

# City of Phoenix Council Members and District Boundaries



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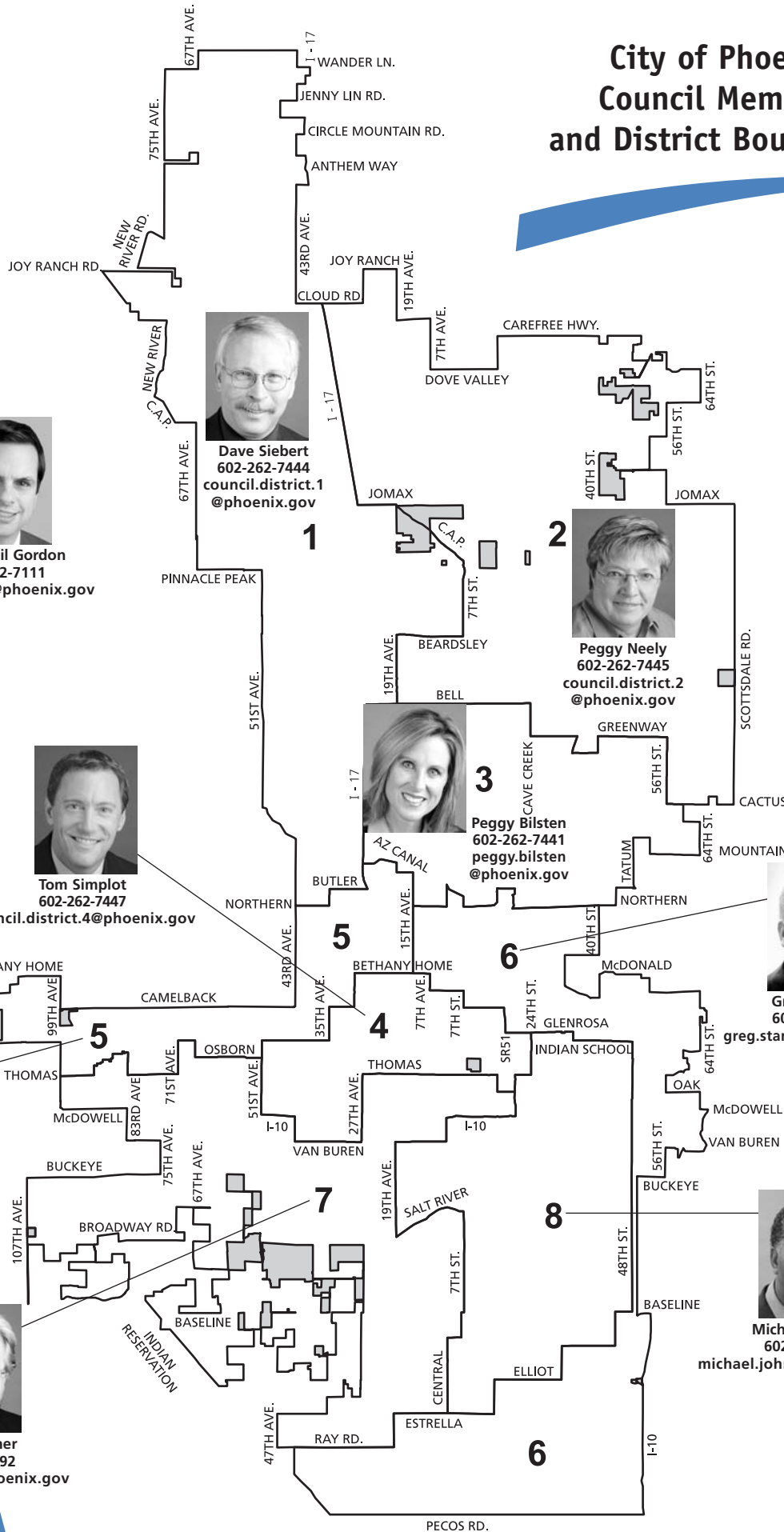
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# City of Phoenix



## Mayor and City Council

Phil Gordon  
Mayor

Doug Lingner  
Vice Mayor  
District 7

Dave Siebert  
District 1

Peggy Neely  
District 2

Peggy A. Bilsten  
District 3

Tom Simplot  
District 4

Claude Mattox  
District 5

Greg Stanton  
District 6

Michael Johnson  
District 8

## Mayor's Office

Deb A. Gullett  
Chief of Staff

Ed Zuercher  
Senior Deputy Chief of Staff

## City Council Office

P.J. Jasso  
Chief of Staff

## Management Staff

Frank Fairbanks  
City Manager

Alton Washington  
Assistant City Manager

David Cavazos  
Deputy City Manager

Dave Krietor  
Deputy City Manager

Rick Naimark  
Deputy City Manager

Ruth Osuna  
Deputy City Manager

Cynthia Seelhammer  
Deputy City Manager

Tom Callow  
Senior Executive Assistant  
to the City Manager

David E. Richert  
Senior Executive Assistant  
to the City Manager

Lisa Takata  
Executive Assistant  
to the City Manager

Karen Peters  
Intergovernmental Programs  
Director

## Department Heads

Wylie Bearup  
City Engineer

Ross Blakley  
Acting Street Transportation Director

John Chan  
Acting Downtown  
Development Director

Caroles Coles Henry  
Equal Opportunity Director

Debbie Cotton  
Public Transit Director

Kim Dorney Rodriguez  
Acting Housing Director

Roberto Franco  
Acting Community and Economic  
Development Director

Toni Garvey  
City Librarian

Jay Green  
Phoenix Convention Center  
Director

Jack F. Harris  
Police Chief

Sara L. Hensley  
Parks and Recreation Director

Gloria Hurtado  
Human Services Director

Bob Khan  
Fire Chief

Mark E. Leonard  
Public Works Director

Lionel Lyons  
Development Services Director

Toni Maccarone  
Public Information Director

Jerome Miller  
Acting Neighborhood Services Director

Danny Murphy  
Acting Aviation Director

Mario Paniagua  
City Clerk

Tammy J. Perkins  
Acting Water Services Director

Cecile Pettie  
Budget and Research Director

Lera Riley  
Personnel Director

Kristine Sigfridson  
Acting Chief Information Officer

Randy Spenla  
Acting City Auditor

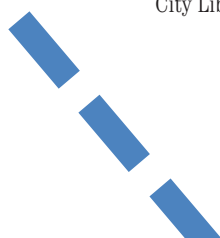
Debra Stark  
Planning Director

Gary Verburg  
City Attorney

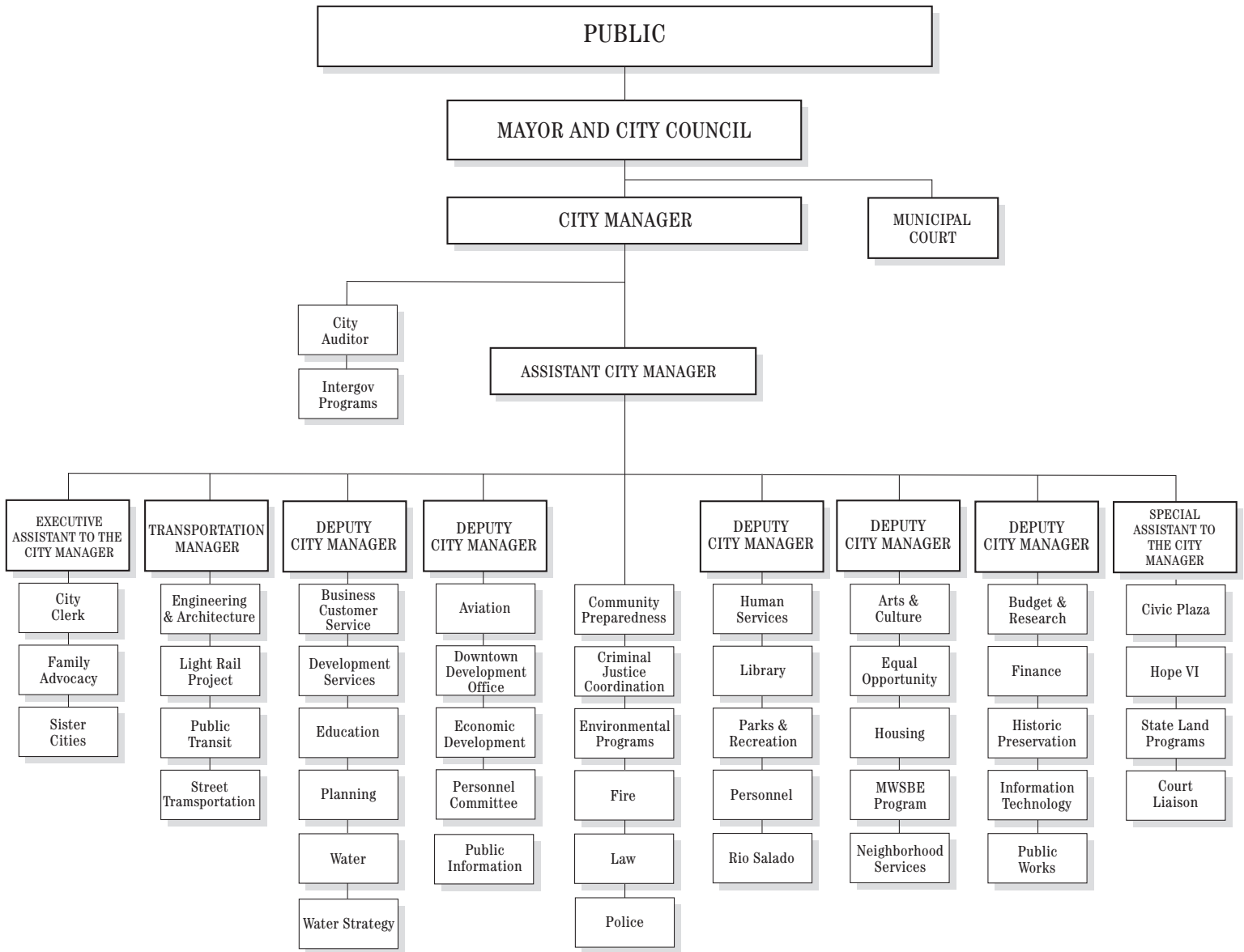
Bob Wingenroth  
Interim Finance Director

## Chief Presiding Judge

Roxanne K. Song Ong



# City of Phoenix Organizational Chart



# Budget Document Overview

This overview outlines the 2006-07 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 2006-11 Capital Improvement Program provides Phoenix's planned construction program by project and detailed sources of funds.

A more detailed description of the 2006-07 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 our commitment to a diverse workforce, 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 2005-06 and 2006-07 as well as actual results for recent and historical periods.

## **2006-07 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 2006-07 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.

## **2006-07 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 2006-11 Capital Improvement Program.

## **SCHEDULES**

The schedules provide a general statistical overview of the budget. Schedule 1 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, 2005**

Handwritten signature of Carla E. Fung in black ink.

President

Handwritten signature of Jeffrey R. Egan in black ink.

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, 2005.

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 2006-07 Annual Budget



## **TO THE HONORABLE MAYOR AND CITY COUNCIL:**

This letter transmits our recommended balanced budget for the upcoming 2006-07 fiscal year. Unlike the \$117 million in cuts we've had to endure over the past four years, this budget recommends that all current city services be continued next year. In addition, in putting together this proposed budget, the General Fund had a very small – only \$2.4 million – balance remaining to fund improvements to community services. We recommend that these funds be used to leverage available grant funds and add 111 police patrol officers. In addition, we have used available public safety franchise fee revenues to provide for 24 additional police communications operators.

We also have combined these earmarked public safety funds with funds already set aside to provide for the opening of new capital facilities to operate four new fire stations and a new driver training facility.

This is a significant increase in our investment in public safety. These improvements are explained in much more detail in this budget along with our other recommendations for the upcoming year.

I appreciate the City Council, the community and city staff working together to balance our budget each year. I also appreciate the hundreds of residents who take time each year to attend a budget hearing or send comments by e-mail and voice mail. Only with all of us working together are we able to identify the community's highest priorities for our limited budget dollars. We regret that we are not yet financially able to begin adding back some of the services we've had to reduce the last few years. Among our highest priorities to restore in the future are swimming pool hours, library and community service hours; library material acquisitions; parks maintenance; and arts grants. Also, we would like to begin, once again, expanding the number of after-school recreation sites available throughout the city. While no sites were reduced over the past four years, we have been unable to provide new sites where they are needed.

## **GENERAL FUND RESOURCES AVAILABLE NEXT YEAR**

Our revenue growth for next year is expected to remain positive but must be adjusted downward for the estimated impact of the 2005 census. Our "before census" revenue growth for next year is estimated to be 11 percent. This increase is largely due to the significantly increased state income taxes to be shared with Arizona cities and towns next year. Also, local and state sales taxes are expected to continue to show growth although at somewhat reduced rates.

But, after adjusting for the estimated \$19.1 million estimated General Fund impact of the census, our growth rate will be reduced to 8.8 percent.

On the expenditure side, our costs are expected to grow at nearly the same rate. Cost increases include employee compensation including pension costs; continued fuel and utility cost increases; \$8.1 million in costs to open facilities recently constructed with 2001 bonds, parks and preserve initiative funds and impact fees; and replacing expiring grants. Also, in this recommended budget, we have included funding to increase the contingency fund from 2.6 to 2.7 percent of operating expenditures. We also have included a return to more normal levels of equipment replacement, especially vehicles. We have restored \$1 million in General Fund support to the transit system and to the street maintenance program.

As I mentioned earlier, the General Fund costs to open newly constructed capital facilities is \$8.1 million. While these new facilities bring new costs to the General Fund, the community will enjoy new fire stations, a new community and senior center, a new regional library, a new neighborhood police station and 17 new or improved parks facilities. In addition, franchise fees earmarked for public safety will be used to fund a new fire station and a new public safety driver training facility. With these two funding sources, a total of four new fire stations will open next year.

As I stated earlier in this letter, the net effect is that we have a small balance of only \$2.4 million remaining in the General Fund. We recommend this be used to leverage \$8.3 million in Universal Hiring grant funds and add 111 police patrol officers.





**Risks to the Proposed General Fund Budget**

Two significant risks to this proposed budget have been identified. First, we are still relying on preliminary census information. Based on this preliminary information, in this proposed budget we have assumed a \$19.1 million loss in state-shared revenues. Final census figures could result in a greater loss.

Next, during the course of this legislative session, several bills were introduced that would affect state-shared revenues. We continue to monitor these bills carefully as the legislative session comes to a close.

**RECOMMENDATIONS FOR THE POLICE DEPARTMENT**

The recommended budget adds 116 new police officer positions. Five of these are paid for with Aviation funds and will be stationed at the airport to provide a needed increase in airport security. The remaining 111 new police officers are recommended to provide a much-needed increase to citywide patrol strength. As mentioned earlier in this transmittal, \$2.4 million in available General Funds are recommended to leverage an existing Universal Hiring grant that will provide 75 percent of the funding for these new positions. After analyzing current academy capacity, current attrition rates, the lead time necessary to acquire equipment and fund availability, these 111 positions can be filled over the next three years. The recommended budget includes the necessary support staff to open and operate the Sunnyslope Neighborhood Police Station. Funding will come from already allocated new capital facility operations and maintenance costs.

Finally, we recommend that 24 communications operators be added to keep up with the growth in 911 calls. The communications operators are proposed to be funded with franchise fees earmarked for public safety.

In total, we recommend the police budget be increased by \$3.3 million and that 144 positions be added.

**RECOMMENDATIONS FOR THE FIRE DEPARTMENT**

The recommended budget includes funds to open and operate four new fire stations and a new public safety driver training facility. Funding for these new facilities will come from a combination of franchise fees earmarked for public safety and the funds allocated early in the budget process to open and maintain new capital facilities. Public safety franchise funds also are recommended to retain five temporary training captains. These captains will help to provide for the department's training needs over the next several years as experienced personnel retire and new station construction continues. Finally, additional resources for the Annual Facilities Program are recommended. These would be funded with permit fees.

In total, we recommend the fire budget be increased by \$3.7 million and that 83 positions be added.

**NEW FACILITY OPERATING COSTS – GENERAL FUNDS**

As mentioned earlier in this transmittal, the costs required to open and operate new capital facilities are a contributing factor to next year's tight General Fund budget. However, with these costs come a wide variety of new facilities for the community to enjoy. Included are the new Pecos Community Center and the new Cesar Chavez Library. Also recommended is funding to open and operate 17 new or improved parks facilities including newly constructed soccer fields, a new community learning center, a new gymnasium and new amenities at Rio Salado.

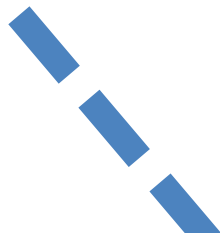
**RECOMMENDATIONS FOR THE ENTERPRISE FUNDS AND FOR OTHER RESTRICTED FUNDS**

The city budget is made up of three separate pieces: the General Fund, enterprise funds and other restricted funds. Recommendations for the General Fund were discussed earlier in this transmittal. Our enterprise funds include Aviation, Water, Wastewater, Solid Waste, Phoenix Convention Center and Golf funds. These funds, with the exception of the Convention Center, are funded with user fees. No tax funds are used. The Phoenix Convention Center uses a combination of rental fees paid by those using the facility, the parking fees associated with convention center garages and certain earmarked sales tax categories. These funds can only be used for costs associated with delivering enterprise fund services. The recommended budget includes several items for the Aviation, Phoenix Convention Center, Solid Waste and Water funds.

The restricted funds category includes federal and state grants, gas taxes, debt service, Development Services and voter-approved Transit 2000 funds. These funds can only be used in accordance with grant and other statutory rules. We have recommended a few items for the Transit 2000 and Development Services funds.

**Transit 2000 Funds**

We recommend that available Transit 2000 funds be used to restore weekday service from 10:30 a.m. to midnight on 12 of the 16 routes reduced last year. We also recommend that the Central Station once again be open on Saturdays and with extended hours. In addition, we recommend various route improvements and new neighborhood circulator service. We've also recommended additional RAPID trips to meet demand and reduce overcrowding. Finally, we recommend funding to improve the maintenance of bus stops and other transit facilities.



