	–
Cable Communications	–	8,785	–	–	3,472	5,313	5,314	–	–	5,314	–
Total General Funds	\$35,189	\$257,159*	\$1,500	\$824,639	\$145,316	\$973,171	\$968,051	\$5,120	–	\$973,171	–
Special Revenue Funds:											
Excise Tax	–	931,803	–	–	931,803	–	–	–	–	–	–
Neighborhood Protection - Police	–	–	–	19,214	–	19,214	19,214	–	–	19,214	–
Neighborhood Protection - Fire	–	–	–	6,869	–	6,869	6,869	–	–	6,869	–
Neighborhood Protection - Block Watch Grants	377	97	–	1,374	–	1,848	1,200	–	–	1,200	648
Public Safety Enhancement - Police	–	–	–	10,315	–	10,315	10,315	–	–	10,315	–
Public Safety Enhancement - Fire	–	–	–	6,325	–	6,325	6,325	–	–	6,325	–
Parks and Preserves	48,589	–	100	27,472	–	76,161	171	69,349	–	69,520	6,641
Transit 2000	145,322	30,093	500	109,888	27,351	258,452	100,804	75,295	327	176,426	82,026
Court Awards	17	2,699	–	–	–	2,716	2,699	–	–	2,699	17
Development Services	25,128	52,977	–	–	3,625	74,480	51,101	–	–	51,101	23,379
Capital Construction	12,225	800	–	19,298	–	32,323	150	31,431	–	31,581	742
Sports Facilities	10,732	325	–	14,761	193	25,625	5,438	–	6,919	11,957	13,668
Arizona Highway User Revenue	26,256	122,493	1,000	–	–	149,749	38,680	76,774	34,047	149,501	247
Local Transportation Assistance	–	7,130	–	–	–	7,130	7,130	–	–	7,130	–
Regional Transit	4,663	10,732	–	–	–	15,395	9,181	–	–	9,181	6,214
Community Reinvestment	4,960	2,084	–	–	–	7,044	117	1,738	–	1,855	5,188
Secondary Property Tax and GO Bond Redemption	180,100	110,461	–	–	–	290,561	–	–	260,461	260,461	30,100
Impact Fee Program Administration	1,305	3,165	–	–	–	4,470	1,893	–	–	1,893	2,578
City Improvement	–	–	–	69,150	–	69,150	–	–	69,150	69,150	–
Other Restricted Funds	14,671	9,100	–	–	–	23,771	9,514	674	–	10,188	13,584
Grant Funds	26,615	178,395	–	–	293	204,718	178,885	10,546	2,137	191,568	13,150
Total Special Revenue Funds	\$500,961	\$1,462,354	\$1,600	\$284,666	\$963,265	\$1,286,317	\$449,684	\$265,807	\$372,641	\$1,088,132	\$198,184
Enterprise Funds:											
Aviation	60,879	240,367	–	15,318	5,311	311,253	192,841	33,840	66,474	293,155	18,098
Water	125,553	287,350	–	–	15,811	397,092	168,009	39,618	86,639	294,266	102,826
Wastewater	64,273	158,947	–	–	8,931	214,288	90,679	29,795	51,985	172,459	41,829
Solid Waste	26,388	111,826	–	–	4,966	133,248	95,961	3,349	17,219	116,529	16,720
Civic Plaza	60,442	8,964	–	51,270	2,030	118,646	32,744	6,655	27,635	67,034	51,611
Golf Course	5	7,281	–	–	578	6,708	6,125	–	579	6,703	5
Total Enterprise Funds	\$337,540	\$814,735	\$ –	\$66,588	\$37,627	\$1,181,236	\$586,359	\$113,257	\$250,531	\$950,147	\$231,089
GRAND TOTAL	\$873,690	\$2,534,248	\$3,100	\$1,175,893	\$1,146,208	\$3,440,724	\$2,004,094	\$384,184	\$623,172	\$3,011,449	\$429,273

*General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$665.0 million, and is included in the General Funds total of \$922.2 million shown on Schedule 2.





SCHEDULE 2: REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2003-04 Actuals	2004-05 Estimate	2005-06 Budget	Increase/(Decrease) From 2004-05 Estimate	
				Amount	Percent
GENERAL FUNDS					
Local Sales Taxes and Related Fees	\$335,140	\$360,309	\$389,230	\$28,921	8.0%
State-Shared Revenues					
State Sales Tax	111,594	122,554	134,822	12,268	10.0
State Income Tax	119,118	121,470	138,455	16,985	14.0
Vehicle License Tax	53,522	57,100	60,765	3,665	6.4
Subtotal	\$284,234	\$301,124	\$334,042	\$32,918	10.9%
Primary Property Tax	76,392	83,304	91,311	8,007	9.6
User Fees/Other Revenue					
Licenses & Permits	2,650	2,496	2,496	—	—
Cable Communications	8,257	8,529	8,785	256	3.0
Fines & Forfeitures	17,873	18,883	20,070	1,187	6.3
Court Default Fee	839	928	1,079	151	16.3
Engineering & Architectural Services	2,798	1,752	2,529	777	44.3
Fire	21,072	26,692	30,153	3,461	13.0
Hazardous Materials Inspection Fees	1,038	1,300	1,325	25	1.9
Library Fees	995	1,024	1,673	649	63.4
Parks & Recreation	4,038	3,358	3,467	109	3.2
Planning	3,013	1,444	1,471	27	1.9
Police	11,084	11,477	11,536	59	0.5
Street Transportation	2,267	2,618	1,636	(982)	-37.5
Other Service Charges	16,058	17,165	19,886	2,721	15.9
Others	2,468	2,486	1,473	(1,013)	-40.7
Subtotal	\$94,450	\$100,152	\$107,579	\$7,427	7.4%
Total General Funds	\$790,216	\$844,889	\$922,162	\$77,273	9.1%