### **Development Service Funds**

Recommendations for the Development Services Fund include the addition of critical administrative support. Over the past few years, Development Services service delivery staff has increased by 50 percent. Administrative staff support has not kept pace.

### **Aviation Funds**

The Aviation Fund is expected to see modest revenue growth next year as landing weights and passenger levels continue to grow. Over the next several years, while we expect to see airport revenues continue to grow, the fund will be strained by the need to meet critical capital needs combined with continued pressure from the airlines to keep rates as low as possible.

Therefore, we recommend only a few additions to the airport budget. Staffing and maintenance costs for the newly installed in-line explosive detection system are recommended. This new system will greatly reduce customer wait times at the airport. Support and maintenance for several technology improvements also are recommended. And, as mentioned earlier, we recommend the airport pay for five police officers that will be assigned to airport security.

### **Phoenix Convention Center Funds**

As described in an earlier section, the convention center is financed with a combination of rental fees and earmarked sales taxes, most notably contracting sales taxes. This year, the convention center is enjoying a boom in contracting sales tax revenues. Next year, slower growth is expected as current construction levels begin to slow. On the expenditure side, next year the Convention Center Fund will begin to experience the first of the operating costs and increased debt service costs for the new expanded facility. We recommend the specialized customer service training program for convention

center staff begin next year. We've also included increased facility coordination and warehouse staff as well as increased funding for advertising.

### **Water Funds**

Our growth in water revenue comes from the annual growth in the number of accounts combined with annual water rate increases of 5-10 percent. This growth is then slightly offset by decreased water consumption per account. The water system faces critical capital needs to replace aging water infrastructure in older parts of the city and to deal with the infrastructure needs of the growing population in newer parts of Phoenix. Over the years, water capital costs also have increased due to the use of more environmentally sensitive treatment processes. We also continue to monitor the impact of electricity costs on the Water Fund.

Our recommendations for the Water Fund include improved technology management and administrative oversight for the highly complex Lake Pleasant Treatment contract.

### **Solid Waste Funds**

Solid waste revenues for next year are expected to grow by only about 2 percent to reflect the increase in the number of Phoenix households combined with estimated landfill tipping fees. Of greatest concern in the financial outlook for the Solid Waste Fund is the price of fuel. In this recommended budget we have only included increased landfill security.

### **Other Recommended Budget Adjustments**

For many years, our budget process has included the opportunity for city departments to look for efficiencies that could be reallocated to community service improvements or needed administrative support. For many departments, with the budget cuts of the last four years, this

is the only opportunity to gain needed administrative help. We have continued this process this year and recommend several administrative reallocations throughout the budget. Included is increased support for e-commerce projects, increased investment management that will produce better investment returns in the future, staff for the Hope VI Community Training and Education Center, improved service to those requesting general plan amendments and other zoning services, and improved follow-up on vehicle warranties that will reduce repair costs.

Also recommended are several administrative positions in our central service departments. These self-funded positions will help offset some of the significant administrative cuts these departments have endured over the past few years.

### **CONCLUSION**

Over the past four years, Phoenix has faced some serious budget challenges and responded with cuts of \$117 million. We regret that these cuts resulted in the loss of some important services to the community. I look forward to working with the Mayor and City Council, our employees and the community over the next few years to restore these services as the local economy continues to grow.

I want to thank all city employees for their dedication to the Phoenix community. Everyday, they deliver the best in services.

Sincerely,



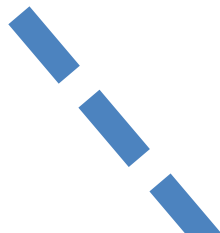
Frank Fairbanks  
City Manager  
May 2, 2006





Savvy

*Phoenix received the 2005 3CMA “Savvy” Award of Excellence in the one-time special programming category for the Matthew Henson documentary. The award-winning documentary produced by PHX 11, the city’s cable television station, captured the essence of life at the Matthew Henson Projects through a series of interviews with current and former residents, footage from community events and coverage of the demolition and construction process.*



# Phoenix's Commitment to Excellence



**W**e have faced some challenging budget times over the past several years, but all employees have continued to deliver quality services to our community and make Phoenix better in everything we do.

Employees practice continuous improvement as part of their daily business. Customer service is a critical focus. As a large organization, our customers span across a wide spectrum of people in our community. Our customers are residents seeking information and assistance, companies looking to relocate to Phoenix, neighborhoods working to improve their areas, city departments receiving internal services and people who are visiting or driving through our city.

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 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:

- The National League of Cities selected Phoenix as a “Model City” for its commitment to improving the lives of low-to-moderate-income families by developing initiatives to foster asset building and financial literacy.
- The Neighborhood Services and Housing departments each received an Agency Award of Excellence from the National Association of Housing and Redevelopment Officials (NAHRO). Neighborhood Services was recognized for its South Mountain Area Revitalization Strategy, and Housing was recognized for a program designed to help seniors and people with disabilities combat feelings of isolation.
- The United Latino Business Coalition honored the Phoenix Community and Economic Development Department Small Business Division with the Service Provider of the Year Award for its small business assistance programs. The award recognized the city for several innovative programs including the Management Technical Assistance Program, the EXPAND equity gap lending program and the Mind Your Business educational seminar.
- For the sixth consecutive year, Phoenix was honored with the CIO-100 award, which recognizes companies and organizations around the world that exemplify the highest level of operational and strategic excellence in the use of technology.
- The International City/County Management Association (ICMA) presented the city with a Certificate of Distinction for its exceptional commitment toward integrating performance measurement into management practices.
- The Office of Arts and Culture received the Partner 2005 Award from Arizona State University for their outstanding contributions to the arts, education and community.
- Phoenix received the 2005 3CMA Award of Excellence in the one-time special programming category for the Matthew Henson documentary. The award-winning documentary produced by PHX 11, the city's cable television station, captured the essence of life at the Matthew Henson Projects through a series of interviews with current and former residents, footage from community events and coverage of the demolition and construction process.
- The Government Finance Officers Association (GFOA) presented the city with two awards, the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The Certificate of Achievement for Excellence in Financial Reporting was awarded in recognition of the work performed by the Accounts Division of the Finance Department in preparing the Comprehensive Annual Financial Report (CAFR). The Distinguished Budget Presentation Award was awarded for publishing a budget document that satisfied the program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.





- *Entrepreneur* magazine named Phoenix the best city in the country for starting a new business. According to the magazine, "Phoenix dominated on the strength of robust growth in new businesses."
- The American Disaster Preparedness Foundation (ADPF) named Phoenix number one in the country when it comes to emergency preparedness. ADPF, a Chicago-based nonprofit public advocacy organization, studied the country's 30 largest metropolitan areas and judged nine categories in emergency preparedness: technology, management, infrastructure, internal training, equity, public education,

general awareness and external support. The purpose of the study was to inform the public on how prepared local governments are for emergency situations following the aftermath of Hurricanes Rita and Katrina.

- The city of Phoenix received the National Community Recycling Leadership Award from the Rechargeable Battery Recycling Corporation (RBRC), a nonprofit public service organization dedicated to recycling rechargeable batteries and cell phones. The Office of Environmental Programs in conjunction with other city departments was recognized for maintaining an efficient rechargeable battery collection program, resulting

in the collection of more than 8,200 pounds of rechargeable batteries and cell phones since 2003.

- Phoenix was the only city in the country to receive three awards from Sister Cities International in recognition of its long-term and comprehensive Sister City programs. The Phoenix Sister Cities Commission earned the Best Overall Program Award for a city with a population greater than 500,000; the Innovation Award for Sustainable Development; and the National Organization for Disability Advocacy Award.



*A team of electricians and building maintenance workers from Phoenix Sky Harbor International Airport traveled to Louisiana in September 2005 to make major repairs to the Lake Charles Regional Airport following Hurricane Rita. The crew repaired the airport's water system, replaced broken windows in the air traffic control tower, rebuilt perimeter fencing and repaired airfield lighting. Because of their efforts, relief flights were able to bring vital supplies and equipment into the area.*

## **We are Committed to Making Phoenix Better**

The city's Vision and Values statements continue to serve as a common source of 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 statements by going above and beyond to improve the quality of life for Phoenix residents.

- City employees donated more than \$1,388,600 to the Community Service Fund Drive. The Community Service Fund Drive provides resources to hundreds of agencies that provide health and social services to our community.
- In mid-January, Solid Waste Field Services and Disposal Management staff responded to a frantic call from a resident who had mistakenly tossed three red envelopes containing more

than \$1,000 in cash and checks into her blue recycling barrel. From the first notice to the call center, staff worked to isolate the envelopes. After rooting through mounds of trash, two of the envelopes were found containing all but about \$50 of the lost money.

- In February 2006, the city held its fourth 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.



*The Desert Broom Library Project Team coordinated the design and construction of the new branch library that serves north Phoenix. This team explored the latest in energy conservation, sustainable materials, and alternate heating, ventilation and cooling systems. This "green" building will result in long-term savings for the city – and the taxpayers.*





### **Commitment to Humanity**

In 2005, a record number of tropical storms and hurricanes hit the Southeast and Gulf Coast regions of the United States. The following are examples of how the city and its employees answered the call to assist and aid the displaced victims.

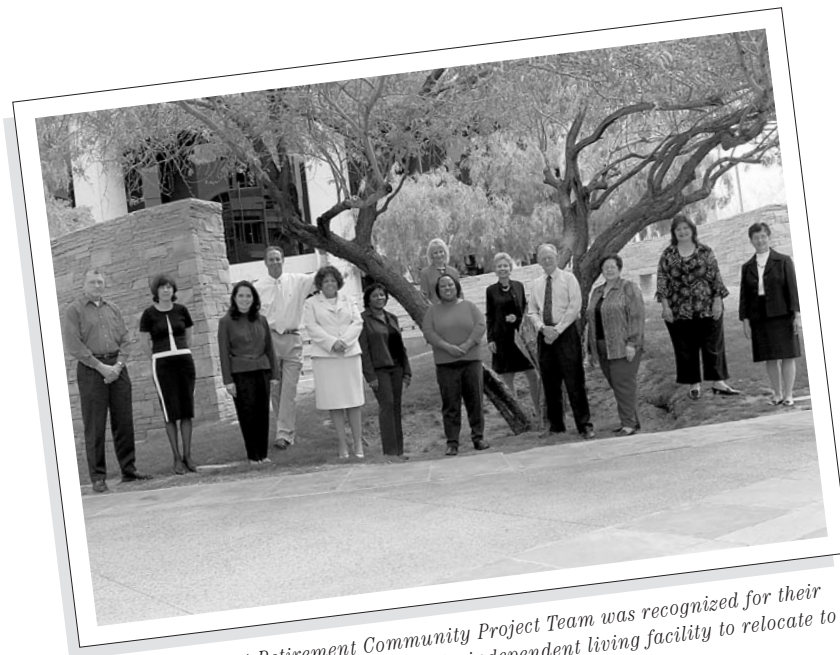
- Phoenix sent recovery and technical teams to the Gulf Coast in September following hurricanes Rita and Katrina, garnering praise from officials and residents in the region. During this time, staff helped repair equipment at Lake Charles Regional Airport and members of the Urban Search and Rescue Team helped conduct more than 400 rescue missions.

- Due to the extraordinary need created by the hurricanes, Public Works staff worked to identify three vehicles which could be donated to the town of Bay St. Louis, Mississippi.
- The city of Phoenix Human Services Department played a major role during Operation Good Neighbor at the Veteran's Coliseum and at the Katrina Assistance Center which followed the closing of the coliseum. Caseworkers assisted hundreds of households through various stabilization efforts ranging from job search, transportation, utilities and housing.

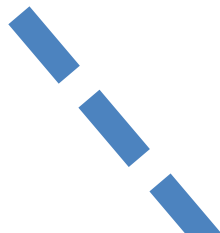
### **City of Phoenix Excellence Awards**

Every year, the city honors individual employees and employee teams who go beyond their normal duties to provide excellent customer service, assist the community or make Phoenix a better place for all its residents. The following teams and individuals were recognized with Excellence Awards this year:

- The Desert Broom Library Project Team coordinated the design and construction of the new branch library that serves north Phoenix. Staff from Public Works, Engineering and Architectural Services, and Phoenix Library departments worked to create a model facility that would meet stringent environmental standards. In short, they wanted a "green" building. The team explored the latest



*The Desert Crest Retirement Community Project Team was recognized for their efforts in working with residents of the independent living facility to relocate to other housing after the property was sold.*



in energy conservation, sustainable materials, and alternate heating, ventilation and cooling systems. They knew that, in the short term, it would be less expensive and a lot easier to construct a standard facility with minimum requirements. The team showed, however, that a “green building” would result in long-term savings for the city – and the taxpayers. Dedicated last year, the building has won numerous environmental and architectural awards, including a prestigious Valley Forward Award.

- The Desert Crest Retirement Community Project Team was recognized for their efforts while working with residents of the Desert

Crest Retirement Community. Desert Crest was an independent living facility located on 16 acres next to the 24th Street Water Treatment Plant. Unfortunately for the residents, the owner of the complex filed for bankruptcy several years ago. The city eventually purchased the property, not for the sole benefit of the residents, but because it was necessary in case the water treatment plant was expanded. The city treated Desert Crest’s elderly residents with sensitivity and respect while they transitioned to other housing. City officials gave them ample time to relocate while offering rental and housekeeping assistance, meal delivery, transportation and case management. Residents who required a higher level of care were immediately placed in other facilities. The

relocation of the residents was completed in 2005, and the site has been prepared for possible expansion of the water treatment plant. As for the neighborhood, residents are pleased because property values were not impacted. It was a “win-win” resolution for all the parties, thanks to the team’s efforts.

- It is not uncommon for Phoenix firefighters to dig into their own pockets to assist families in emergency situations. Though glad to help, Fire Captain Paul Knobbe explored a more efficient way to aid families in the wake of a tragedy, such as a house fire. Captain Knobbe’s idea was an emergency assistance fund that received seed money from the Stardust Foundation. He also worked with J.P. Morgan Chase Bank to set up a secure Internet account for the fund.



*Beth Van Kirk, an outreach librarian with the Phoenix Public Library, is the guiding force behind Book Blast, a reading program that puts books in the hands of more than 5,000 Phoenix children each year.*





His brainchild, the FireStar Emergency Assistance Fund, was launched in 2005. If a fire company determines there is an immediate need for emergency assistance, a call is placed to an on-duty program manager who can load up to \$250 onto a debit card using the Internet. Emergency victims are issued the debit card, which can be used only for food, clothing, shelter or transportation. During the 2005 Community Service Fund Drive, Phoenix firefighters contributed generously to the FireStar fund.

- Beth Van Kirk, an outreach librarian with the Phoenix Public Library, is the guiding force behind Book Blast, a reading program that puts books in the hands of more than 5,000 Phoenix children each year. Book Blast is a critical part of Phoenix Activity City, the city-sponsored after-school and summer recreation program offered at more than 100 sites in Phoenix. Book Blast targets students in grades 1 through 3, but older children also may take part. Beth makes sure that the PAC sites have plenty of books and that librarians visit the sites on a regular basis. The program's budget is limited, but the resourceful librarian has a knack for turning \$10 in funding into \$100 in books. Book Blast has

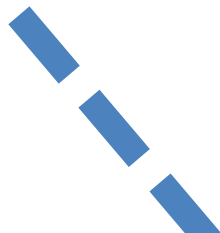
become more important in recent years because of stricter academic standards. Because of her work with PAC, many Phoenix children are better prepared for standardized testing. Even more important than test scores, Book Blast has instilled a passion for reading in young children.