SCHEDULE 2: REVENUES BY MAJOR SOURCE (Continued)
(In Thousands of Dollars)

Revenue Source	2003-04 Actuals	2004-05 Estimate	2005-06 Budget	Increase/(Decrease) From 2004-05 Estimate	
				Amount	Percent
SPECIAL REVENUE FUNDS					
Neighborhood Protection	\$23,133	\$25,444	\$27,554	\$2,110	8.3%
Public Safety Enhancement	—	3,788	16,640	12,852	339.3
Parks and Preserves	23,957	26,662	27,472	810	3.0
Transit 2000	121,168	131,744	139,981	8,237	6.3
Court Awards	3,036	3,343	2,699	(644)	-19.3
Development Services	47,036	51,672	52,977	1,305	2.5
Capital Construction	18,170	19,427	20,098	671	3.5
Sports Facilities	13,311	14,284	15,086	802	5.6
Arizona Highway User Revenue	115,438	118,406	122,493	4,087	3.5
Local Transportation Assistance	7,245	7,130	7,130	—	—
Regional Transit Revenues	9,531	10,610	10,732	122	1.1
Community Reinvestment	2,094	2,084	2,084	—	—
Secondary Property Tax	94,923	102,356	110,461	8,105	7.9
Impact Fee Program Administration	—	3,015	3,165	150	5.0
Other Restricted Revenues	7,382	18,713	9,100	(9,613)	-51.4
Grants					
Public Housing Grants	66,694	70,371	67,065	(3,306)	-4.7
Human Services Grants	46,630	47,395	43,931	(3,464)	-7.3
Community Development	19,009	22,943	33,381	10,438	45.5
Criminal Justice Grants	11,575	19,892	7,843	(12,049)	-60.6
Public Transit Grants	9,287	10,365	7,457	(2,908)	-28.1
HOPE VI Grant	4,781	20,695	6,849	(13,846)	-66.9
Other Grants	10,151	15,725	11,869	(3,856)	-24.5
Subtotal - Grants	\$168,127	\$207,386	\$178,395	\$(28,991)	-14.0
Subtotal Special Revenue Funds	\$654,551	\$746,064	\$746,067	\$3	0.0%
ENTERPRISE FUNDS					
Aviation	219,275	233,443	240,367	6,924	3.0
Water System	250,046	256,365	287,350	30,985	12.1
Wastewater System	146,805	152,035	158,947	6,912	4.5
Solid Waste	100,110	105,958	111,826	5,868	5.5
Civic Plaza	51,448	55,699	60,234	4,535	8.1
Golf Courses	6,116	6,702	7,281	579	8.6
Subtotal Enterprise Funds	\$773,800	\$810,202	\$866,005	\$55,803	6.9%
GRAND TOTAL	\$2,218,567	\$2,401,155	\$2,534,234	\$133,079	5.5%





SCHEDULE 3: EXPENDITURES BY DEPARTMENT
(In Thousands of Dollars)

Program	2003-04	2004-05	2004-05	Percent Change	2005-06	Percent Change	
	Actual	Budget	Estimate *	from 2003-04	Budget	Budget	Estimate*
General Government							
Mayor	\$1,933	\$1,926	\$2,144	10.9%	\$2,217	15.1%	3.4%
City Council	3,344	4,137	4,000	19.6	4,237	2.4	5.9
City Manager	1,068	1,325	1,229	15.1	1,280	(3.4)	4.1
Deputy City Managers	2,591	1,652	1,635	(36.9)	1,647	(0.3)	0.7
Intergovernmental Programs	1,180	1,272	1,291	9.4	1,317	3.5	2.0
Public Information	3,269	3,435	3,411	4.3	3,339	(2.8)	(2.1)
City Auditor	2,604	2,885	2,802	7.6	3,048	5.6	8.8
Equal Opportunity	3,491	3,473	3,450	(1.2)	3,750	8.0	8.7
Personnel	13,920	15,530	15,518	11.5	15,738	1.3	1.4
Phoenix Employment Relations Board	219	209	225	2.7	234	12.0	4.0
Retirement Systems	—	—	—	N/A	—	N/A	N/A
Law	4,394	4,223	4,198	(4.5)	4,446	5.3	5.9
Information Technology	4,470	5,250	3,759	(15.9)	6,717	27.9	78.7
City Clerk and Elections	6,568	6,471	6,945	5.7	7,634	18.0	9.9
Finance	21,689	25,848	24,339	12.2	24,721	(4.4)	1.6
Budget and Research	3,196	3,388	3,651	14.2	4,037	19.2	10.6
Engineering and Architectural Services	(364)	261	(164)	(54.9)	132	(49.4)	(180.5)
Total General Government	\$73,572	\$81,285	\$78,433	6.6%	\$84,494	3.9%	7.7%
Public Safety							
Police	348,067	382,578	392,656	12.8	407,588	6.5	3.8
Fire	172,690	191,800	191,913	11.1	220,124	14.8	14.7
Emergency Management	226	262	355	57.1	682	160.3	92.1
Family Advocacy Center	1,008	1,075	1,029	2.1	1,096	2.0	6.5
Total Public Safety	\$521,991	\$575,715	\$585,953	12.3%	\$629,490	9.3%	7.4%
Criminal Justice							
Municipal Court	31,886	36,742	35,830	12.4	38,062	3.6	6.2
City Prosecutor	14,950	15,404	15,412	3.1	16,445	6.8	6.7
Public Defender	3,684	3,800	3,740	1.5	3,939	3.7	5.3
Total Criminal Justice	\$50,520	\$55,946	\$54,982	8.8%	\$58,446	4.5%	6.3%
Transportation							
Street Transportation	54,089	57,063	56,618	4.7	58,823	3.1	3.9
Aviation	142,574	151,072	147,801	3.7	182,241	20.6	23.3
Public Transit	119,883	134,287	147,659	23.2	166,212	23.8	12.6
Total Transportation	\$316,546	\$342,422	\$352,078	11.2%	\$407,276	18.9%	15.7%