### **Employee Suggestions Streamline Operations and Cut Costs**

The Employee Suggestion Program, which began in the mid-1950s, provides the city of Phoenix and its employees with a way to highlight and inspire a focus of continuous improvement. The financial awards and attention given to the program demonstrate to employees that city management values their input. As a result, employee suggestions submitted over the year have saved millions of dollars



*Fire Captain Paul Knobbe created the FireStar Emergency Assistance Program, which provides immediate financial assistance to families following a tragedy, such as a house fire.*



through direct cost savings and other productivity and cost-avoidance improvements. Employees can make improvement suggestions for any city operation, not just for their own department. Some examples of employee suggestions implemented in the 2005-06 fiscal year are described in the following:

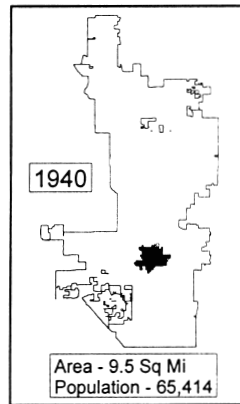
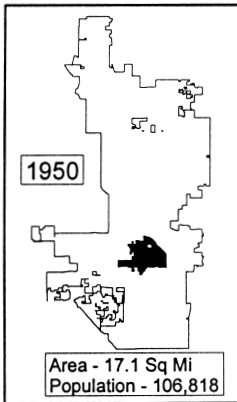
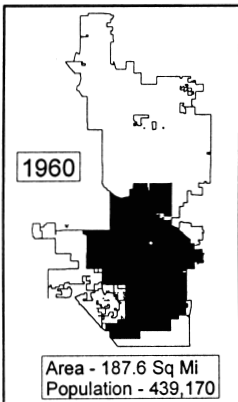
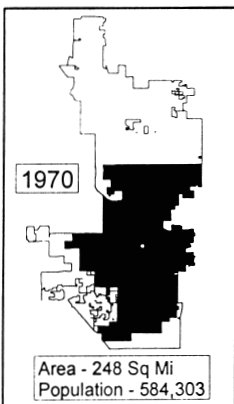
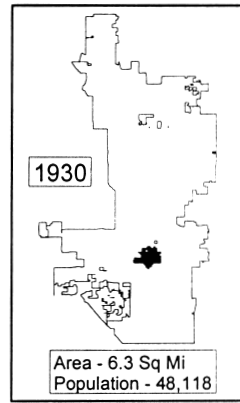
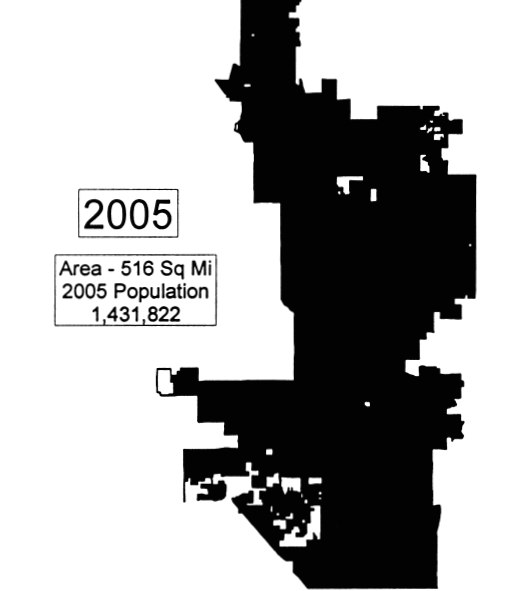
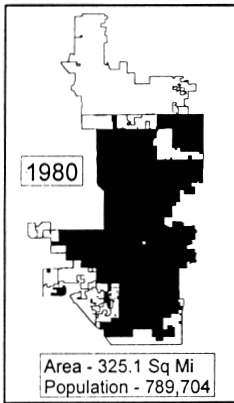
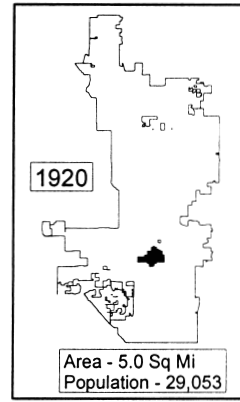
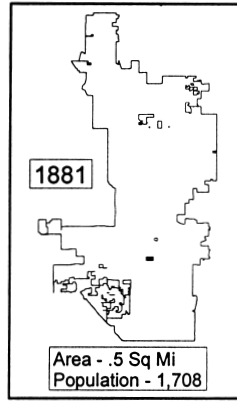
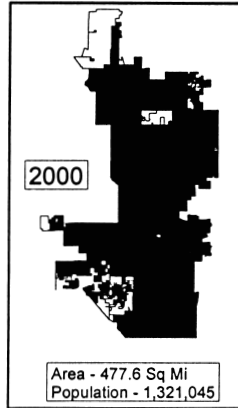
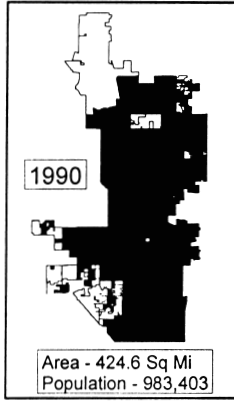
- Albert Barajas was recognized for his suggestion to reduce the amount of energy and lighting being used for area lighting at Margaret T. Hance Park. Mr. Barajas identified measures including reprogramming the time clock and converting high energy lights to more efficient fluorescent lights. His suggestion not only saves the city money on energy costs, but also will extend the life of the lamps and ballasts. The annual cost savings is \$16,000.
- John Deagle was recognized for his idea to refinish the damaged stainless steel panels along the exterior sides of the moving walkways in Terminal 4 of Sky Harbor International Airport. Prior to Mr. Deagle's suggestion, these panels would have been replaced at a cost of approximately \$163,000. His suggestion to refinish the panels created less waste and resulted in a cost savings of approximately \$125,000.
- Jerald Templeton was recognized for improving the way Water Services staff change the bearings on a climber screen assembly. In the past, four staff were required to complete this operation. With Jerald's suggestion implemented, the task which once took four staff to complete now takes one, saves the city money and improves productivity.
- John Meacham of Neighborhood Services was recognized for his idea to equip staff members involved in direct customer contact such as client intake services with a portable copier. Prior to this suggestion, multiple appointments with customers could be required to gather and collect all of the documentation necessary for intake. Mr. Meacham's suggestion improves staff productivity and provides an unprecedented level of customer service to clients and customers of city services.

As you can see, Phoenix works hard to earn our reputation as a well-run city. Our employees are and will continue to be 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.



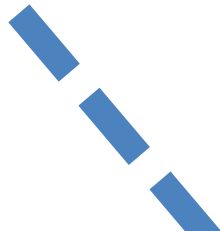


# PHOENIX GROWTH



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

CITY OF PHOENIX  
PLANNING DEPARTMENT



# Community Profile and Trends

Phoenix was founded in 1870 as an agricultural community and was incorporated as a city in 1881. 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.

## Geography

Phoenix is the fifth most populous city in the United States, state capital of Arizona and center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Goodyear, Tolleson, El Mirage and Avondale; the town of Gilbert; and 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 an average rainfall of seven inches a year.

## Community Profile

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, 2006, the city is projected to encompass 516 square miles, with a projected population of 1,502,572.

Major employers of the Phoenix metropolitan area include the state of Arizona, Wal-Mart Stores, Inc., Banner Health Systems, city of Phoenix, Maricopa County, Arizona State University, United States Postal Service, Honeywell International, Intel Corp., and US Airways. The top five percent of property taxes, based on secondary assessed valuation, are paid by Arizona Public Service Company and Qwest Communications.

## Demographics and Economic Statistics

The following statistics are presented to provide an overview of Phoenix residents, the city's financial condition and infrastructure.

	1970-71	1980-81	1990-91	2000-01	Actual 2004-05	Estimated 2005-06	Projected 2006-07
<b>Demographic Profile</b>							
Population <sup>1</sup>	584,303	789,704	995,896	1,350,435	1,421,928	1,461,928	1,502,572
Percent of Population by Age							
Under 5	8.8	7.8	8.5	8.5			
5-19	29.9	25.0	21.6	21.5			
20-44	32.2	39.3	42.9	42.8			
45-64	20.4	18.6	17.3	17.3			
65+	8.7	9.3	9.7	9.8			
Percent of Population by Race <sup>1</sup>							
Not Hispanic or Latino (of Any Race)	N/A	N/A	N/A	N/A			
Caucasian	93.3	78.1	71.9	55.8			
Black/African American	4.8	4.7	4.9	4.8			
American Indian/Alaska Native	1.0	1.1	1.6	1.6			
Asian	0.5	0.9	1.5	1.9			
Native Hawaiian/ Other Pacific Islander <sup>2</sup>	N/A	N/A	N/A	0.1			
Other	0.4	0.4	0.1	0.1			
Not Hispanic - Two or More Races	N/A	N/A	N/A	N/A			
Hispanic/Latino (of Any Race) <sup>3</sup>	N/A	14.8	20.0	34.1			





	1970-71	1980-81	1990-91	2000-01	Actual 2004-05	Estimated 2005-06	Projected 2006-07
<b>City Economic Profile</b>							
Median Household Income <sup>5</sup>	27,601	29,706	30,797	40,856	54,126	58,819	63,568
Personal Income Growth (Metro Phoenix)	13.6%	14.8%	4.6%	6.7%	7.9%	8.8%	8.1%
Assessed Valuation ('000s) <sup>6</sup>	N/A	N/A	5,700,825	7,573,211	10,489,92	11,419,619	12,261,134
Employment Growth Rate <sup>7</sup>	N/A	N/A	(3.0)%	3.7%	3.9%	6.2%	5.8%
Unemployment Rate <sup>8</sup>	N/A	N/A	4.9%	2.7%	4.2%	4.1%	4.1%
Value of Residential Construction (Billions)	N/A	N/A	.42	1.16	2.92	2.84	2.64
Value of Commercial Construction (Billions)	N/A	N/A	.46	1.33	1.54	1.67	1.52
<b>City Financial Profile</b>							
Total Budget ('000s)	\$95,835	\$392,780	\$1,026,545	\$1,946,013	\$2,316,287	\$2,591,462	\$3,187,565
Total GF Budget ('000s) <sup>7</sup>	\$62,343	\$221,106	\$591,021	\$953,324	\$876,165	\$932,856	\$1,093,012
Total Employees	5,670	9,435	11,388	14,352.0	15,620.3	15,928.0	16,318.1
Total Employees per 1,000 population	9.7	11.1	11.2	10.6	10.99	10.90	10.86
Non-Enterprise Employees per 1,000 population	N/A	N/A	N/A	8.6	8.92	8.78	8.79
Enterprise Employees <sup>8</sup> per 1,000 population	N/A	N/A	N/A	2.0	2.07	2.11	2.07
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	56,051	58,042	60,000
City Retail Sales Tax Rate <sup>9</sup>	1%	1%	1.2%	1.8%	1.8%	1.8%	1.8%
<b>Infrastructure Profile</b>							
Area (Square Miles)	247.9	329.1	427.1	483.5	514.8	516.0	516.0
<b>Police</b>							
Major Crimes	50,747	86,287	110,961	97,666	103,497	103,500	104,300
Dispatched Calls for Service	374,003	452,350	895,117	862,769	757,028	774,000	764,400
Authorized Sworn Police Officers	1,054	1,694	2,047	2,810	3,027	3,114	3,230
<b>Fire</b>							
Fire Stations	30	35	45	45	50	52	56
Fire Calls and All Other Calls <sup>10</sup>	14,437	25,162	26,281	28,369	24,077	25,000	25,000
Emergency Medical Calls <sup>10</sup>	—	46,122	75,112	101,396	117,243	125,000	130,000
Authorized Sworn Firefighters	572	838	1,042	1,315	1,472	1,553	1,625
<b>Building Inspections</b>							
Total Number of Inspections <sup>11</sup>	236,000	196,356	176,909	261,184	337,973	342,500	342,500
<b>Streets</b>							
Total Miles	2,270	3,084	3,800	4,299	4,782	4,850	4,900
Miles Resurfaced and Sealed	378	216	250	220	186	134	123
Total Miles of Bikeway <sup>12</sup>	N/A	N/A	250	472	507	520	530

	1970-71	1980-81	1990-91	2000-01	Actual 2004-05	Estimated 2005-06	Projected 2006-07
<b>Traffic Control and Lighting</b>							
Signalized Intersections	423	555	761	906	964	976	988
Street Lights	23,097	39,097	50,825	70,750	79,433	84,700	90,000
Traffic Accidents	22,765	28,129	28,414	36,500	33,056	33,600	35,413
<b>Aviation</b>							
Passengers Arriving and Departing	2,925,700	6,500,000	22,175,000	35,900,000	40,500,000	41,700,000	43,000,000
<b>Solid Waste Collection</b>							
Residences Served	204,800	281,900	281,392	327,953	355,345	366,000	368,000
Tons Disposed at City Landfills	325,300	379,000	513,643	1,051,935	930,000	1,000,000	1,170,000
<b>Municipal Parks</b>							
Number of Municipal Parks <sup>13</sup>	121	137	181	199	207	214	220
Developed Park Acres	N/A	1,303	2,206	3,332	4,374	4,478	4,634
<b>Libraries</b>							
Book Circulation	2,368,232	3,691,745	5,962,411	9,151,000	12,264,467	13,064,163	13,963,572
Total Book Stock	704,940	1,182,606	1,732,410	2,016,000	2,178,625	2,424,760	2,560,760
<b>Equipment Management</b>							
Number of Equipment Units in Fleet	2,637	4,497	4,776	6,080	6,441	6,794	6,875
<b>Water</b>							
Connections	172,100	282,048	321,996	350,967	383,011	394,310	402,196
Production (billions of gallons) <sup>14</sup>	52.7	88.5	84.7	109.4	102.1	107.3	112.4
<b>Wastewater</b>							
Connections	169,255	250,199	311,980	327,051	353,099	363,692	370,966
Miles of Line	2,090	3,040	3,661	4,174	4,584	4,707	4,834

- 1 Population by age and race is only available in census years. Also, racial categories were modified by the Census Bureau in the 2000 Census.
- 2 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.
- 3 Pre-1980 census questionnaires did not include "Hispanic" or "Spanish" race categories.
- 4 Median Household Income is based on United States Census Bureau data for city of Phoenix geographic area and projected during non-census years using personal income growth percentages.
- 5 The formula for assessing valuation was changed significantly in 1980 making comparisons to prior years not meaningful.
- 6 Employment growth rate figures (total nonfarm employment) are calendar year and not fiscal year. Calendar 2004 is shown under FY 2004-05, and calendar 2005 is shown under FY 2005-06, and projected calendar 2006 is shown under FY 2006-07. Estimates are for the Phoenix metro area and are obtained from the Arizona Workforce Informer-Arizona Department of Economic Security.
- 7 As of FY 1998-99, Arizona Highway User Revenue funds are no longer included in the General Fund total.
- 8 Enterprise departments include Water, Aviation, Phoenix Convention Center, Golf and Solid Waste Management.
- 9 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.
- 10 Prior to FY 1980-81, emergency medical, fire and all other calls were combined into one figure.
- 11 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.
- 12 The bikeway program was approved by the City Council in 1987. Figures include on-street bike lanes, bike routes, and paved and unpaved paths.
- 13 This number includes parks and areas maintained by the Parks and Recreation Department. For example, retention basins, canal projects and trails.
- 14 Includes water produced for city of Phoenix only.



## 2006-07 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2006-07 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 Convention Center which has earmarked sales taxes as its primary funding source. Special Revenue funds are restricted to statutory and/or voter-approved uses.

The 2006-07 budget, financed by operating funds, totals \$3,187,565,000. As shown in the pie chart on page 23, the General Fund portion of \$1,093,012,000 is approximately 34 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste,

Convention Center and Golf, make up another 35 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 31 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 debt. 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 2006-07 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 earmarked property taxes or is shown in the City Improvement fund. Both 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 2006-07 budget to the 2005-06 adopted budget. Actual expenditures for the 2004-05 fiscal year also are included.

### 2006-07 Budget Compared to 2005-06 Adopted Budget (In Millions of Dollars)

	2004-05 Actual Expenditures	2005-06 Adopted Budget	2006-07		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,712.2	\$2,004.1	\$2,238.3	\$234.2	11.7 %
Capital Expenditures	233.7	384.2	433.0	48.8	12.7 %
Debt Service	370.3	623.1	516.3	(106.8)	(17.1)%
<b>Total</b>	<b>\$2,316.2</b>	<b>\$3,011.4</b>	<b>\$3,187.6</b>	<b>\$176.2</b>	<b>5.9 %</b>



Citywide operating and maintenance expenditures increased from 2005-06 primarily for inflationary increases such as employee compensation including higher pension and health care costs, and added operating costs related to the opening of new capital facilities. Increases also reflect rising costs for commodities such as fuel and utilities and reflect the carry over of funds from the current year to 2006-07. Increases to operating and maintenance expenditures were partially offset by a decrease in debt service costs. Debt service costs were less than 2005-06 due to the inclusion of early redemption of bond funds in the 2005-06 budget. This early redemption is now scheduled for the first part of 2006-07.

**2006-07 GENERAL FUND BUDGET OVERVIEW**

The 2006-07 General fund budget of \$1,093,012,000 million provides for ongoing operating and maintenance and capital expenditures. The table below compares the 2006-07 General Fund budget with the adopted 2005-06 budget.

The operating and maintenance expenditures increased compared to the 2005-06 adopted budget. The increase is primarily the result of inflationary growth, the

planned transition of grant-funded public safety staff to the General Fund, reflecting full year costs for facilities opened in 2005-06 plus new operating costs associated with capital facilities that will open in 2006-07, inflationary increases in the costs of fuel and utilities, providing funding for rising employee health care, and pension costs and other negotiated compensation increases.

The following pie charts show the 2006-07 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.

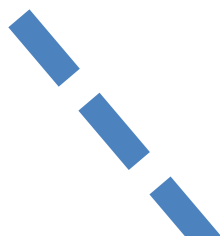
**2006-07 Estimated Beginning Fund Balances**

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.

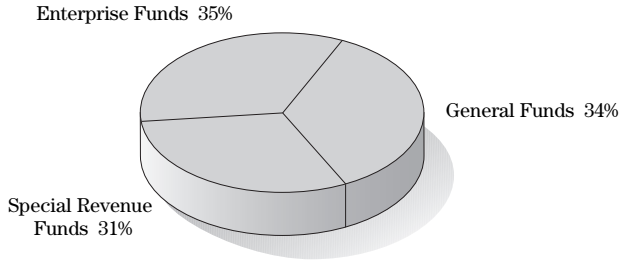
The estimated 2006-07 beginning fund balances of \$781.9 million include \$60.8 million in general funds, \$358.5 million in special revenue funds and \$362.6 million in enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$154.7 million; Water - \$156.3 million; Aviation - \$51.2 million; Wastewater - \$64.1 million; Convention Center - \$55.5 million; Parks and Preserves - \$58.6 million; Solid Waste - \$36.4 million; Grant funds - \$36.9 million; Arizona Highway User Revenue - \$20.6 million; Development Services - \$28.9 million; Sports Facilities - \$15.9 million and \$42.0 million in various other restricted funds.