SCHEDULE 3: EXPENDITURES BY DEPARTMENT (Continued)
(In Thousands of Dollars)

Program	2003-04 Actual	2004-05 Budget	2004-05 Estimate*	Percent Change from 2003-04		Percent Change from 2004-05	
				Actual	Budget	Budget	Estimate*
Community Development							
Development Services	\$36,897	\$39,986	\$42,701	15.7%	\$46,986	17.5%	10.0%
Planning	6,551	7,969	8,088	23.5	7,219	(9.4)	(10.7)
Business Customer Service Center	838	857	855	2.0	688	(19.7)	(19.5)
Housing	66,236	80,183	74,495	12.5	77,344	(3.5)	3.8
Community and Economic Development	13,068	14,390	8,888	(32.0)	8,134	(43.5)	(8.5)
Downtown Development	–	–	3,755	N/A	21,919	N/A	483.7
Neighborhood Services	29,297	45,772	31,124	6.2	47,080	2.9	51.3
HOPE VI Project	–	–	–	N/A	–	N/A	N/A
Total Community Development	\$152,887	\$189,157	\$169,906	11.1%	\$209,370	10.7%	23.2%
Community Enrichment							
Parks and Recreation	86,398	95,819	95,560	10.6	102,063	6.5	6.8
Library	28,998	31,815	31,647	9.1	34,550	8.6	9.2
Golf	5,437	6,227	5,981	10.0	5,965	(4.2)	(0.3)
Civic Plaza Convention and Theatrical Facilities	31,528	34,832	33,232	5.4	36,048	3.5	8.5
Human Services	70,212	70,972	73,042	4.0	71,661	1.0	(1.9)
Education and Youth Programs	1,150	1,080	1,027	(10.7)	1,141	5.6	11.1
Rio Salado	110	110	127	15.5	138	25.5	8.7
Historic Preservation	436	501	479	9.9	519	3.6	8.4
Office of Arts and Culture	1,806	2,252	2,200	21.8	2,243	(0.4)	2.0
International and Sister Cities Programs	526	536	543	3.2	551	2.8	1.5
Total Community Enrichment	\$226,601	\$244,144	\$243,838	7.6%	\$254,879	4.4%	4.5%
Environmental Services							
Water Services	180,231	195,059	192,108	6.6	210,562	7.9	9.6
Solid Waste Management	69,251	80,813	80,827	16.7	90,664	12.2	12.2
Public Works	22,671	24,321	25,368	11.9	25,689	5.6	1.3
Environmental Programs	1,433	1,871	1,564	9.1	1,978	5.7	26.5
Total Environmental Services	\$273,586	\$302,064	\$299,867	9.6%	\$328,893	8.9%	9.7%
Contingencies	–	\$88,391	–	N/A	\$100,395	13.6%	N/A
GRAND TOTAL**	\$1,615,703	\$1,879,124	\$1,785,057	10.5%	\$2,073,243	10.3%	16.1%

*The 2004-05 estimate reflects \$959,000 in budget reductions.

**Totals include City Improvement lease purchase payments included in department budget allocations for purposes of this schedule.





**SCHEDULE 4: EXPENDITURES BY DEPARTMENT
BY SOURCE OF FUNDS INCLUDING BUDGET CHANGES
(In Thousands of Dollars)**

Program	2004-05 Additions / (Reductions)*	2005-06	2005-06 Budget	General Funds	Enterprise Funds	Special Revenue Funds**
General Government						
Mayor	-	\$(49)	\$2,217	\$2,102	-	\$115
City Council	(7)	(102)	4,237	4,237	-	-
City Manager	-	-	1,280	1,280	-	-
Deputy City Managers	(18)	(218)	1,647	1,355	292	-
Intergovernmental Programs	-	(33)	1,317	1,303	-	14
Public Information	-	(78)	3,339	3,331	-	8
City Auditor	(7)	(79)	3,048	3,048	-	-
Equal Opportunity	(7)	(80)	3,750	3,341	-	409
Personnel	(31)	(381)	15,738	14,520	-	1,218
Phoenix Employment Relations Board	-	-	234	234	-	-
Retirement Systems	-	-	-	-	-	-
Law	(11)	(190)	4,446	4,400	-	46
Information Technology	(33)	(99)	6,717	4,989	163	1,565
City Clerk and Elections	(8)	(161)	7,634	7,468	-	166
Finance	(4)	(597)	24,721	22,946	1,744	31
Budget and Research	-	(88)	4,037	3,531	-	506
Engineering and Architectural Services	-	(14)	132	49	-	83
Total General Government	\$(126)	\$(2,169)	\$84,494	\$78,134	\$2,199	\$4,161
Public Safety						
Police	(58)	(556)	407,588	364,049	782	42,757
Fire	(156)	(1,485)	220,124	198,091	-	22,033
Emergency Management	-	-	682	285	-	397
Family Advocacy Center	-	(27)	1,096	1,037	-	59
Total Public Safety	\$(214)	\$(2,068)	\$629,490	\$563,462	\$782	\$65,246
Criminal Justice						
Municipal Court	-	(220)	38,062	30,757	-	7,305
City Prosecutor	(13)	425	16,445	15,506	-	939
Public Defender	(77)	(22)	3,939	3,939	-	-
Total Criminal Justice	\$(90)	\$183	\$58,446	\$50,202	-	\$8,244
Transportation						
Street Transportation	-	(26)	58,823	19,667	-	39,156
Aviation	-	23,754	182,241	-	182,241	-
Public Transit	-	(376)	166,212	25,146	-	141,066
Total Transportation	-	\$23,352	\$407,276	\$44,813	\$182,241	\$180,222



**SCHEDULE 4: EXPENDITURES BY DEPARTMENT
BY SOURCE OF FUNDS INCLUDING BUDGET CHANGES (Continued)
(In Thousands of Dollars)**

Program	2004-05 Additions / (Reductions)*	2005-06 (Reductions)*	2005-06 Budget	General Funds	Enterprise Funds	Special Revenue Funds**
Community Development						
Development Services	-	\$991	\$46,986	-	-	\$46,986
Planning	(14)	(184)	7,219	6,433	-	786
Business Customer Service Center	-	(176)	688	298	390	-
Housing	(327)	-	77,344	174	-	77,170
Community and Economic Development	-	(65)	8,134	2,754	1,098	4,282
Neighborhood Services	(15)	(258)	47,080	14,512	-	32,568
HOPE VI Project	-	-	-	-	-	-
Downtown Development	-	(47)	21,919	3,396	417	18,106
Total Community Development	\$(356)	\$261	\$209,370	\$27,567	\$1,905	\$179,898
Community Enrichment						
Parks and Recreation	(150)	(1,022)	102,063	94,751	422	6,890
Library	-	(274)	34,550	33,360	-	1,190
Golf	-	-	5,965	-	5,965	-
Civic Plaza Convention and Theatrical Facilities	-	107	36,048	1,995	28,298	5,755
Human Services	(14)	184	71,661	24,953	250	46,458
Education and Youth Programs	-	(19)	1,141	868	-	273
Rio Salado	-	-	138	138	-	-
Historic Preservation	-	(13)	519	519	-	-
Office of Arts and Culture	(5)	(31)	2,243	1,194	-	1,049
International and Sister Cities Program	-	(14)	551	551	-	-
Total Community Enrichment	\$(169)	\$(1,082)	\$254,879	\$158,329	\$34,935	\$61,615
Environmental Services						
Water Services	-	3,336	210,562	-	210,459	103
Solid Waste Management	-	824	90,664	703	89,961	-
Public Works	(4)	(525)	25,689	18,764	-	6,925
Environmental Programs	-	(39)	1,978	1,336	207	435
Total Environmental Services	\$(4)	\$3,596	\$328,893	\$20,803	\$300,627	\$7,463
Contingencies	-	-	\$100,395	\$24,740	\$63,671	\$11,984
GRAND TOTAL**	\$(959)	\$22,073	\$2,073,243	\$968,050	\$586,360	\$518,833

*Net changes reflect the combined total of budget reductions, budget additions and capital facility operating costs.

**Includes Grants and City Improvement lease purchase funds.





**SCHEDULE 5: DEBT SERVICE AND LEASE PURCHASE EXPENDITURES
BY PROGRAM AND SOURCE OF FUNDS
(In Thousands of Dollars)**

Program	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Aviation	\$55,806	\$76,467	\$79,834
Civic Plaza	9,633	9,638	27,635
Cultural Facilities	4,249	4,897	6,318
Downtown Development	8,735	9,135	24,519
Environmental Programs	6	23	490
Fire Protection	2,790	3,742	4,261
Freeway Mitigation	1,411	1,506	944
Golf	196	416	579
Historic Preservation	1,352	1,599	2,324
Information Systems	1,518	1,450	1,322
Libraries	4,158	4,106	5,301
Local Streets/Street Improvements/Lighting	501	1,191	3,250
Maintenance Service Centers	587	597	647
Major Streets and Freeways	31,131	29,206	34,047
Municipal Administration Building	2,348	2,413	2,379
Neighborhood Preservation & Senior Services Centers	653	1,486	2,745
Parks & Recreation/Open Space	16,240	16,243	17,808
Police, Fire, and Computer Tech	2,936	4,056	5,283
Police Protection	2,750	3,136	4,188
Public Housing	5,259	5,517	6,452
Public Transit	2,739	16,730	29,273
Solid Waste Disposal	16,507	17,224	17,219
Storm Sewer	21,148	21,956	24,174
Street Lighting Refinancing	72	68	68
Wastewater	45,664	48,066	51,985
Water	62,940	70,218	86,639
Early Redemption	29,229	28,920	173,052
Lease Purchase	18,484	20,110	23,799
Total Program	\$349,042	\$400,116	\$636,535



**SCHEDULE 5: DEBT SERVICE AND LEASE PURCHASE EXPENDITURES
BY PROGRAM AND SOURCE OF FUNDS (Continued)
(In Thousands of Dollars)**

Program	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Source of Funds			
Secondary Property Tax and G.O. Bond Redemption	\$96,586	\$102,356	\$260,461
Transit 2000	-	326	327
Sports Facilities	8,129	9,135	6,519
Arizona Highway User Revenue	31,131	29,206	34,047
City Improvement			
General	17,407	20,110	23,799
Transit 2000	818	14,812	27,351
Sports Facility	606	-	18,000
Capital Projects	1,077	-	-
Public Housing	74	-	-
Aviation	8,720	-	-
Water	156	-	-
Grant Funds	2,468	2,142	2,139
Aviation	47,086	64,464	66,474
Water	62,784	70,218	86,639
Wastewater	45,664	48,066	51,985
Solid Waste	16,507	17,224	17,219
Civic Plaza	9,633	9,638	27,635
Golf	196	416	579
Capital Funds			
Aviation	-	12,003	13,361
Total Source of Funds	\$349,042	\$400,116	\$636,535





SCHEDULE 6: CAPITAL IMPROVEMENT PROGRAM
FINANCED FROM OPERATING FUNDS
(In Thousands of Dollars)