**2006-07 General Fund Budget Compared to 2005-06 Adopted Budget (In Millions of Dollars)**

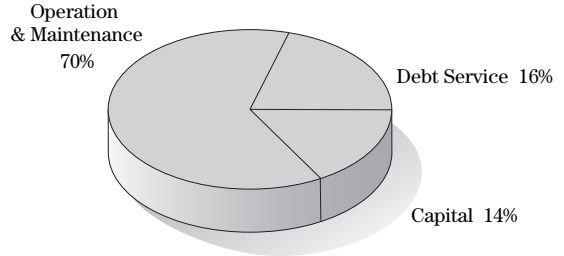
	2004-05 Actual Expenditures	2005-06 Adopted Budget	2006-07		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$874.9	\$968.1	\$1,083.3	\$115.2	11.9%
Capital	1.3	5.1	9.7	4.6	90.2%
<b>Total</b>	\$876.2	\$973.2	\$1,093.0	\$119.8	12.3%



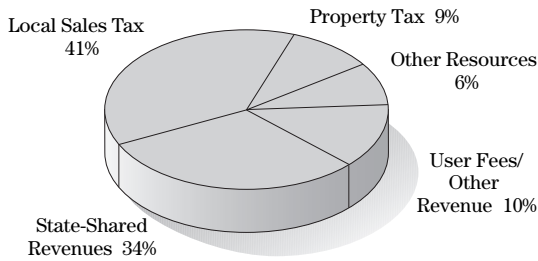
**ALL SOURCES OF FUNDS**  
Total Resources – \$3.2 Billion



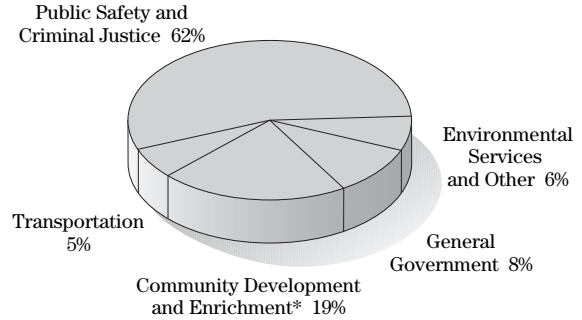
**ALL SOURCES OF FUNDS**  
Total Expenditures – \$3.2 Billion



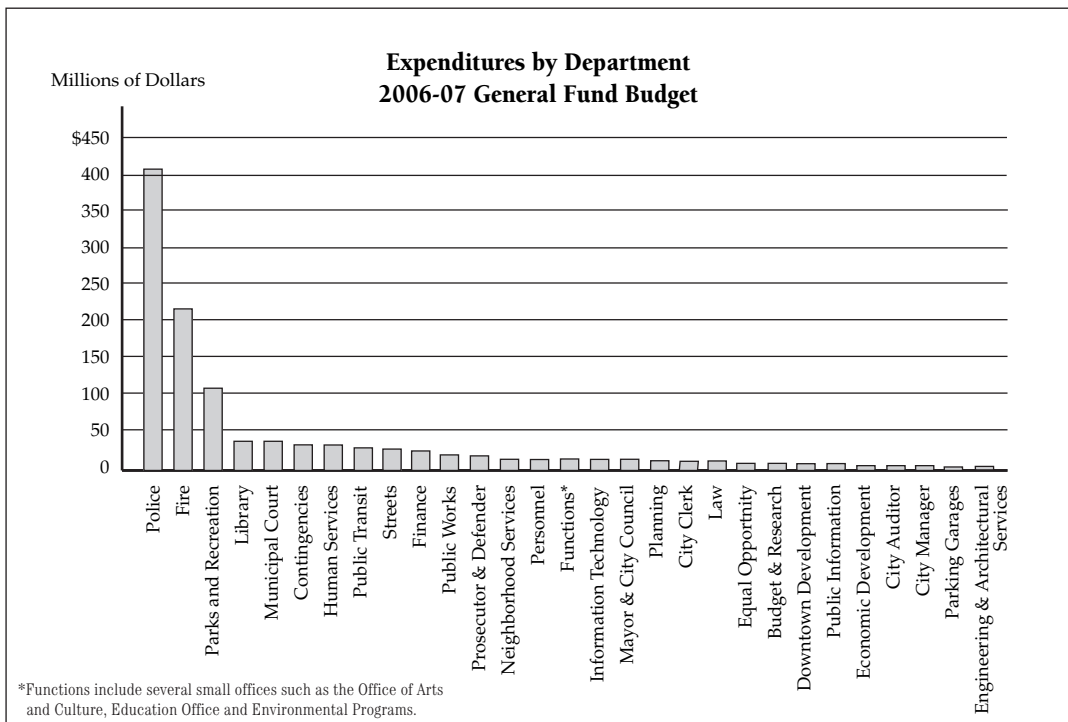
**GENERAL FUNDS**  
Total Resources – \$1,093 Million



**GENERAL FUNDS**  
Total Expenditures – \$1,093 Million



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





### **2005-06 General Fund Estimated Ending Balance**

As shown in the following table, the estimated 2005-06 ending General Fund balance is \$60.8 million. The balance results primarily from a \$38.5 million decrease in operating expenditures, a \$16.2 million increase in current year revenues, and a \$3.7 million higher beginning balance. The decrease in estimated 2005-06 General Fund expenditures is largely due to unused contingency funds, the carryover of some General Fund projects not completed in the current year, and a decrease in capital expenditures. The majority of the revenue increase is in city excise taxes and state-shared revenues.

### **2006-07 Estimated Revenues**

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2006-07 are estimated at \$2,812,396,000. This is \$182,850,000, or 7.0 percent above the 2005-06 estimate of \$2,629,546,000. General fund revenues are estimated at \$1,021,516,000, which is \$83,164,000 or 8.9 percent more than the 2005-06 estimates. The following table provides a comparison of the 2006-07 estimated revenues to 2005-06 estimates and 2004-05 actual collections. Detailed explanations by category are provided in the 2006-07 Revenue Estimates section of this document.

The state and local economy has experienced strong growth beginning late 2004-05 and continuing through 2005-06. The economy is being bolstered by increased retail spending, revived tourism spending and the continuation of the growth in contracting. For 2006-07, it is estimated that the growth will continue, but at a more moderate pace. Included in 2006-07 estimates for the enterprise funds are full-year impacts of rate increases for

Water and Wastewater services, effective March 2006. The 2006-07 estimate for special revenue funds includes an increase in federal funds of \$1.5 million largely due to the carryover of incompleting federal expenditures and the associated revenue.

### **2006-07 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 2006-07 total \$43.7 million. This amount reflects \$43.3 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, Convention Center 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 \$351,000 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 also is included. As a result, total transfers to the General Fund exclusive of excise tax-related items are \$43.7 million. A transfer of \$756 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.

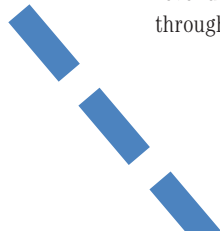
### **2006-07 ESTIMATED ENDING BALANCES**

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 2006-07, \$28.9 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.

Also, enterprise fund balances are intentionally permitted to grow over time in order to fund large capital projects. Therefore, in 2006-07, the enterprise funds in the aggregate are programmed to decline from \$363 million at the beginning of 2006-07 to \$181 million at year end. Capital projects contributing to this change in fund balance include the new rental car facility at Sky Harbor airport, the new Lake Pleasant Water Treatment Plant, a new solid waste landfill and the expansion of the Convention Center.



Special Revenue fund balances in the aggregate are expected to decrease from \$358 million to \$243 million, primarily due to the decrease in the Parks and Preserves Fund, the Transit 2000 Fund and the Arizona Highway User Fund. The Parks and Preserves program, a voter-approved 0.4 percent sale tax, is nearing the end of its 10-year plan to improve existing parks, construct new neighborhood parks and

acquire preserve land. The Transit 2000 fund balance is decreasing as the capital improvement portion of the program reaches its peak years. The Arizona Highway User Fund balance is decreasing as street construction expenditures increase in accordance with the approved five-year major street program. Also, a revenue loss in 2006-07 is estimated as a result of the 2005 census.

The estimated 2006-07 ending balance of \$424.2 million includes: Transit 2000 - \$121.3 million; Water - \$98.4 million; Convention Center - \$23.3 million; Wastewater - \$34.4 million; Parks and Preserves - \$23.1 million; Solid Waste - \$12.5 million; Aviation - \$13.6 million; Development Services - \$20.9 million; Sports Facilities - \$20.5 million and \$56.2 million in various other special revenue and enterprise funds.

### General Fund Balance Analysis (In Thousands of Dollars)

	2004-05	2005-06		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
<b>Resources</b>					
Beginning Balances July 1	\$ 53,362	\$ 35,189	\$ 38,903	\$ 3,714	10.6 %
Revenue	842,984	922,161	938,352	16,191	1.8 %
Recoveries	546	1,500	1,500	—	— %
Transfers	18,176	14,320	14,941	621	4.3 %
<b>Total Resources</b>	<b>\$ 915,068</b>	<b>\$ 973,170</b>	<b>\$ 993,696</b>	<b>\$ 20,526</b>	<b>2.1 %</b>
<b>Expenditures</b>					
Operating Expenditures	874,870	968,050	929,550	(38,500)	(4.0)%
Capital	1,295	5,120	3,306	(1,814)	(35.4)%
<b>Total Expenditures</b>	<b>\$ 876,165</b>	<b>\$ 973,170</b>	<b>\$ 932,856</b>	<b>\$ (40,314)</b>	<b>(4.1)%</b>
<b>Ending Fund Balance</b>	<b>\$ 38,903</b>	<b>\$ —</b>	<b>\$ 60,840</b>	<b>\$ 60,840</b>	<b>100.0+%</b>

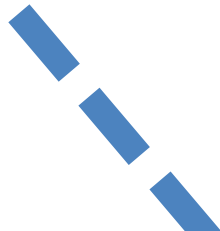
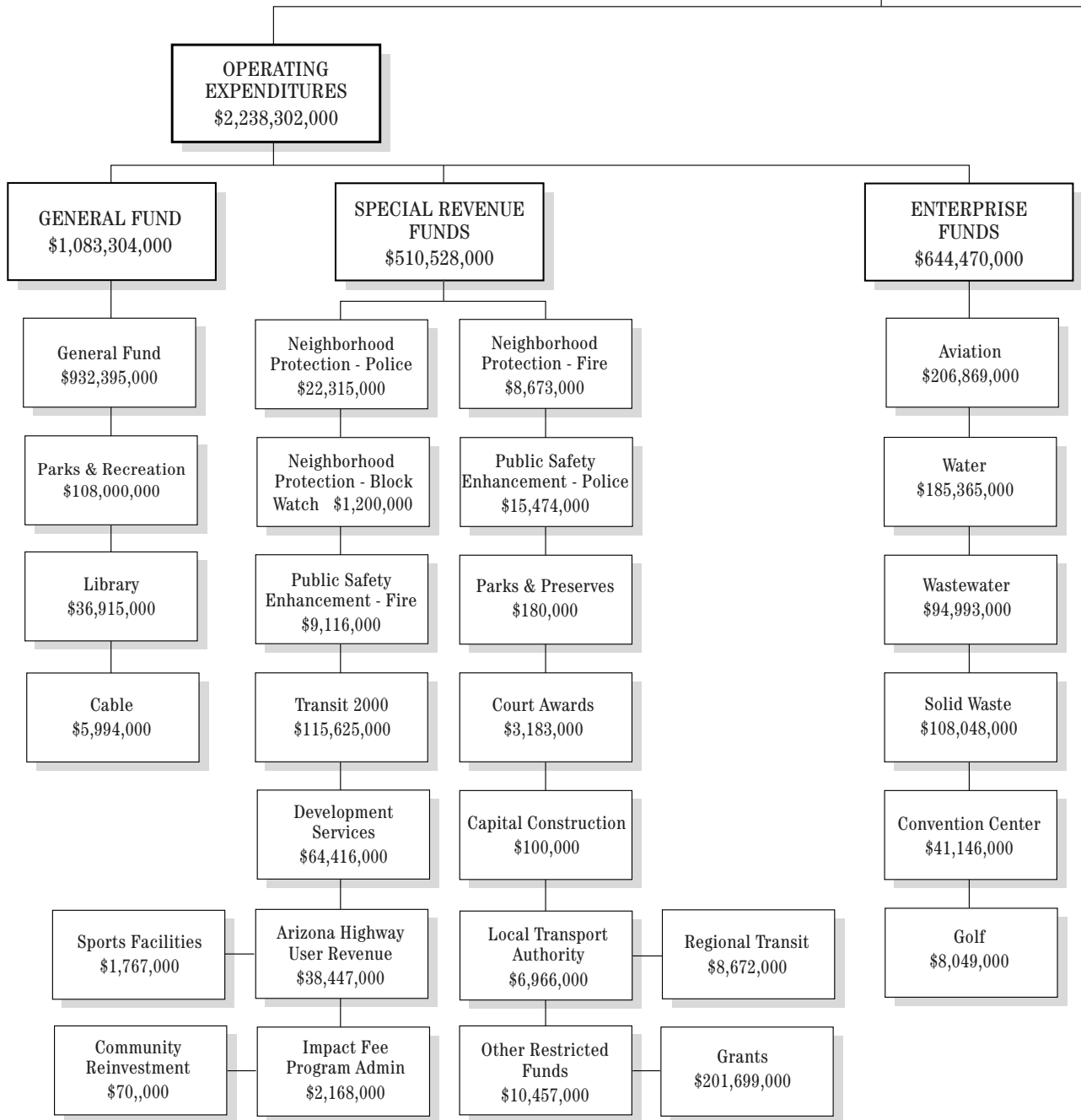
### 2006-07 Estimated Revenues Compared to 2005-06 Estimates (In Thousands of Dollars)

Fund Types	2005-06 Actuals	2005-06 Estimate	2006-07		
			Estimate	Amount Change	Percent Change
General	\$ 842,984	\$ 938,352	\$ 1,021,516	\$ 83,164	8.9 %
Special Revenue Funds	727,724	802,899	848,608	(45,709)	(5.7)%
Enterprise Funds	812,431	888,295	942,272	53,977	6.1 %
<b>Total</b>	<b>\$2,383,139</b>	<b>\$2,629,546</b>	<b>\$2,812,396</b>	<b>\$ 182,850</b>	<b>7.0 %</b>

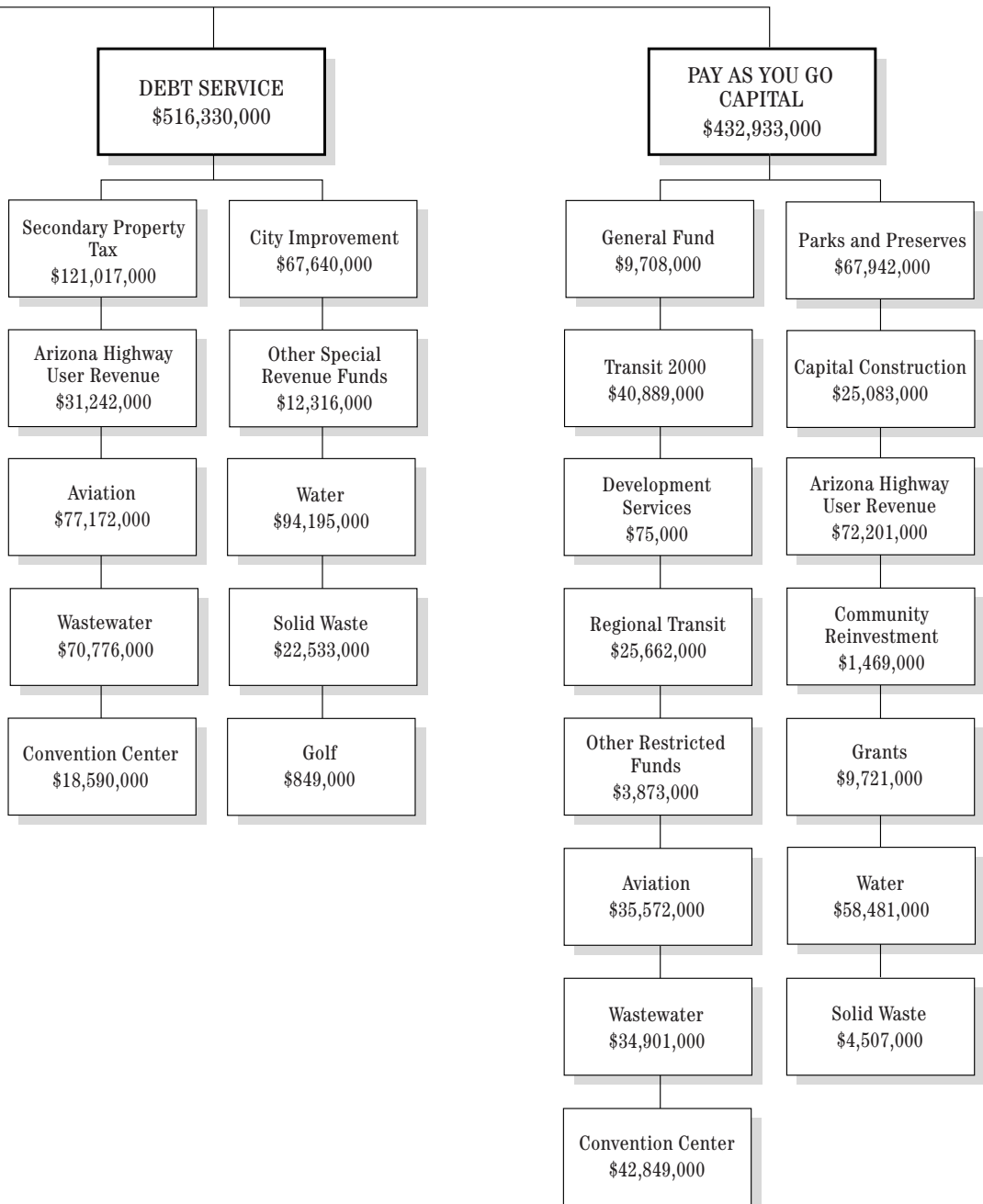




**2006-07 OPERATING BUDGET**  
**\$ 3,187,565,000**



# City of Phoenix Financial Organizational Chart



## 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.

Over the course of the past four years, General Fund cuts of \$117 million have been necessary in order to balance the budget. This year, no cuts were necessary. In fact, there is \$2,443,000 available for

improving General Fund community services. We have combined these funds with available earmarked public safety franchise fee revenues to provide for an increase in public safety funding in the 2006-07 budget with the addition of 116 sworn positions, four new fire stations, five training captains, a new neighborhood police station and the addition of new police communications operators. In addition, 17 new or improved parks facilities and a new regional library will open. Also the Pecos Community Center will open. This facility will combine a senior center, a community center and a new citizen service center.

In the non-General Fund areas of the budget, funding is available to improve community services. Transit 2000 funds will provide numerous improvements to transit services including the restoration of some service reductions of the past few years. Convention Center funds are included to open and operate the new Phoenix Convention Center West Building as well as improve customer service. Also, Development Services funds will pay for an expansion of the Development Services Annual Facilities Program. Aviation funds will be used for the operation and maintenance of the new in-line explosive detection baggage

handling system to improve customer service at the airport.