Program	2003-04 Actual	2004-05 Estimate	2005-06 Budget
Arts and Cultural Facilities	\$325	\$8,556	\$639
Aviation	21,872	27,659	33,719
Civic Plaza	(2,974)	1,194	4,725
Downtown Development	2,524	4,145	1,738
Economic Development	854	—	—
Energy Conservation	474	1,201	2,642
Facilities Management	187	845	4,168
Fire Protection	—	350	—
Historic Preservation	1	97	—
HOPE	4,816	21,104	8,113
Housing	4,610	1,132	—
Information Technology	189	5,286	7,212
Libraries	4	—	200
Neighborhood Services	2,188	1,731	1,632
Parks, Recreation and Mountain Preserves	10,145	10,077	75,002
Public Transit	1,902	30,728	82,845
Solid Waste Disposal	4,092	2,799	2,953
Storm Sewers	2,082	1,968	1,520
Streets - Major Streets	35,921	35,144	42,674
Streets - Other Streets	35,050	32,281	34,380
Streets - Traffic Improvements	10,007	9,254	14,812
Wastewater	22,660	21,640	28,200
Water	55,772	50,735	37,010
Total	\$212,701	\$267,926	\$384,184



**SCHEDULE 6: CAPITAL IMPROVEMENT PROGRAM
FINANCED FROM OPERATING FUNDS (Continued)
(In Thousands of Dollars)**

Program	2003-04 Actual	2004-05 Estimate	2005-06 Budget
SOURCE OF FUNDS			
General Funds:			
General	\$190	\$1,298	\$4,920
Parks and Recreation	-	55	-
Library	4	-	200
Total General Funds	\$194	\$1,353	\$5,120
Special Revenue Funds:			
Parks and Preserves	9,961	9,129	69,349
Transit 2000	277	27,269	75,295
Court Awards	-	50	-
Capital Construction	22,752	20,080	31,431
Arizona Highway Users	59,919	57,402	76,774
Sports Facilities	133	-	-
Community Reinvestment	1,521	3,100	1,738
Other Restricted	41	9,224	674
Community Development Block Grants (CDBG)	2,507	3,831	2,447
HOPE Grant	4,816	20,695	6,849
Grant Funds	8,175	6,780	1,250
Total Special Revenue Funds	\$110,102	\$157,560	\$265,807
Enterprise Funds:			
Aviation	22,275	30,817	33,840
Water	56,196	50,942	39,618
Wastewater	22,708	22,059	29,795
Solid Waste	4,120	4,032	3,349
Civic Plaza	(2,894)	1,163	6,655
Total Enterprise Funds	\$102,405	\$109,013	\$113,257
Total	\$212,701	\$267,926	\$384,184





SCHEDULE 7: NET INTERFUND TRANSFERS TO THE GENERAL FUND
(In Thousands of Dollars)

	2003-04 Actual	2004-05 Estimate	2005-06	
			Budget	Increase/ (Decrease)
TRANSFERS TO THE GENERAL FUND				
Enterprise Funds				
Aviation				
Central Service Cost Allocation	\$5,180	\$5,233	\$5,311	\$78
Water Funds				
Central Service Cost Allocation	7,083	7,017	7,122	105
In-Lieu Property Taxes	7,360	8,110	8,689	579
Total	14,443	15,127	15,811	684
Wastewater Funds				
Central Service Cost Allocation	2,240	2,242	2,276	34
In-Lieu Property Taxes	5,788	6,321	6,655	334
Total	8,028	8,563	8,931	368
Solid Waste				
Central Service Cost Allocation	3,960	3,946	4,005	59
In-Lieu Property Taxes	677	719	961	242
Total	4,637	4,665	4,966	301
Civic Plaza				
Central Service Cost Allocation	2,118	2,000	2,030	30
Golf Courses				
Parks Administration	328	337	342	5
Total from Enterprise Funds	\$34,734	\$35,925	\$37,391	\$1,466



SCHEDULE 7: NET INTERFUND TRANSFERS TO THE GENERAL FUND (Continued)
(In Thousands of Dollars)

	2003-04 Actual	2004-05 Estimate	2005-06	
			Budget	Increase/ (Decrease)
Special Revenue Funds				
Excise				
Transfer to General Fund	\$568,502	\$606,829	\$665,003	\$58,174
Development Services				
Central Service Cost Allocation	3,538	3,571	3,625	54
Sports Facilities - Central Service Costs				
Central Service Cost Allocation	107	116	118	2
Phoenix Union Parking Maintenance	75	75	75	—
Total	182	191	193	2
Public Housing				
In-Lieu Property Taxes	246	282	293	11
Total from Special Revenue Funds	\$572,468	\$610,873	\$669,114	\$58,241
Total Transfers to the General Fund	\$607,202	\$646,798	\$706,505	\$59,707
Transfers from the General Fund				
Transfer to Parking Trust Fund	—	—	121	121
Transfer to Capital Projects Fund	—	—	3,262	3,262
Transfer to City Improvement	17,231	20,110	23,799	3,689
Transfer to Development Services for Fee Waiver	22	5	—	(5)
Transfer to Human Services Bonds	96	—	—	—
Total Transfers from the General Fund	\$17,349	\$20,115	\$27,182	\$7,067
Net Transfers to the General Fund	\$589,853	\$626,683	\$679,323	\$52,640





SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions

Program	2003-04 Actual	2004-05 Authorized	2004-05 Reductions	2004-05 Authorized as of June 30, 2005	2005-06 Net Changes*	2005-06 Authorized as of June 30, 2006
General Government						
Mayor	19.0	20.0	–	20.0	–	20.0
City Council	55.0	55.0	–	55.0	–	55.0
City Manager	8.0	8.0	–	8.0	–	8.0
Deputy City Managers	19.0	22.0	(1.0)	21.0	–	21.0
Intergovernmental Programs	6.3	6.3	–	6.3	–	6.3
Public Information	32.0	32.0	–	32.0	–	32.0
City Auditor	33.5	38.5	(1.0)	37.5	–	37.5
Equal Opportunity	37.0	39.0	(1.0)	38.0	–	38.0
Personnel	113.4	113.4	(1.0)	112.4	–	112.4
Phoenix Employment Relations Board	2.0	2.0	–	2.0	–	2.0
Retirement Systems	15.0	15.0	–	15.0	–	15.0
Law	245.3	246.0	(4.0)	242.0	3.0	245.0
Information Technology	213.0	217.0	(7.0)	210.0	–	210.0
City Clerk and Elections	132.2	130.2	(1.0)	129.2	–	129.2
Finance	294.5	310.5	–	310.5	–	310.5
Budget and Research	28.0	32.0	–	32.0	–	32.0
Engineering and Architectural Services	105.1	110.1	–	110.1	–	110.1
Total General Government	1,358.3	1,397.0	(16.0)	1,381.0	3.0	1,384.0
Public Safety						
Police	3,900.7	4,170.7	(9.0)	4,161.7	(1.0)	4,160.7
Fire	1,719.2	1,873.2	–	1,873.2	8.0	1,881.2
Emergency Management	1.5	6.5	–	6.5	–	6.5
Family Advocacy Center	5.0	5.0	–	5.0	–	5.0
Total Public Safety	5,626.4	6,055.4	(9.0)	6,046.4	7.0	6,053.4
Criminal Justice						
Municipal Court	374.9	374.9	–	374.9	–	374.9
Public Defender	7.6	7.6	–	7.6	–	7.6
Total Criminal Justice	382.5	382.5	–	382.5	–	382.5
Transportation						
Street Transportation	762.7	764.7	–	764.7	–	764.7
Aviation	749.7	769.7	–	769.7	25.0	794.7
Public Transit	63.0	86.0	–	86.0	1.0	87.0
Total Transportation	1,575.4	1,620.4	–	1,620.4	26.0	1,646.4



SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions (Continued)

Program	2003-04 Actual	2004-05 Authorized	2004-05 Reductions	2004-05 Authorized as of June 30, 2005	2005-06 Net Changes*	2005-06 Authorized as of June 30, 2006
Community Development						
Development Services	400.0	459.0	–	459.0	14.0	473.0
Planning	77.9	78.9	(3.0)	75.9	–	75.9
Business Customer Service Center	4.0	4.0	–	4.0	–	4.0
Housing	235.3	225.8	(88.1)	137.7	–	137.7
Community and Economic Development	50.0	36.0	–	36.0	–	36.0
Downtown Development Office	–	16.0	–	16.0	–	16.0
Neighborhood Services	228.0	234.0	(2.0)	232.0	–	232.0
HOPE VI Project	9.5	9.5	–	9.5	–	9.5
Total Community Development	1,004.7	1,063.2	(93.1)	970.1	14.0	984.1
Community Enrichment						
Parks and Recreation	1,502.7	1,566.4	(53.2)	1,513.2	15.2	1,528.4
Library	383.0	420.0	–	420.0	–	420.0
Golf	115.5	115.5	–	115.5	–	115.5
Civic Plaza Convention and Theatrical Facilities	205.4	205.4	–	205.4	3.0	208.4
Human Services	559.4	569.4	(3.0)	566.4	4.6	571.0
Education and Youth	5.8	5.8	–	5.8	–	5.8
Rio Salado	1.0	1.0	–	1.0	–	1.0
Historic Preservation	6.0	6.0	–	6.0	–	6.0
Office of Arts and Culture	12.5	12.5	–	12.5	–	12.5
International and Sister Cities Program	5.0	5.0	–	5.0	–	5.0
Total Community Enrichment	2,796.3	2,907.0	(56.2)	2,850.8	22.8	2,873.6
Environmental Services						
Water Services	1,317.1	1,355.1	–	1,355.1	54.0	1,409.1
Solid Waste Management	424.0	498.0	–	498.0	23.0	521.0
Public Works	497.0	502.0	(1.0)	501.0	–	501.0
Environmental Programs	15.0	15.0	–	15.0	–	15.0
Total Environmental Services	2,253.1	2,370.1	(1.0)	2,369.1	77.0	2,446.1
GRAND TOTAL	14,996.7	15,795.6	(175.3)	15,620.3	149.8	15,770.1

*Net changes reflect the combined total of proposed budget reductions, proposed budget additions and new positions associated with opening new facilities.



Glossary

Accrual Basis Accounting – The most commonly used accounting method, which reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid. For the city's Comprehensive Annual Financial Report (CAFR), Phoenix recognizes grant revenues on a modified cash basis. Generally Accepted Accounting Principles (GAAP) recognizes grant revenues on an accrual basis.

Appropriation – An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the Appropriation Ordinances. Three appropriation ordinances are adopted each year: 1) the operating funds ordinance, 2) the capital funds ordinance, and 3) the re-appropriated funds ordinance.

Arizona Highway User Revenue (AHUR) – Various gas tax and vehicle licensing fees imposed and collected by the state and shared with cities and towns. This revenue must be used for street or highway purposes.

Balanced Budget – Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as “the primary property tax levy, when added together with all other available resources, must equal these expenditures.” Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a “rainy day fund”) is included in the budget each year. The City Charter also requires an annual balanced budget. The Charter further requires that “the total of proposed expenditures shall not exceed the total of estimated income and fund balances.”

Base Budget Allowances – Funding for ongoing expenditures for personnel, commodities, contractual services and replacement of existing equipment previously authorized. The base budget allowance provides funding to continue previously authorized services and programs.

Bonds – Debt instruments that require repayment of a specified principal amount on a certain date (maturity date), along with interest at a stated rate or according to a formula for determining the interest rate.

Bond Rating – An evaluation of a bond issuer's credit quality and perceived ability to pay the principal and interest on time and in full. Two agencies regularly review city bonds and generate bond ratings - Moody's Investors Service and Standard and Poor's Ratings Group.

Budget – A plan of financial operation for a specific time period (the city of Phoenix's adopted budget is for a fiscal year July 1 - June 30). The budget contains the estimated expenditures needed to continue the city's operations for the fiscal year and revenues anticipated to finance them.

Capital Budget – See Capital Improvement Program

Capital Funds – Resources derived from issuance of bonds for specific purposes, related federal project grants and participation from other agencies used to finance capital expenditures.