Our state-shared revenues will be reduced by an estimated \$19.1 million due to the effects of the 2005 census. The 2005 census will show that, while Phoenix continues to grow, it does not grow as fast as other Arizona cities and towns. Our relative share of the state's population will decline from 32.5 to 30.1 percent. However, city sales taxes continue to show growth. We are still hopeful that our local sales tax growth will be sufficient to offset our final census loss. Of equal concern is any legislative action that might affect city revenues.

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 2004 International City/County Management Association's Center for Performance Measurement report.





**PROGRAM SERVICE LEVEL  
IN 1995-96**

**SERVICE CHANGES  
THROUGH 2005-06**

**SERVICE CHANGES  
FOR 2006-07**

**PUBLIC SAFETY**

**POLICE**

**Personnel Resources:**

In 1995-96, the Police Department had 2,372 sworn officers and 709 civilian employees.

In anticipation of the turnover resulting from the Deferred Retirement Options Plan (DROP) starting in June 2006, the 2005-06 budget included 54 sworn positions to continue hiring actions outlined in the Police Department's DROP hiring plan, which initially included 70 sworn positions in 2004-05.

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 reflected the addition of 86 sworn and 41 civilian support positions which was funded with the revenue generated from franchise agreements.

The budget also included 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.

The 2006-07 budget adds 116 new police officer positions. Five of these are paid for with Aviation funds and will be stationed at the airport to provide a needed increase in airport security. The remaining 111 new sworn positions are intended to increase citywide patrol strength. Continued use of the Universal Hiring Grant will provide up to \$75,000 per officer to fund these new sworn positions over the next three years.

The budget also includes funding for 24 communications operators to meet growth in 911 calls. In addition, the budget includes funding for support staff to open and operate the Sunnyslope Neighborhood Police Station.

In 2006-07, the Police Department will have 3,230 sworn positions or 2.1 for every 1,000 residents, and 1,083 civilian employees.

**Response Time Average:**

Due to increased calls for service in 1995-96, response time for Priority 1 emergency calls increased to 5 minutes 18 seconds.

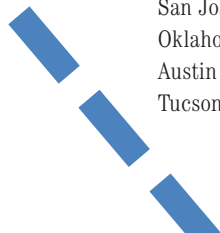
In 1994-95, because of increased service demand, budgeted response times for Priority 1 emergency calls had gradually increased from 4 minutes 54 seconds to 5 minutes 36 seconds in 2005-06. During this same time period, however, the percentage of 911 calls answered within 10 seconds improved from 78 percent to 81 percent.

The 2006-07 budget provides for a continued 5 minutes 36 seconds average response time for Priority 1 calls.

Based on 2004 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:**

- San Antonio – 5 min 12 sec
- PHOENIX – 5 min 30 sec**
- San Jose – 7 min 18 sec
- Oklahoma City – 7 min 30 sec
- Austin – 8 min 0 sec
- Tucson – no data available



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**PROGRAM SERVICE LEVEL  
IN 1995-96**

**SERVICE CHANGES  
THROUGH 2005-06**

**SERVICE CHANGES  
FOR 2006-07**

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**PUBLIC SAFETY**

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**FIRE**

**Response Time Average:**

In 1995-96, the Fire Department maintained an average response time of 4 minutes 15 seconds for all fire and emergency medical calls.

Since 1994-95, response times have increased 24 percent to 5 minutes 4 seconds for all fire and emergency medical calls. This is a 4 second increase over the previous year primarily due to increased population growth and traffic congestion. The overall emergency call activity level increased 23 percent (since 1994-95) during this period.

Based on 2004 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 – 90 percent

**PHOENIX – 84 percent**

San Jose – 82 percent

San Antonio – 82 percent

Austin – no data available

Long Beach – no data available

The 2006-07 budget adds 67 sworn and eight civilians to open and operate four new fire stations and the new Public Safety Driver Education facility. Also included is funding to retain five fire training captains to provide for the department's training needs over the next several years. Finally, three fire prevention specialists are included for the Annual Facilities Program. These positions are funded with Development Services fees.

**Emergency Transportation:**

In 1995-96, the city of Phoenix had a total of 19 full-time and nine 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 included funding for three heavy rescues, funded with the revenue from new franchise agreements, to respond to emergency medical calls at incidents with mass casualties.

The 2006-07 budget includes funding for four paramedic rescues and two additional ambulances to be located at Station 57 (15th Avenue and Dobbins Road), Station 60 (19th and Dunlap avenues); Station 61 (19th Street and Indian School Road); and Station 62 (99th Avenue and Lower Buckeye Road).





PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
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**TRANSPORTATION**

**PUBLIC TRANSIT**

**Service Miles/Hours:**

In 1995-96, 11,000,000 annual bus service miles were provided on weekdays and Saturdays in the city of Phoenix.

In the 2005-06 budget, funds improved service for Dial-a-Ride, with an estimated increase of 12,800 service hours to weekday service.

The 2005-06 budget also funded additional trips to alleviate overcrowded conditions on popular local routes including bus service on Van Buren Street (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 very 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 the continued enhancements, as well as a full year of 2005-06 service improvements, annual 2005-06 bus miles are estimated at 17,336,200 and Dial-a-Ride service hours are estimated at 336,650.

The 2006-07 budget restores hours at the Central Station and implements Saturday hours at Metrocenter Transit Center from 8 a.m. to 5 p.m.

The 2006-07 budget will also restore weekday fixed route service between 10:30 p.m. and midnight on 12 of 16 routes that experienced elimination of this service in 2005-06.

The 2006-07 budget also funds increased frequency on routes 0 (Central Avenue), 16 (16th Street), 24 (24th Street), 45 (Broadway Road), 50 (Camelback Road), 56 (Elliot Road and 48th Street), and service improvements on routes 24 (Sky Harbor), 27 (27th Avenue), 35 (35th Avenue) and 131 (START).

The 2006-07 budget will fund additional neighborhood circulator services and additional weekday RAPID trips.

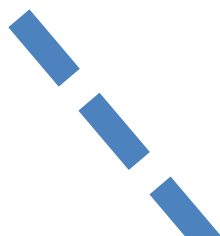
With continued enhancements and improvements annual 2006-07 bus miles are estimated at 17,886,000 and Dial-a-Ride service hours are estimated at 336,650.

**Average Weekday Bus Ridership:**

In 1995-96, the average weekday bus ridership was 115,700.

Under the 2005-06 budget, weekday ridership is estimated to rise to 152,875.

Under the 2006-07 budget, weekday ridership is estimated to rise to 157,000.



PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
<b>TRANSPORTATION</b>		
<b>STREET TRANSPORTATION</b>		
<p><b>Major and Collector Street Sweeping and Maintenance:</b> In 1995-96, sweeping major and collector streets was scheduled for every three weeks.</p>	<p>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.</p> <p>Continued budget constraints in 2004-05 reduced funding for retrofitting sidewalk ramps and neighborhood concrete repairs.</p> <p>Paving of dirt alleys continued to see reduced funding in both 2004-05 and 2005-06.</p>	<p>No changes are included in the 2006-07 budget.</p>
<p><b>Residential Street Sweeping:</b> In 1995-96, the city of Phoenix provided street sweeping service three times a year.</p>	<p>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.</p> <p>No changes were included in the 2005-06 budget.</p>	<p>No changes are included in the 2006-07 budget.</p>





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**PROGRAM SERVICE LEVEL  
IN 1995-96**

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**SERVICE CHANGES  
THROUGH 2005-06**

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**SERVICE CHANGES  
FOR 2006-07**

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**TRANSPORTATION**

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**STREET TRANSPORTATION**

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**Sealcoat:**

In 1995-96, the city of Phoenix provided 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 81 miles annually.

Increased material costs and continued budget reductions in fiscal year 2005-06 further reduced the number of annual miles to be sealcoated to 49.

Based on 2004 ICMA data, city of Phoenix paved road rehabilitation expenditures per capita compare very favorably to those of other benchmark cities as noted below:

**Paved Road Rehabilitation  
Expenditures per Capita:**

Kansas City – no data available

Tucson – \$6.31

San Jose – \$11.95

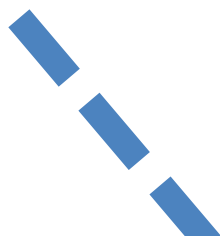
Oklahoma City – \$15.46

Austin – \$15.68

San Antonio – \$15.75

**PHOENIX – \$16.96**

The 2006-07 budget provides for 55 miles of city streets to be sealcoated annually.



<b>PROGRAM SERVICE LEVEL IN 1995-96</b>	<b>SERVICE CHANGES THROUGH 2005-06</b>	<b>SERVICE CHANGES FOR 2006-07</b>
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**TRANSPORTATION**

**STREET TRANSPORTATION**

**Asphalt Overlay:**

In 1995-96, 82 miles of overlay were performed in addition to 18 miles of microseal.

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

No changes are included in the 2006-07 budget.

In 2004-05, 105 miles were overlaid. This decrease in miles was due to increased cost of materials and bad weather.

In 2005-06, it is estimated that 85 miles will be overlaid. This decrease in miles is primarily due to increased cost of materials.

**COMMUNITY DEVELOPMENT**

**HOUSING**

**Scattered Sites Housing Program:**

In 1995-96, the Housing Department had 460 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 2005-06 inventory of 433 units reflects the sale of 37 homes to eligible tenants over the last few years.

Under the 2006-07 budget, the program is expected to sell 10 Scattered Site homes, bringing the inventory down to 423 homes.

**Affordable Housing Program:**

In 1995-96, this program had 770 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 2006-07 budget, the program is expected to maintain an inventory of 1,359 units.





**PROGRAM SERVICE LEVEL  
IN 1995-96**

**SERVICE CHANGES  
THROUGH 2005-06**

**SERVICE CHANGES  
FOR 2006-07**

**COMMUNITY DEVELOPMENT**

**HOUSING**

**Conventional Housing Program:**

This program has been in effect since 1951-52. In 1995-96, 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 St. Vincent de Paul organization.

Under the 2006-07 budget, the program expects 100 units from Phase 2 of HOPE VI to be leased up. The total inventory is expected to increase to 1,616 units.

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

In 2005-06, the department demolished the remaining 78 HOPE VI units and leased up 99 units from Phase I.

The inventory in 2005-06 was 1,516 and reflects the addition of 21 units.

**NEIGHBORHOOD SERVICES**

**Neighborhood Preservation  
Case Cycle Time (Days)**

In 1995-96, 98 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 55 in 2004-05 as staff added in previous years was fully trained and gained expertise in performing their duties. Case cycle times increased to 64 days in 2005-06 due to the complexity of dealing with different multi-unit properties.

The 2006-07 budget is expected to maintain the case cycle time at 64 days.

Based on 2004 ICMA data, city of Phoenix code enforcement expenditures per capita compares very favorably to those of other benchmark cities as noted below:

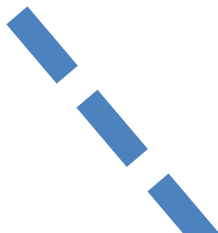
**Code Enforcement Expenditures  
per Capita:**

Austin – \$3.96

**PHOENIX – \$4.71**

Oklahoma City - not available

Long Beach - not available



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**PROGRAM SERVICE LEVEL  
IN 1995-96****SERVICE CHANGES  
THROUGH 2005-06****SERVICE CHANGES  
FOR 2006-07**

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**COMMUNITY DEVELOPMENT**

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**ECONOMIC DEVELOPMENT****Employment Growth Rate  
Compared to Other Cities**

This is a new measure.

In 2005, 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 2006-07, although growth will be at a modest rate.

**PHOENIX - 6.0%**

Austin - 3.7%

Dallas - 3.2%

San Antonio - 3.1%

Ft. Worth-Arlington - 2.1%

San Diego - 1.3%

Los Angeles-Long Beach - 1.0%

Kansas City - 0.8%

San Jose - 0.4%

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**COMMUNITY ENRICHMENT**

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**HUMAN SERVICES****Head Start Program:**

In 1995-96, the Human Services Department served 2,501 children.

The program is expected to serve 3,863 children during 2005-06.

The program is expected to serve 3,979 children during 2006-07.

**School Based/School Linked  
Program:**

In 1995-96, this program provided services at 20 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 2005-06, the program is expected to serve 2,500 youth at 11 sites.

The program is expected to serve 2,500 youth at 13 sites in the 2006-07 budget. The program will begin a new model in 11 area high schools. The program will provide services to at-risk ninth graders to ensure their success in high school.

**Senior Nutrition Program:**

In 1995-96, the Human Services Department served 500,000 congregate and home-delivered meals.

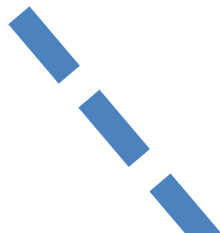
By 1998-99, the program served 499,000 congregate and home-delivered meals. In 2000-01, the program added a cook position and served 544,000 meals. For 2005-06 the program is expected to serve 595,332 congregate and home-delivered meals having expanded space at the Devonshire (formerly Squaw Peak) Senior Center.

In the 2006-07 budget, the Westside, Shadow Mountain and Ahwatukee senior centers will relocate to new expanded space in the winter of 2006. With the expansion, the program is expected to serve 600,000 congregate and home-delivered meals.





PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
<b>COMMUNITY ENRICHMENT</b>		
<b>PARKS AND RECREATION</b>		
<b>Swimming Pools:</b> In 1995-96, 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 2005-06 budget.	No changes are included in the 2006-07 budget.
<b>Swimming Pool Season:</b> In 1995-96, 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.  The 2005-06 budget reduced the swim season by closing pools one week earlier, resulting in a nine-week season.	No changes are included in the 2006-07 budget.
<b>Children's Summer Recreation Programs:</b> In 1995-96, the city of Phoenix provided recreation programs at 121 schools for 24-30 hours of programming for 6-8 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.	No changes are included in the 2006-07 budget.



PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
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**COMMUNITY ENRICHMENT**

**PARKS AND RECREATION**

**School Recreation Program  
During School Year:**

In 1995-96, three hours of after-school recreation programming were approved on weekdays for nine months each year at 36 sites citywide. In addition, the Mayor and Council expanded the program with one-time funding to provide an additional 25 sites for a total of 61 sites for the 1995-96 fiscal year.

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 2005-06 budget.

No changes are included in the 2006-07 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 back 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 changes included in the 2005-06 budget.

No service changes are included in the 2006-07 budget.





PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
-------------------------------------	------------------------------------	--------------------------------

**COMMUNITY ENRICHMENT**

**LIBRARY**

**Branch Libraries:**

In 1995-96, the city had 11 branch libraries with a total of 681 hours of weekly library service.

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 new Cesar Chavez Library is planned to open in summer 2006. This 25,000-square-foot regional branch library will serve western South Mountain Village 66 hours per week, increasing total branch library service hours to 924 per week.

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.

The new Palo Verde Library opened in January 2006. This 16,000-square-foot branch library replaced the existing 10,000-square-foot Palo Verde Library, which opened in 1966.

**Comparisons with Other Library Systems:**

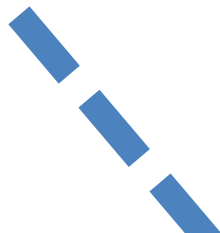
This is a new measure.

Based on 2004 ICMA data, the Phoenix library system compared very favorably to other benchmark cities as noted below:

This trend is expected to continue during the 2006-07 budget.

**Cost per Item Circulated:**

- PHOENIX – \$2.11**
- San Antonio – \$2.83
- Tucson – \$3.06
- Austin – \$3.87



PROGRAM SERVICE LEVEL IN 1995-96	SERVICE CHANGES THROUGH 2005-06	SERVICE CHANGES FOR 2006-07
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**ENVIRONMENTAL SERVICES**

**WATER SERVICES**

**Water Bill Comparison for Single-Family Homes**

This is a new measure.

In a March 2006 survey, Phoenix's average monthly water bill compared favorably to the following benchmark cities:

- San Jose – \$43.85
- Kansas City – \$32.96
- Austin – \$32.40
- Dallas – \$30.79
- Albuquerque – \$28.41
- Tucson – \$27.15
- PHOENIX – \$23.34**
- San Antonio – \$19.16

It is anticipated Phoenix water rates will continue this trend during 2006-07.

**Wastewater Bill Comparison for Single-Family Homes**

This is a new measure.

In a March 2006 survey, Phoenix's average monthly wastewater bill compared favorably to the following benchmark cities:

- San Jose – \$43.85
- Kansas City – \$32.96
- Austin – \$32.40
- Dallas – \$30.79
- Albuquerque – \$28.41
- Tucson – \$27.15
- PHOENIX – \$23.34**
- San Antonio – \$19.16

It is anticipated Phoenix wastewater rates will continue this trend during 2006-07.



# 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 estimates 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.

After these base budget requests are reviewed, departments are asked to identify 5 to 10 percent of their budget for potential elimination. These proposals are called base reductions and represent the department's lowest-priority activities. Departments are also asked to provide 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 proposed, 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.

## 2006-07 Budget Process

In February 2006, Budget and Research staff presented an initial budget status report to the City Council. The Mayor and Council were advised that estimated General Fund revenue growth was positive but balancing the 2006-07 budget would be challenging. Several factors impacting next year's budget included: 1) the shift of state-shared revenues to other faster growing Arizona cities as a result of the 2005 census, 2) 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, 3) employee compensation, and 4) fuel and utility cost increases. The report concluded that a breakeven 2006-07 General Fund budget would be likely.

The report also provided an update on the city's enterprise funds: Water, Wastewater, Solid Waste, Civic Plaza and Golf. With the exception of the Golf Fund, all of these funds remain in sound financial condition. However, they all also face future cost pressures.

## Trial Budget

On April 4, a Trial Budget was presented to the Mayor and City Council. At that time, the Mayor and Council were advised that increased revenue projections and additional cost savings had resulted in the availability of \$2,443,000 for improving General Fund community services next year. These funds were combined with available earmarked public safety franchise fee revenues to provide for an increased public safety investment. The proposed 2006-07 budget included the addition of 116 sworn positions, four new fire stations, five training captains, a new neighborhood police station and the addition of new police communications operators.