Capital Improvement Program (CIP) – A plan for capital expenditures needed to maintain and expand the public infrastructure (for example, roads, sewers, water lines or parks). It projects these infrastructure needs for a set number of years and is updated annually to reflect the latest priorities, cost estimates or changing financial strategies. The first year of the adopted Capital Improvement Program becomes the Annual Capital Budget.

Capital Outlay – Items that cost more than \$5,000 and have a useful life of more than two years.

Capital Project – New facility, technology system, land acquisition or equipment acquisition, or improvements to existing facilities beyond routine maintenance. Capital projects are included in the Capital Improvement Program and become fixed assets.

Carryover – Expenditure originally planned for in the current fiscal year, but because of delays, is postponed to the following fiscal year.

CDBG – See Community Development Block Grant

Central Service Cost Allocation – The method of distributing expenses for general staff and administrative overhead to the benefiting activity.

CIP – See Capital Improvement Program

City Connection – Weekly employee newsletter provided in print and e-mail containing information about the organization, news about employees, and personnel and benefits updates.

City Manager's Budget – See Preliminary Budget

Commodities – Consumable goods such as office supplies, repair and replacement parts, small tools and fuel, which are not of a capital nature.

Community Development Block Grant (CDBG) – Grant funds allocated by the federal government to the city of Phoenix to use for the prevention and removal of slum and blight, and to benefit low- and moderate-income persons. The city disburses these funds through an annual application process open to all nonprofit organizations and city departments.





Contingency – An appropriation of funds to cover unforeseen events that occur during the fiscal year, such as flood emergencies, federal mandates, shortfalls in revenue and similar eventualities.

Contractual Services – Expenditures for services performed by firms, individuals or other city departments.

Council-Manager Form of Government – An organizational structure in which the Mayor and City Council appoint an independent city manager to be the chief operating officer of a local government. In practice, a City Council sets policies and the city manager is responsible for implementing those policies effectively and efficiently.

Court Awards Fund – Revenues provided by court awards of confiscated property under both the federal and state organized crime acts. These funds are used for additional law enforcement activities in the Police and Law departments.

Cycle Time – The amount of time, from the customer's perspective, it takes to complete a defined task, process or service.

Debt Service – Payment of principal and interest on an obligation resulting from the issuance of bonds.

Depreciation – The decline in the value of an asset due to general wear and tear or obsolescence.

Encumbrance – A reservation of funds to cover purchase orders, contracts or other funding commitments that are yet to be fulfilled. The budget basis of accounting considers an encumbrance to be the equivalent of an expenditure.

Enterprise Funds – Funds that are accounted for in a manner similar to a private business. Enterprise funds usually recover their costs (including depreciation) through user fees. The city has five such self-supporting funds: Aviation, Water, Wastewater, Golf and Solid Waste. In addition, the Civic Plaza fund, which is primarily supported by earmarked excise taxes, uses enterprise fund accounting to provide for the periodic determination of net income.

Estimate – The most recent prediction of current year revenue and expenditures. Estimates are based upon several months of actual expenditure and revenue information and are prepared to consider the impact of unanticipated costs or other economic changes.

Excise Tax Fund – This fund is used to account for tax revenues ultimately pledged to pay principal and interest on various debt obligations. This fund includes local sales taxes, state-shared sales taxes, state-shared income taxes and sales tax license fees.

Expenditures – Refers to current cash operating expenses and encumbrances.

Expenditure Limit – See State Expenditure Limit

Fire Neighborhood Protection Fund – This fund is the Fire portion of a voter-approved 0.1 percent sales tax increase approved by the voters in October 1993.

Fiscal Year – The city's charter designates July 1 to June 30 as the fiscal year.

FTE – See Full-Time Equivalent Position

Full-Time Equivalent Position (FTE) – A position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time clerk working for 20 hours per week would be equivalent to one-half of a full-time position or 0.5 FTE.

Fund – An independent governmental accounting entity with a self-balancing group of accounts including assets, liabilities and fund balance, which record all financial transactions for specific activities of government functions.

Fund Balance – As used in the budget, the excess of resources over expenditures. The beginning fund balance is the residual funds brought forward from the previous fiscal year.

GAAP – See Generally Accepted Accounting Principles

General Obligation Bonds (G.O. Bonds) – Bonds that require voter approval and finance a variety of public capital projects such as streets, buildings, parks and improvements. The bonds are backed by the "full faith and credit" of the issuing government.

General Funds – Resources derived from taxes and fees that have unrestricted use, meaning they are not earmarked for specific purposes.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards of financial accounting and reporting that govern the form and content of basic financial statements. The city's Comprehensive Annual Financial Report (CAFR) outlines adjustments needed to convert Phoenix's budget basis of accounting to a GAAP basis.

GFOA – Government Finance Officers Association

Goal – A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

G. O. Bonds – See General Obligation Bonds

Grant – A contribution by one government unit or funding source to another. The contribution is usually made to aid in the support of a specified function (e.g., library materials or drug enforcement, but it is sometimes for general purposes).

HUD – U.S. Department of Housing and Urban Development

Infrastructure – Facilities that support the daily life and growth of the city, for example, roads, water lines, sewers, public buildings, parks and airports.



Impact Fees – Fees adopted by the City Council in 1987 requiring new development in the city's outlying planning areas to pay its proportional share of the costs associated with providing necessary public infrastructure.

Improvement Districts – Special assessment districts formed by property owners who desire and are willing to pay for mutually enjoyed improvements such as streets, sidewalks, sewers and lighting.

In-Lieu Property Taxes – An amount charged to certain city enterprise and federally funded operations that equals the city property taxes that would be due on plant and equipment if these operations were for-profit companies. This includes the Water, Wastewater, Solid Waste and Public Housing funds.

Levy – See Tax Levy

Mandate – Legislation passed by the state or federal government requiring action or provision of services and/or programs. Examples include the Americans with Disabilities Act, which requires actions such as physical facility improvements and provision of specialized transportation services.

MBE/WBE – Minority- and Women-Owned Business Enterprise

Net Direct Debt Ratio – The ratio between property tax-supported debt service and secondary assessed valuation. The Net Direct Debt Ratio is one way to gauge the ability of a local property tax base to support general obligation debt service.

Objective – A desired output-oriented accomplishment that can be measured and achieved within a given time frame, and advances the activity and organization toward a corresponding goal.

Operating Funds – Resources derived from continuing revenue sources used to finance ongoing operating expenditures and “pay-as-you-go” capital projects.

Ordinance – A formal legislative enactment by the City Council. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the city.

Outstanding Bonds – Bonds not yet retired through principal and interest payments.

Parks and Preserves Fund – This fund is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in 1999. The funds are to be used for the purchase of state trust lands for the Sonoran Desert Preserve Open Space, and the development of regional and neighborhood parks to enhance community safety and recreation.

Pay-As-You-Go Capital Projects – Capital projects whose funding comes from day-to-day city operating revenue sources.

Percent for Art – An ordinance that allocates up to 1 percent of the city's capital improvement budget to fund public art projects.

Personal Services – All costs related to compensating city employees including employee benefits costs such as contributions for retirement, social security, and health and industrial insurance. It also includes fees paid to elected officials, jurors, and election judges and clerks. It does not include fees for professional or other services.

Plan Six Agreements – Agreements to provide funding to accelerate the construction of the Waddell and Cliff dams, and modification of the Roosevelt and Stewart dams, for the benefit of the city of Phoenix. These benefits include the use of additional unappropriated water, controlling floods, improving the safety of existing dams, and providing new and improved recreational facilities.

PLT – See Privilege License Tax

Police Neighborhood Protection Fund – This fund is the Police portion of a voter-approved 0.1 percent sales tax increase approved by the voters in October 1993.

Preliminary Budget – A balanced budget presented to the City Council by the city manager (sometimes referred to as the City Manager's Budget) based upon an earlier Trial Budget, City Council and community feedback and/or changing economic forecasts. Any City Council changes to the Preliminary Budget are incorporated into the final adopted budget.

Primary Property Tax – A tax levy that can be used to support any public expense.

Privilege License Tax (PLT) – The city of Phoenix's local sales tax, made up of more than 14 general categories.

Privilege License Tax Fees – Includes fees charged for Privilege License Tax (PLT) Licenses and the annual fee per apartment unit on the rental of non-transient lodging. Fees recover the costs associated with administering an efficient and equitable system. A PLT license allows the licensee the privilege to conduct taxable business activities and to collect and remit those taxes.

Program – A group of related activities performed by one or more organizational units.

Property Tax – A levy upon each \$100 of assessed valuation of property within the city of Phoenix. Arizona has two types of property taxes. Primary property taxes support the city's General Fund and secondary property taxes pay general obligation debt.

Public Safety Enhancement Funds – The Public Safety Enhancement Funds are used to account for a 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The Police Public Safety Enhancement Fund is dedicated to Police and Emergency Management needs and receives 62 percent of the revenues generated. The Fire Public Safety Enhancement Fund is dedicated to Fire needs and receives 38 percent of the revenues generated.





Reappropriated Funds – Funds for contracts entered in a previous fiscal year but which are still in progress.

Recoveries – Canceled prior year encumbrances.

RPTA – Regional Public Transportation Authority.

Resources – Total amounts available for appropriation including estimated revenues, fund transfers and beginning fund balances.

Restricted Funds – See Special Revenue Fund.

Salary Savings – Budget savings realized through employee turnover.

Secondary Property Tax – A tax levy restricted to the payment of debt service on bonded debt. The secondary property tax when combined with the primary property tax levy produces a total rate of \$1.82 per \$100 of assessed valuation.

Self-Insurance – Self-funding of insurance losses. With the exception of airport operations, police aircraft operations, and excess general and automobile liability for losses in excess of \$2 million, the city is self-insured for general and automobile liability exposures.

Special Revenue Fund – A fund used to account for receipts from revenue sources that have been earmarked for specific activities and related expenditures. Examples include Arizona Highway User Revenue (AHUR) funds, which must be used for street and highway purposes, and secondary property tax, which is restricted to general-bonded debt obligations.

Sports Facilities Fund – A special revenue fund established to account for revenue raised from a designated portion of the hotel/motel tax and tax on short-term motor vehicle rentals. These funds pay the city's portion of the debt service and other expenditures related to the downtown sports arena.

State Expenditure Limit – A limitation on annual expenditures imposed by the Arizona Constitution as approved by the voters in 1980. The limitation is based upon a city's actual 1979-80 expenditures adjusted for interim growth in population and inflation. Certain expenditures may be exempt by the state Constitution or by voter action.

State-Shared Revenues – Revenues levied and collected by the state but shared with local governments as determined by state government each year. In Arizona, a portion of the state's sales, income and vehicle license tax revenues are distributed on the basis of a city's relative population percentage.

Supplemental – Resources to provide new or enhanced programs or services over the base budget allocation.

Tax Levy – The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

Technical Review – A detailed line-item review of each city department's budget conducted by the Budget and Research Department.

Transit 2000 Fund – This fund is used to account for the 0.4 percent sales tax dedicated to transit approved by voters on March 14, 2000. Also included in this fund are fare box collections and DASH revenues.

Trial Budget – A budget developed in early spring that presents a proposed balanced budget for discussion by the City Council and the community before the city manager submits his or her Preliminary Budget in late spring.

User Fees or User Charges – A fee paid for a public service or use of a public facility by the individual or organization benefiting from the service.

Zero Base Budgeting – A process for allocating financial resources that provides for the comparison and prioritization of existing and proposed programs and services. The process includes organizing expenditures in individual decision packages and priority ranking all decision packages.