In addition, the Trial Budget included \$5.6 million to fund the opening costs of several new capital facilities, including 17 new or improved parks facilities such as the new Pecos Community Center.





This facility will combine a senior center, a community center and a new citizen service center. Other new or expanded parks facilities include Desert West Park, 35th Avenue Community Learning Center, Phoenix Center North Building, Winship House, Tovrea Castle and Carraro Cactus Garden, Reach 11 Recreation Area, Dove Valley Park, an unnamed park at Cave Creek and Tatum roads, Tramonto Park, Deem Hills Park, Stetson Valley Neighborhood Park, Washington Adult Center, an unnamed park at 31st Avenue and Roeser Road, Laveen Basin, Laveen Farms Park and Rio Salado Habitat. Also included were funds for the new Cesar Chavez regional library scheduled to open in July 2006. The proposed budget also provided staff and other operating costs for street landscaping maintenance of new streets citywide.

In the non-General Fund areas of the proposed budget, additional funding was recommended to improve community services. Transit 2000 funds were proposed to provide numerous

improvements to transit services including the restoration of some service reductions of the past few years. Late night hours eliminated on 12 routes in 2005-06 were restored, as were Saturday hours at the Central Transit Station and Metrocenter Transit Center. Funds to implement new neighborhood circulator bus routes also were proposed. These routes will be identified through a community input process. Improvements on a number of routes were proposed, including adding RAPID trips to meet demand and reduce overcrowding.

Convention Center funds were included to open and operate the new Phoenix Convention Center West Building as well as improve customer service. A facility coordinator was added to manage the new state-of-the-art conference center designed for corporate clients. Funds also were included to implement a new Guest Experience Program. Development Services funds were recommended to fund an expansion of the Development Services Annual Facilities Program and provide

needed administrative support. Additional Aviation funds were included for the operation and maintenance of the new in-line explosive detection baggage handling system to improve customer service at the airport. Additional staff also was recommended to maintain complex equipment at several new facilities and provide technical support. Water funds were included to open the new Lake Pleasant Water Treatment Plant, including a position to administer and monitor the highly complex contract for operation of the facility. Water funds also were proposed to improve technology management and support.

### Community Input

The proposed budget was presented at 13 budget hearings conducted throughout the community from April 5 through April 18 including special hearings for youth and seniors. Following a presentation describing the proposed budget, residents were invited to comment. In addition



*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 Arizona Informant, and a Spanish version was included in La Voz.*

to the budget hearings, the city communicated the budget to the community through the "Phoenix Budget for Community Review" that outlined the proposed service enhancements as well as a calendar of budget hearing dates. This publication was inserted in the April 9 edition of The Arizona Republic and the April 12 edition of the Arizona Informant. A Spanish version of this publication was included in La Voz. Copies of the inserts also were available at various locations throughout the city, including all budget hearings. In total, nearly 200,000 of the inserts were made available to residents throughout the city. Residents also were invited to send comments and questions through the city's Web site. This publicity of the Trial Budget allowed the City Council and the community to comment on a balanced budget.

**Tentative Budget Adoption – May 31**

A public hearing and tentative budget adoption were held on May 31 in compliance with the City 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 City 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 14**

A public hearing and final adoption were conducted on June 14. Adoption of the property tax levy was scheduled no less than 14 days later on July 5 in accordance with state law.

The following chart is an overview of the 2006-07 budget calendar.

<b>2006-07 Budget Calendar</b>	
February 28	General Fund Budget Status Report
April 4	2006-07 Proposed Balanced Budget
Week of April 9	Budget Inserts in Local Newspapers
April 5 - 18	Community Budget Hearings
May 2	2006-07 Proposed Budget and 2006-11 Preliminary Capital Improvement Program presented to the City Council
April 20	2001 Bond Committee Meeting
May 2	City Manager's Recommended 2006-07 Budget distributed to City Council
May 9	Final City Council Budget Review
May 31	Tentative Adoption of 2006-07 Budget and 2006-11 Capital Improvement Program
June 14	Final Budget Adoption
July 5	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 practices and 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") can be 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 2006-07 budget development process are as follows.

Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2006-07 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 4
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.	May 2
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 15
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 15





<b>Action Required</b>	<b>City Charter Prescribed Deadline</b>	<b>Arizona State Statute Prescribed Deadline</b>	<b>2006-07 Budget Dates</b>
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.	May 31
Publish summary of tentatively adopted budget and notice of public hearing which must precede final adoption.	No requirement.	Once a week for two consecutive weeks following tentative adoption.	Publish weeks of June 5 and 12
Publish truth-in-taxation notice twice in a newspaper of general circulation.	No requirement.	First, at least 14 but no more than 20 days before required public hearing; then at least seven days but not more than 10 days before required hearing.	Publish on May 26 and June 5
Public hearing including truth-in-taxation hearing immediately followed by final budget adoption.	No requirement.	No later than second Monday in August.	June 14
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 5

**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. Phoenix's 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 many 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 and by timing changes in capital projects funded by bond proceeds.

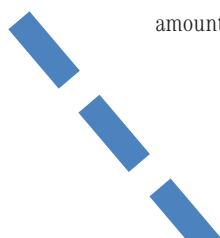
Finally, transfers of amounts within any specific fund or within General Fund programs can be made upon approval of the city manager.

**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 expenses. 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 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 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's 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. The 2004-05 and 2005-06 budgets maintained the General Fund contingency at 2.6 percent of operating expenditures, while the 2006-07 contingency will be at 2.7 percent. 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 -

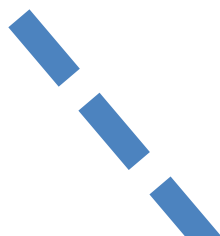
The Finance Department prepares an indirect cost allocation plan that conforms to federal guidelines for grant reimbursement of appropriate administrative costs. The allocated costs are charged to eligible federal grant funds through a fund transfer to the General Fund.

### 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 including appropriate overhead.

### 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 Convention Center, 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 Convention Center 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. Annual amounts for cash conversion of vacation, compensatory time and sick leave are included in the budget. However, 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.

**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, 43 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 also have 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 20 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** – 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 are 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.

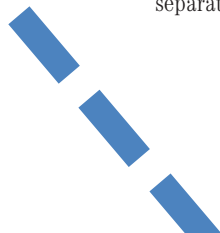
**Police and Fire Neighborhood Protection**

– 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 Convention Center funds. With the exception of Convention Center 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.

Convention Center 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 Convention Center 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 2006-07 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

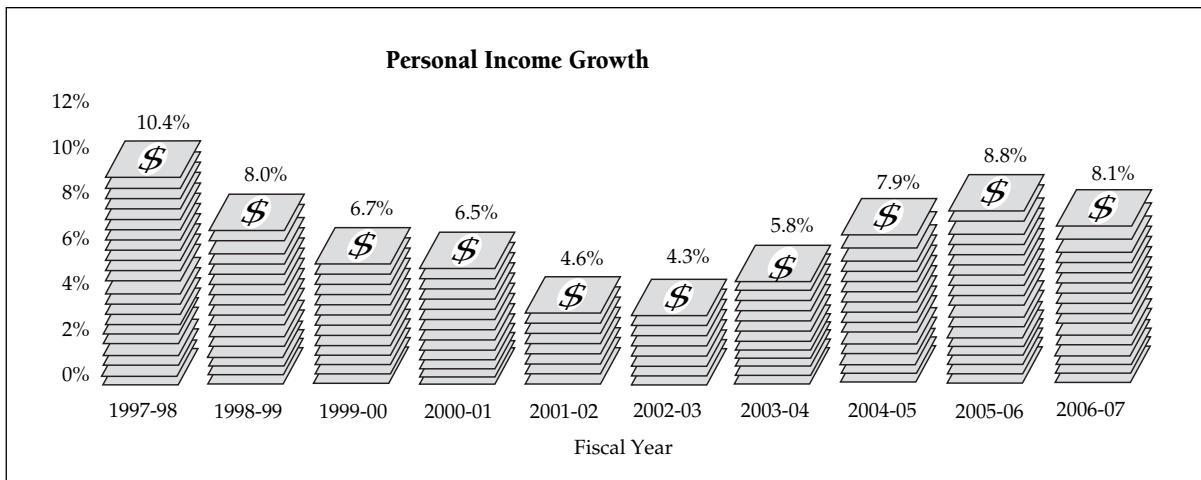
include portions of court fines and fees, and ambulance fees. Finally, the revenue estimates reflect an approved adjustment to property tax revenues. Consistent with recommendations of the 2006 Bond Committee, the primary property tax levy has been increased to the maximum allowable amount. The current \$1.82 combined primary and secondary property tax rate will remain the same.

The state and local economy achieved strong growth in 2004-05, bolstered by strong growth in construction, retail sales and business and personal income taxes.

This trend has continued into 2005-06.

It is assumed that growth will 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 8.1 percent in 2006-07, down from the 8.8 percent estimated for 2005-06.

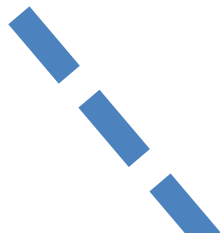
In non-General Fund revenues, the 2006-07 estimates for Water, Wastewater and Solid Waste systems reflect full year impacts of 2005-06 fee increases.





**GENERAL REVENUES BY MAJOR SOURCE**  
**(In Thousands of Dollars)**

Revenue Source	2004-05 Actuals	% of Total	2005-06 Estimate	% of Total	2006-07 Budget	% of Total	Increase/(Decrease) from 2005-06 Est.	
							Amount	Percent
<b>Local Taxes</b>								
Sales Tax	\$356,702	42.3%	\$402,800	42.9%	\$440,536	43.1%	\$37,736	9.4%
Privilege License Fees	2,263	0.3	2,350	0.3	2,350	0.2	–	0.0
Subtotal	\$358,965	42.6%	\$405,150	43.2%	\$442,886	43.4%	\$37,736	9.3%
<b>State-Shared Revenues</b>								
Sales Tax	123,788	14.7	140,520	15.0	144,557	14.2	4,037	2.9
State Income Tax	121,440	14.4	138,313	14.7	166,390	16.3	28,077	20.3
Vehicle License Tax	56,552	6.7	60,765	6.5	60,584	5.9	(181)	-0.3
Subtotal	\$301,780	35.8%	\$339,598	36.2%	\$371,531	36.4%	\$31,933	9.4%
<b>Primary Property Tax</b>	82,547	9.8	90,396	9.6	95,660	9.4	5,264	5.8
<b>User Fees/Other Revenues</b>								
Licenses & Permits	2,459	0.3	2,507	0.3	2,533	0.2	26	1.0
Cable Communications	7,968	0.9	8,464	0.9	8,475	0.8	11	0.1
Fines & Forfeitures	19,301	2.3	21,485	2.3	23,110	2.3	1,625	7.6
Court Default Fee	820	0.1	1,040	0.1	1,121	0.1	81	7.8
Engineering & Architectural Services	2,930	0.3	1,122	0.1	2,514	0.2	1,392	+100.0
Fire	28,716	3.4	28,623	3.1	31,035	3.0	2,412	8.4
Hazardous Materials Inspection Fees	1,346	0.2	1,325	0.1	1,325	0.1	–	0.0
Library Fees	1,048	0.1	1,583	0.2	1,718	0.2	135	8.5
Parks & Recreation	3,165	0.4	5,320	0.6	5,151	0.5	(169)	-3.2
Planning	1,803	0.2	1,515	0.2	1,558	0.2	43	2.9
Police	11,111	1.3	11,700	1.2	11,822	1.2	122	1.0
Street Transportation	3,223	0.4	2,240	0.2	2,247	0.2	7	0.3
Other Service Charges	14,035	1.7	14,988	1.6	17,117	1.7	2,129	14.2
All Others	1,767	0.2	1,296	0.1	1,713	0.2	417	32.2
Subtotal	\$99,692	11.8%	\$103,208	11.0%	\$111,439	10.9%	\$8,231	8.0%
<b>TOTAL GENERAL FUND</b>	<b>\$842,984</b>	<b>100.0%</b>	<b>\$938,352</b>	<b>100.0%</b>	<b>\$1,021,162</b>	<b>100.0%</b>	<b>\$83,164</b>	<b>8.9%</b>



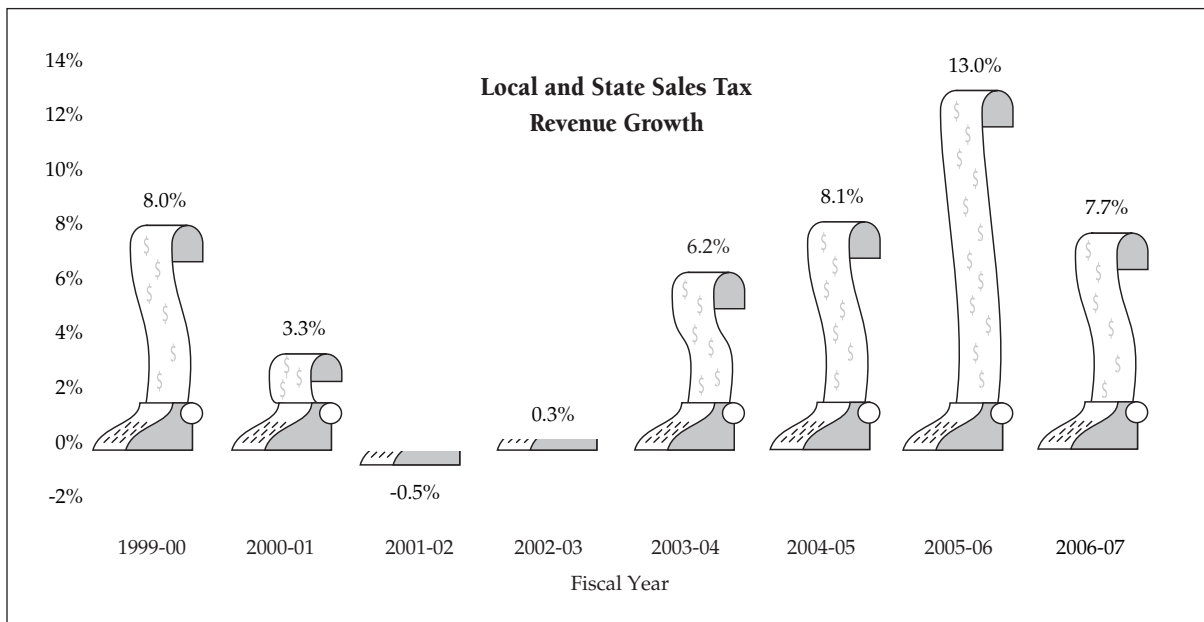
**GENERAL FUNDS**

Total 2006-07 General Fund revenues are estimated to be \$1,021.5 million or 8.9 percent more than 2005-06 estimates of \$938.4 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 2006-07 revenue estimates.

Local and state sales tax collections represent approximately 58 percent of General Fund revenues. Local and state sales taxes for 2006-07 are expected to grow by 7.7 percent over the 2005-06 estimates. This is a decrease from the 13.0 percent growth rate anticipated in 2005-06. The most significant contributor to the decreased growth in 2006-07 is the

impact of the 2005 census. As other cities experience faster population growth rates, Phoenix will receive a smaller percentage of state-shared revenue beginning in 2006-07.

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 2006-07 estimate is \$442.9 million, which is \$37.7 million or 9.3 percent greater than the 2005-06 estimate of \$405.2 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.

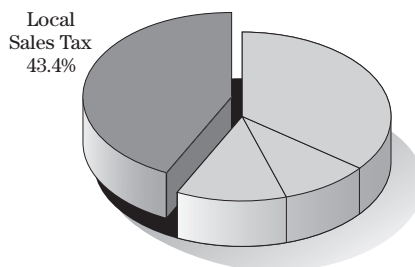
Of the 15 categories collected as a percentage of income, all except advertising provide General Fund resources. All but advertising contribute voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising category are

restricted to the Convention Center fund and/or the Sports Facilities fund. Beginning in May 2005, utilities sales tax collections were directed to 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 \$442,886,000 for 2006-07. This is an increase of \$37,736,000 or 9.3 percent from the 2005-06 estimate of \$405,150,000. The increase in local sales tax revenue is based on estimated growth of 9.1 percent in the retail sales category, and reflects continued consumer confidence spurring spending. Projected increases in other categories include 12.7 percent for utility and franchise which

**GENERAL FUNDS**  
**Total Revenues – \$1,021.5 Million**



**CURRENT LOCAL SALES TAX RATES BY CATEGORY**

	General Fund	Neighborhood Protection	Public Safety Enhancement	Parks & Preserves	Transit 2000	Convention Center	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.



takes into account moderate rate increases for APS; 9.5 percent for commercial rentals; 9.3 percent for restaurants and bars; and 9.2 percent for hotel/motel room rentals.

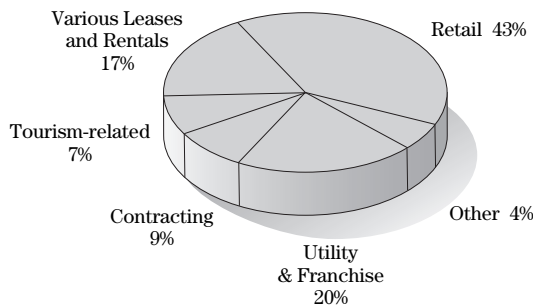
As shown in the pie chart to the right, the retail category represents approximately 43 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 8.1 percent for 2006-07. Overall, sales tax growth tends to follow a growth 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 2006-07, these categories are expected to increase 6.9 percent, 9.5 percent and 8.9 percent respectively. These three categories combined are approximately 17 percent of General Fund sales tax revenue.

The contracting category is expected to increase by 16.3 percent. The city has experienced tremendous growth rates in this category over the past several years, led by booming residential and commercial construction. The expected 2005-06 growth is 30.9 percent. For 2006-07, 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 Convention Center expansion, the downtown hotel and light rail. This category represents approximately 9 percent of the General Fund sales tax revenue.

The restaurants and bars category is expected to increase 9.3 percent and the hotel/motel category is expected to increase 9.2 percent in 2006-07. 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. The expected growth rate for these categories for 2005-06 are

**GENERAL FUNDS  
Local Sales Taxes**



10.2 percent and 11.9 percent respectively. Revenues from these tourism-related activities represent approximately 7 percent of General Fund sales tax revenue.

The utility tax category is approximately 20 percent of General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2006-07 estimate for utility sales and franchise tax revenue is \$84,679,000, which is an increase of 10.1 percent over the 2005-06 estimate. The increase is largely due to recent and expected future rate increases for APS, 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 2006-07 estimate of \$14,904,000 for use tax is 5.2 percent or \$737,000 more than the 2005-06 estimate. This category is subject to variation in purchasing practices, as well as economic drivers. The use tax category is approximately 4 percent of General Fund sales tax revenue.

The following table shows General Fund sales tax collections since 2001-03. 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 2006-07 estimate of \$6,493,000 for this category is 2.5 percent higher than the 2005-06 estimate of \$6,335,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2006-07 estimate of \$1,295,000 for this tax is 2.2 percent greater than the 2005-06 estimate of \$1,264,000. This increase provides for modest growth in accounts.

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

Fiscal Year	Revenues	% Change From Previous Year
2001-03	\$307,699	0.0%
2002-04	325,547	5.8
2003-05	349,120	7.2
2004-06 (Est.)	395,028	13.1
2005-07 (Est.)	432,571	9.5





### Privilege License Fees

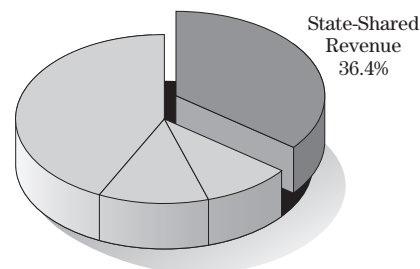
The city charges a \$16 fee to process an application for a privilege tax license and assesses a \$50 annual fee for existing licenses. These fees are intended to recover the costs associated with administering a fair and efficient sales tax system. This category also includes a \$50 annual fee on each apartment complex for non-transient lodging. The 2006-07 estimate for privilege license fee revenue of \$2,350,000 represents no change from the 2005-06 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 2006-07 estimate for this category is \$371.5 million, which is \$31.9 million or 9.4 percent more than the 2005-06 estimate of \$339.6 million. State-shared revenue in 2006-07 is greatly impacted by the 2005 census. The state shares a portion of its revenue with cities based on their population's proportion to the rest of the state. As other cities statewide grow at a faster pace, Phoenix will lose a portion of its state-shared revenue.

The overall loss is estimated to be \$19.1 million. State sales tax is expected to grow at 10.3 percent in 2006-07; however, after considering the impact of the census, the city's share will grow at just 2.9 percent. The increase in the income tax collections reflects personal and corporate income growth in 2004-05. Income tax collections grew at 29.6 percent, however, after considering the impact of the census, the city's share will grow at 20.3 percent. State-shared vehicle license tax revenue for 2006-07 is estimated to decline 0.3 percent below the 2005-06 estimate.

### GENERAL FUNDS Total Revenues – \$1,021.5 Million



### 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.

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. Using the 2005 preliminary census, Phoenix's share of the distribution to cities for 2006-07 is estimated at 30.2 percent, a decrease from the current 32.5 percent based on the 2000 census.

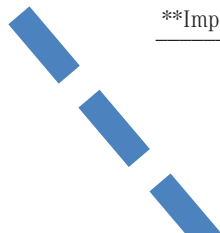
The city's share of the state sales tax for 2006-07 is expected to be \$144,557,000, which is \$4,037,000 or 2.9 percent more than the 2005-06 estimate of \$140,520,000. The actual growth rate estimated for state sales tax, exclusive of the census impact,

### STATE SALES TAXES (In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix's Share		
	Total	% Change	Percent	Amount	% Change
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	376,213	10.5	32.5*	123,788	10.9
2005-06 (Est.)	430,832	14.5	32.5	140,520	3.5
2006-07 (Est.)	475,038	10.3	30.2**	144,557	2.9

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

\*\*Impact of 2000 census population changes.



is 10.3 percent. This estimate is based on the assumption that, similar to the local economy, the state economy will continue to show strong growth but at a moderated pace. At the state level, retail sales are anticipated to increase about 9.5 percent over the current fiscal year. The table to the left shows the cities' share of state sales taxes, Phoenix's allocation and annual increases since 2002-03. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year.

### 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 2006-07 estimate is based on a 15 percent share.

The portion of the state income tax, which will be distributed to cities and towns in 2006-07, is expected to be \$551.3 million. The distribution represents

actual individual and corporate income tax collections by the state in the 2004-05 fiscal year. The anticipated \$551.3 million is a 29.6 percent increase from the previous fiscal year. The large increase is a result of rapid growth in personal income and corporate profits. Personal income tax payments grew by 28.9 percent and corporate income tax payments grew by 42.1 percent. The city of Phoenix's portion of the state income tax is estimated to be approximately 30.2 percent of the 15 percent share distributed to cities. This equates to \$166,390,000 for 2006-07 and is an increase of \$28,077,000 or 20.3 percent from the 2005-06 estimate of \$138,313,000.

The table below shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2002-03. 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

#### 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
2002-06	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	15.0	372,973	1.9	32.5**	121,440	1.9
2005-06 (Est.)	15.0	425,395	14.1	32.5	138,313	14.0
2006-07 (Est.)	15.0	551,325	29.6	30.2**	166,390	20.3

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

\*\*Impact of 2000 census population changes.

#### VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2002-03	\$103,596	46.1%	\$47,758	\$1,915	4.2%
2003-04	116,050	46.1	53,522	5,764	12.1
2004-05	122,619	46.1	56,552	3,030	5.7
2005-06 (Est.)	131,754	46.1	60,765	4,213	7.4
2006-07 (Est.)	139,395	43.0	60,584	(181)	(0.3)





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.

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 preliminary 2005 census, Phoenix's percentage of population within Maricopa County is approximately 43.0 percent, down from 46.1 percent based on the 2000 census.

Phoenix's share of the vehicle license tax for 2006-07 is anticipated to be \$60,584,000, which is \$181,000 or 0.3 percent below the 2005-06 estimate of \$60,765,000. The loss in 2006-07 is due to the impact of the census. Exclusive of the census, vehicle license tax collections are expected to produce moderate growth.

The table on page 61 shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2002-03.

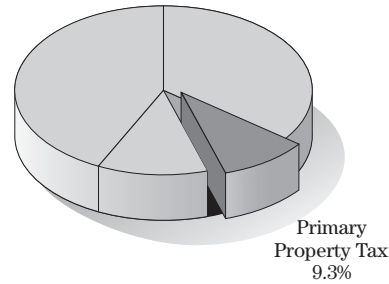
**PRIMARY PROPERTY TAX**

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

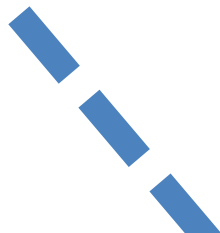
**GENERAL FUNDS**  
**Total Revenues – \$1,021.5 Million**

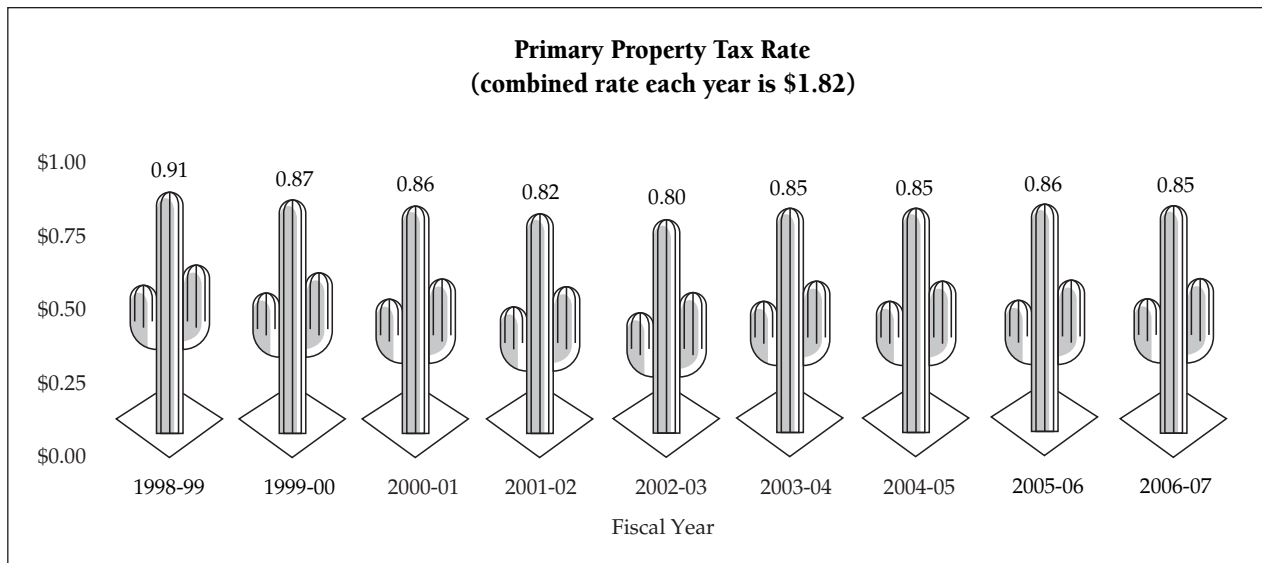


**PRIMARY PROPERTY TAX**

Fiscal Year	Primary Assessed Valuation (in Billions)	% Change	Primary Levy (in Thousands)	% Change	Rate per \$100 Assessed Valuation
2002-03	\$ 8,269	7.5%	\$ 65,107	5.3%	\$.80
2003-04	9,049	9.4	76,392	17.3	.85
2004-05	9,800	8.3	83,304	9.0	.85
2005-06 (Est.)	10,637	8.5	91,311*	9.6	.86
2006-07 (Est.)	11,431	7.5	96,622*	5.8	.85

\*In 2005-06 the maximum primary property tax amount allowed by the Arizona constitution was levied.





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 also was 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.

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 as planned and in 2005-06 the maximum amount allowed by the Arizona Constitution was levied.

The estimated 2006-07 primary property tax levy is \$96,622,000, which is the maximum allowed by the Arizona Constitution. This is a 5.8 percent increase over the 2005-06 levy of \$91,311,000. The change in the primary levy reflects an estimated \$3,485,000 increase for collections associated with new properties entering the rolls, plus \$1,826,000 for the state Constitution allowed 2 percent increase associated with previously assessed property. The primary assessed valuation of \$11.43 billion is approximately 7.5 percent above

the 2005-06 primary assessed valuation of \$10.64 billion.

Historically, actual property tax collections are slightly lower than the amount levied. For 2006-07, actual collections for primary property tax are estimated to be \$95,660,000 or 99 percent of the levy amount.

The 2006-07 levy results in an estimated primary property tax rate of \$0.8453 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$0.9747 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 2002-03.





## 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 2006-07 estimate for this category is \$111.4 million, which is \$8.2 million or 7.9 percent higher than the 2005-06 estimate of \$103.2 million. Following are descriptions of the various categories and explanations of the revenue estimates.

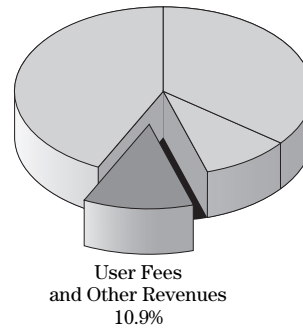
### Licenses and Permits

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 2006-07 estimate of \$2,533,000 is 1 percent higher than the 2005-06 estimate, given the historically slow 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 2006-07 estimate of \$8,475,000 is \$256,000 or 0.1 percent greater than the 2005-06 estimate of \$8,464,000. The increase assumes conservative growth in the customer base and no cable rate increases. The increase also accounts for deductions for credits due to cable providers.

## GENERAL FUNDS Total Revenues – \$1,021.1 Million



### Fines and Forfeitures

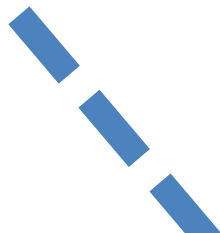
This category is comprised of various sanctions including traffic moving violations, criminal offense fines, parking violations, driving under the influence and defensive driving program revenues. The 2006-07 estimate of \$23,110,000 is \$1,624,000 or 7.6 percent more than the 2005-06 estimate of \$21,486,000. The estimate reflects increases in moving violations and criminal offense fines. The city's recent participation in the Arizona State Court enhanced collection efforts, including withholding vehicle registrations until delinquent fines are paid and the mid-year addition of collections staff, is also expected to contribute to increased revenues.

### 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 2006-07 estimate for this revenue category is \$1,121,000, which is 7.8 percent higher than the 2005-06 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 2006-07 estimate of \$2,514,000 is \$1,392,000 or 124.1 percent more than the 2005-06 estimate of \$1,122,000. A majority of the 2006-07 increase is due to the effects of a large write-off of bad debts in 2005-06.



## **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 2006-07 estimate for ETS is \$25,032,000, which is \$899,000 or 3.7 percent greater than the 2005-06 estimate of \$24,133,000. The moderate increase includes rate increases approved by the Arizona Department of Health Services.

Other Fire revenue sources include fire prevention inspection fees, computer-aided dispatch (CAD) and various other services provided to the community. The 2006-07 estimate for other fire services is \$6,003,000 which is 33.7 percent above 2005-06.

## **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 2006-07 estimate is \$1,325,000, which is the same as 2005-06 estimate. Revenues in this category have been historically consistent.

## **Library Fees**

Library fee and fine revenue for 2006-07 is expected to be \$1,718,000, which is \$135,000 or 8.5 percent above the 2005-06 estimate. The increase is due to increased library fine collections. Collection fine trends indicate consistent growth with additional fine revenue coming from the new Cesar Chavez library opening in July 2006.

## **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 2006-07 estimate of \$5,151,000 is \$169,000 or 3.2 percent below the 2005-06 estimate. The decrease in 2006-07 is due to a change in accounting methods used for the Municipal Stadium concessions.

## **Planning**

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances. The 2006-07 estimate of \$1,558,000 is \$43,000 or 2.8 percent more than the 2005-06 estimate of \$1,515,000, reflecting growth in rezoning 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 2006-07, the estimate of \$11,822,000 is 0.1 percent more than the 2005-06 estimate of \$11,700,000.

## **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 2006-07 estimate of \$2,247,000 is just slightly more than the 2005-06 estimate of \$2,240,000.

## **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 2006-07 estimate of \$17,116,000 is \$2,128,000 or 14.2 percent more than the 2005-06 estimate of \$14,988,000. 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 2006-07 estimate of \$1,713,000 is \$417,000 or 32.2 percent greater than the 2005-06 estimate of \$1,296,000.





## **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 2006-07 revenue estimates. The table on the next page provides the 2005-06 and 2006-07 estimates and 2004-05 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 2006-07 estimate of \$32,294,000 is \$2,921,000 or 9.9 percent greater than the 2005-06 estimate of \$29,373,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$181,000 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 2006-07 estimate of \$21,679,000 is \$2,099 or 10.7 percent greater than the 2005-06 estimate of \$19,580,000. These estimates are consistent with the utilities sales tax forecast for the General Fund and include estimated rate increases for APS.

#### **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 2006-07 estimate of \$32,295,000 is \$2,919,000 or 9.9 percent more than the 2005-06 estimate of \$29,376,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. Also, \$600,000 is estimated for interest earnings in 2006-07.

#### **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 2006-07 estimate of \$129,179,000 is

\$11,676,000 or 9.9 percent greater than the 2005-06 estimate of \$117,503,000.

These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

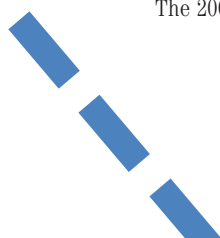
Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2006-07 fare box revenue estimate of \$24,891,000 is 1.2 percent greater than the 2005-06 estimate. The 2006-07 estimate also includes interest earnings of \$5,911,000 which is a 15.0 percent increase above 2005-06. The increase in interest earnings is due to a larger than expected fund balance in the light rail fund in 2006-07.

#### **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 2006-07 is \$3,182,000.

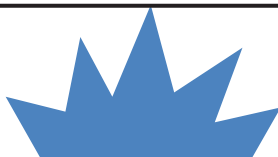
#### **Development Services**

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 2006-07 estimate is \$60,241,000, which is \$2,980,000 or 5.2 percent more than the 2005-06 estimate of \$57,261,000. The growth in the residential and commercial sector is driving increases in the revenue for 2006-07. 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	2004-05 Actual	2005-06 Estimate	2006-07 Budget	Increase/(Decrease) from 2005-06 Est.	
				Amount	Percent
<b>Special Revenue Funds</b>					
Neighborhood Protection	\$ 25,481	\$ 29,554	\$ 32,475	\$ 2,921	9.9%
Public Safety Enhancement	3,136	19,580	21,679	2,099	10.7
Parks and Preserves	26,703	30,976	32,895	1,919	6.2
Transit 2000	136,211	149,847	162,407	12,560	8.4
Court Awards	3,318	3,622	3,182	(440)	-12.1
Development Services	52,450	57,261	60,241	2,980	5.2
Capital Construction	18,437	20,435	21,561	1,126	5.5
Sports Facilities	13,993	15,457	16,664	1,207	7.8
Arizona Highway User Revenue	120,038	123,275	120,373	(2,902)	-2.4
Local Transportation Assistance	7,136	7,035	6,966	(69)	-1.0
Regional Transit Revenues	8,348	22,432	35,792	13,360	59.6
Community Reinvestment	2,036	2,151	2,156	5	0.2
Secondary Property Tax	101,466	110,461	120,209	9,748	8.8
Impact Fee Program Administration	3,383	2,860	2,460	(400)	-14.0
Court Special Fees	1,663	1,747	1,811	64	3.7
Monopole Rental	138	133	133	-	0.0
Tennis Center	22	16	16	-	0.0
Heritage Square	17	20	20	-	0.0
Affordable Housing Program	1,523	1,576	1,559	(17)	-1.1
Other Restricted (gifts/trusts)	15,626	9,575	9,580	5	0.1
<b>Grants</b>					
Public Housing Grants	69,947	75,833	74,068	(1,765)	-2.3
Human Services Grants	47,884	44,527	32,839	(11,688)	-26.2
Community Development	21,284	18,564	34,529	15,965	86.0
Criminal Justice	17,363	15,217	17,949	2,732	18.0
Public Transit Grants	6,704	7,117	6,982	(135)	-1.9
HOPE VI Grant	8,123	14,345	5,956	(8,389)	-58.5
Other Grants	15,292	19,283	24,106	4,823	25.0
Subtotal - Grants	\$ 186,597	\$ 194,886	\$ 196,429	\$1,543	0.8%
<b>Total Special Revenue Funds</b>	<b>\$ 727,722</b>	<b>\$ 802,899</b>	<b>\$ 848,608</b>	<b>\$ 45,709</b>	<b>5.7%</b>
<b>Enterprise Funds</b>					
Aviation	228,947	244,372	266,987	22,615	9.3
Water System	252,643	285,265	296,518	11,253	3.9
Wastewater System	159,069	170,791	180,099	9,308	5.4
Solid Waste	108,525	114,307	116,461	2,154	1.9
Convention Center	57,415	65,993	73,126	7,133	10.8
Golf Courses	5,833	7,567	9,081	1,514	20.0
<b>Total Enterprise Funds</b>	<b>\$ 812,432</b>	<b>\$ 888,295</b>	<b>\$ 942,272</b>	<b>\$ 53,977</b>	<b>6.1%</b>
<b>TOTAL NON-GENERAL FUND REVENUE</b>	<b>\$1,540,154</b>	<b>\$1,691,194</b>	<b>\$1,790,880</b>	<b>\$ 99,686</b>	<b>5.9%</b>





### 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 2006-07 estimate is \$20,811,000, or a 5.5 percent increase over the 2005-06 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program.

The 2006-07 estimate also includes interest earnings, for which, \$700,000 is estimated in 2005-06 and \$750,000 is estimated in 2006-07.

### 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 2006-07 estimate is \$16,164,000, which is \$1,232,000 or 8.3 percent more than the 2005-06 estimate of \$14,932,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2006-07 estimate includes \$7.4 million for the hotel/motel portion and \$8.2 million for the short-term car rental portion. Also, \$500,000 is estimated in 2006-07 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

### ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2002-03	\$104,596	\$4,190	4.2%
2003-04	111,757	7,161	6.9
2004-05	117,464	5,707	5.1
2005-06 (Est.)	121,775	4,311	3.7
2006-07 (Est.)	119,623*	(2,152)	(1.8)

\*2000 Census adjustment to population is reflected.

per gallon) for a total local gas tax rate of 18 cents per gallon.

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 2006-07, it is anticipated that Phoenix will receive \$98.5 million from the 27.5 percent share and \$23.2 million from the 3 percent share.

The total 2006-07 AHUR estimate of \$120,373,000 is \$2,902,000 or 2.4 percent below the 2005-06 estimate of \$123,275,000. Included in the estimate is interest earnings of \$1,500,000 in 2005-06 and \$750,000 in 2006-07. The state-shared increase is based on anticipated increases at the state level of 3.9 percent in gasoline tax collections, 4.1 percent in motor carrier tax collections (trucking), 4.0 percent in vehicle license tax collections and 4.1 percent in vehicle registrations offset by an adjustment to Phoenix's share for anticipated census reductions. The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2002-03.

### 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 2006-07 estimate for LTA revenue is \$7.0 million which assumes the \$23 million maximum is reached. Using the 2005 preliminary census, the city is expected to receive 30 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) for the regional transportation plan, other state funding agencies, and the sale of bus service provided to other jurisdictions. The 2006-07 estimate of \$35,792,000 is \$13,360,000 or 59.6 percent above the 2005-06 estimate of \$22,432,000. The increase is due to funds received from RPTA for the Regional Transportation Plan. The plan is funded by the Maricopa County transportation tax that was extended for 20 more years by Proposition 200. The funds in 2006-07 will be used for new bus purchases.

### Community Reinvestment

The 2006-07 estimate of \$2,156,000 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 primary property tax rate is \$0.8453. To maintain our current \$1.82 total rate, the resulting secondary rate is \$0.9747 per \$100 of assessed value for 2006-07. The 2006-07 secondary property tax levy of \$119,509,000 is based on this projected rate and secondary assessed valuation of \$12.26 billion. This levy is \$9,698,000 or 8.8 percent greater than the 2005-06 levy of \$109,811,000. The increase is primarily because of a 7.4 percent increase in net assessed property values for Phoenix plus a slight increase in the secondary rate. Also included in the 2006-07 estimate is

### SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2002-03	\$ 8,803	6.9%	\$ 89,948	8.8%	\$1.00
2003-04	9,792	11.2	94,984	5.6	0.97
2004-05	10,490	7.1	101,756	7.1	0.97
2005-06 (Est.)	11,420	8.9	109,811	7.9	0.96
2006-07 (Est.)	12,261	7.4	119,509	8.8	0.97

\$700,000 in interest earnings, a 7.7 percent increase above 2005-06.

The total property tax rate of \$1.82 for 2006-07 has remained unchanged since 1995-96.

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2002-03.

### 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 were significant enough to require separate accounting. The 2005-06 and 2006-07 revenue estimates are \$2,860,000 and \$2,460,000 respectively. Since administrative fee revenue is related to development activity, this revenue source can be volatile. With a slight decline projected in growth for the new development areas, administrative fee

revenue is expected to decrease by \$400,000 in 2006-07.

### 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 2006-07 estimate of \$13,119,000 is \$53,000 above the 2005-06 estimate of \$13,066,000. The 2006-07 estimate includes expected donations of \$3.5 million for the Children's Museum.

### Public Housing Grants

The 2006-07 Assisted Housing grants revenue included in the annual operating budget is \$74,068,000, which is a 2.3 percent decrease from 2005-06. 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 2006-07 revenue estimate of \$32,839,000 is \$11,688,000 less than the 2005-06 estimate of \$44,527,000. 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 2006-07 CDBG entitlement plus carryover amounts is \$34,529,000.

### **Criminal Justice Grants**

The 2006-07 grant revenue for criminal justice programs is estimated to be \$17,949,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$3.7 million, \$8.9 million in Police Department grants, and renewals of ongoing state grants.

### **Public Transit Grants**

The 2006-07 Federal Transit Administration Grant estimate is \$6,982,000 reflecting a decrease of \$135,000 below the 2005-06 estimate of \$7,117,000.

### **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 \$5,956,000 of that grant will be earned and expended in 2006-07.

### **Other Grants**

The 2006-07 budget also includes \$24,106,000 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, Convention Center and Golf. These enterprise funds fully recover their costs through user fees associated with the provision of their services. This category also includes the Convention Center that, in addition to the user fees associated with the operation of the Convention Center, is supported by earmarked sales taxes. Following are descriptions of each enterprise fund category and explanations of the revenue estimates.

### **Aviation**

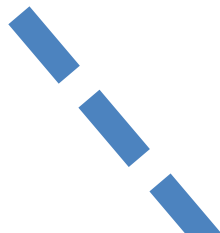
Aviation revenue estimates include landing fees, concession revenues and interest income at Sky Harbor International, Deer Valley and Goodyear airports. Total Aviation revenue for 2006-07 is anticipated to be \$266,987,000, which is \$22,615,000 or 9.3 percent greater than the 2005-06 estimate of \$244,372,000. The 2006-07 estimate anticipates conservative growth in airline fees, landing fees and concessions. The largest contributors to the growth in 2006-07 are increased parking revenues resulting from rate increases, increased concessions from the new rental car facility and a federal grant of \$8.0 million for an explosive detection system.

The first table on page 71 shows Aviation revenue by major category and annual percent change since 2002-03.

### **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 2006-07 is projected to be \$296,518,000, which is \$11,253,000 or 3.9 percent more than the \$285,265,000 estimate for 2005-06. The 2006-07 estimate reflects increases in metered water sales from modest account growth coupled with a drop in overall consumption per account. The estimate also takes into account rate increases for water sales and user fees.

The second table on page 71 shows water system revenues by major category since 2002-03.





### **Human Services Grants**

The 2006-07 revenue estimate of \$32,839,000 is \$11,688,000 less than the 2005-06 estimate of \$44,527,000. 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 2006-07 CDBG entitlement plus carryover amounts is \$34,529,000.

### **Criminal Justice Grants**

The 2006-07 grant revenue for criminal justice programs is estimated to be \$17,949,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$3.7 million, \$8.9 million in Police Department grants, and renewals of ongoing state grants.

### **Public Transit Grants**

The 2006-07 Federal Transit Administration Grant estimate is \$6,982,000 reflecting a decrease of \$135,000 below the 2005-06 estimate of \$7,117,000.

### **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 \$5,956,000 of that grant will be earned and expended in 2006-07.

### **Other Grants**

The 2006-07 budget also includes \$24,106,000 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, Convention Center and Golf. These enterprise funds fully recover their costs through user fees associated with the provision of their services. This category also includes the Convention Center that, in addition to the user fees associated with the operation of the Convention Center, is supported by earmarked sales taxes. Following are descriptions of each enterprise fund category and explanations of the revenue estimates.

### **Aviation**

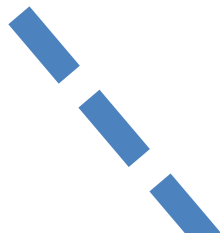
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The second table on page 71 shows water system revenues by major category since 2002-03.



**SUMMARY OF AVIATION REVENUES**  
**(In Thousands of Dollars)**

	2002-03	2003-04	2004-05	2005-06 (Est.)	2006-07 (Est.)
Airline Operation	\$ 76,223	\$ 78,910	\$ 84,039	\$ 90,591	\$ 92,400
Concessions and Rentals	113,296	120,032	126,490	140,445	153,498
Interest	5,854	6,758	6,644	6,125	6,225
Other/Federal Grants	13,754	9,668	7,304	2,435	10,007
Goodyear	1,813	1,773	1,820	2,098	2,123
Deer Valley	2,419	2,445	2,650	2,678	2,734
<b>Total Aviation Revenue</b>	<b>\$213,359</b>	<b>\$219,586</b>	<b>\$228,947</b>	<b>\$244,372</b>	<b>\$266,987</b>
Change From Prior Year	8.5%	2.9%	4.3%	6.7%	9.3%

**SUMMARY OF WATER SYSTEM REVENUES**  
**(In Thousands of Dollars)**

	2002-03	2003-04	2004-05	2005-06 (Est.)	2006-07 (Est.)
Water Sales	\$171,472	\$179,639	\$177,569	\$199,048	\$208,747
Environmental Consumption Charge	11,658	15,956	19,350	26,452	31,227
Raw Water Charge	15,879	16,514	15,150	16,646	16,642
Interest	10,316	8,571	6,074	10,790	9,205
Development Fees	7,625	9,038	10,655	9,000	6,500
Combined Service Fees	1,542	1,740	2,108	3,829	4,479
Val Vista	4,104	4,690	5,047	5,195	6,516
All Other	27,725	13,898	16,690	14,305	13,202
<b>Total Water Revenue</b>	<b>\$250,321</b>	<b>\$250,046</b>	<b>\$252,643</b>	<b>\$285,265</b>	<b>\$296,518</b>
Change From Prior Year	6.0%	(0.1%)	1.0%	12.9%	3.9%





### 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 \$180,099,000 in 2006-07, which is \$9,308,000 or 5.4 percent greater than the 2005-06 estimate of \$170,791,000. The 2006-07 estimate is based on moderate account growth of 2 percent and the full year's realization of the March 2006 rate increase on sewer services. The table below shows Wastewater revenue by major category and annual percent change since 2002-03.

### Solid Waste

This category includes revenues from the monthly residential collection and landfill tipping fees. The 2006-07 estimate of \$116,461,000 is an increase of \$2,154,000 or 1.9 percent greater than the 2005-06 estimate of \$114,307,000. The increase assumes a conservative growth in housing units of 1.6 percent.

### Convention Center

The majority of Convention Center 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 \$62,553,000 in 2006-07, an increase of 11.1 percent above 2005-06. Convention Center operating revenues are expected to be \$5,465,000, parking revenue is expected to be \$3,880,000, and interest revenue is expected to be \$1,229,000, for total revenue estimates of \$73,126,000. This is \$7,133,000 or 10.8 percent more than the 2005-06 total estimated revenue of \$65,993,000. 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 Convention Center.

The table on page 73 shows the Convention Center excise tax collections since 2002-03.

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#### SUMMARY OF WASTEWATER SYSTEM REVENUES (In Thousands of Dollars)

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	2002-03	2003-04	2004-05	2005-06 (Est.)	2006-07 (Est.)
Sewer Service Charge	\$ 79,157	\$ 88,461	\$ 99,121	\$109,730	\$115,689
Environmental Charges	22,361	22,862	21,820	24,255	28,598
Development Fees	7,260	8,487	10,168	8,500	6,500
Interest	4,258	3,909	3,285	6,955	7,347
Multi-City	14,689	17,118	16,705	16,629	17,245
Other	5,009	5,968	7,971	4,722	4,720
<b>Total Wastewater Revenue</b>	<b>\$132,734</b>	<b>\$146,805</b>	<b>\$159,069</b>	<b>\$170,791</b>	<b>\$180,099</b>
Change From Prior Year	5.3%	10.6%	8.4%	7.4%	5.4%

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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 16 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 2005-06 and 2006-07 reflect the continued improvement in the tourism industry. They also assume continued growth in contracting, however, at a less strenuous pace than that experienced over the past few years. While growth in the housing market is expected to slow, additional revenue is anticipated from significant commercial construction projects such as the Convention Center expansion and light rail.

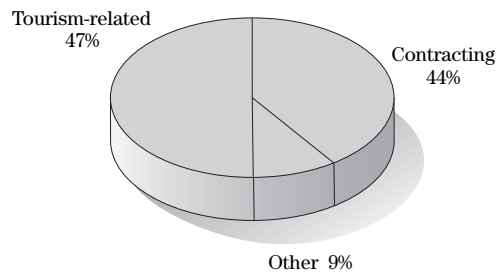
**Golf Courses**

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 2006-07 estimate of \$9,081,000 is \$1,514,000 or 20.0 percent above the 2005-06 estimate. This is due to an expected increase in total rounds of golf and the city's assuming operations of three pro shops previously run by concessionaires.

**CONVENTION CENTER SALES TAXES  
(In Thousands of Dollars)**

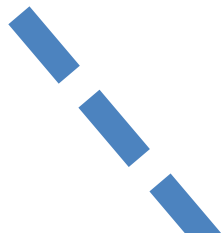
Fiscal Year	Amount Collected	Increase/(Decrease)	
		Amount	Percent
2002-03	\$36,849	\$ (432)	(1.2)%
2003-04	40,322	3,473	9.4
2004-05	48,003	7,681	19.0
2005-06 (Est.)	56,328	8,325	17.3
2006-07 (Est.)	62,553	6,225	11.1

**2006-07 CONVENTION CENTER  
Earmarked Sales Taxes**





*The Phoenix City Council includes (seated from left) Greg Stanton, Mayor Phil Gordon and Peggy Bilsten, and (standing from left) Vice Mayor Doug Lingner, Peggy Neely, Tom Simplot, Claude Mattox, 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 \$2,579,000 is \$150,000 or 6.2 percent more than 2005-06 estimated expenditures and reflects normal inflationary increases.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$2,344,000	\$2,429,000	\$2,579,000
Total Positions	20.0	21.0	21.0
Source of Funds:			
General	\$2,157,000	\$2,252,000	\$2,393,000
Grants	119,000	122,000	130,000
Other Restricted	68,000	55,000	56,000

## 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 odd-numbered districts expire in January 2008. Terms for council members from even-numbered districts expire in January 2010. 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 2006-07 City Council operating budget allowance of \$4,625,000 is \$309,000 or 7.2 percent more than 2005-06 estimated expenditures. This increase reflects normal inflationary increases.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$3,807,000	\$4,316,000	\$4,625,000
Total Positions	55.0	55.0	55.0
Source of Funds:			
General	\$3,807,000	\$4,316,000	\$4,625,000

## 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 \$1,174,000 is \$46,000 or 4.1 percent higher than the 2005-06 estimated expenditures. This increase reflects normal inflationary adjustments.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$1,236,000	\$1,128,000	\$1,174,000
Total Positions	8.0	6.0	6.0
Source of Funds:			
General	\$1,236,000	\$1,128,000	\$1,174,000





## 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 2006-07 operating budget allowance of \$2,020,000 is \$252,000 or 14.3 percent more than 2005-06 estimated expenditures.

The increase is the result of normal inflationary adjustments and a return to full staffing levels.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$1,608,000	\$1,768,000	\$2,020,000
Total Positions	21.0	22.0	22.0
Source of Funds:			
General	\$1,438,000	\$1,500,000	\$1,687,000
Water	170,000	268,000	333,000

## 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 2006-07 operating budget allowance of \$1,398,000 is \$176,000 or 14.4 percent more than 2005-06 estimated expenditures. This increase reflects funding for consulting services to meet increased workloads and normal inflationary increases.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$1,277,000	\$1,222,000	\$1,398,000
Total Positions	6.3	6.3	6.3
Source of Funds:			
General	\$1,268,000	\$1,211,000	\$1,387,000
Other Restricted	9,000	11,000	11,000

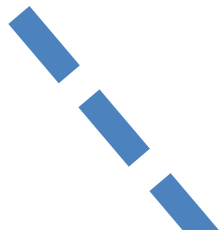
## PUBLIC INFORMATION

### 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, and develops programming for the government access cable television channel.

### Budget Allowance Explanation

The Public Information operating budget allowance of \$3,688,000 is \$496,000 or 15.5 percent more than 2005-06 estimated expenditures. The increase reflects the replacement of camera equipment for the Phoenix 11 government access cable





**CITY AUDITOR**

**Program Goal**

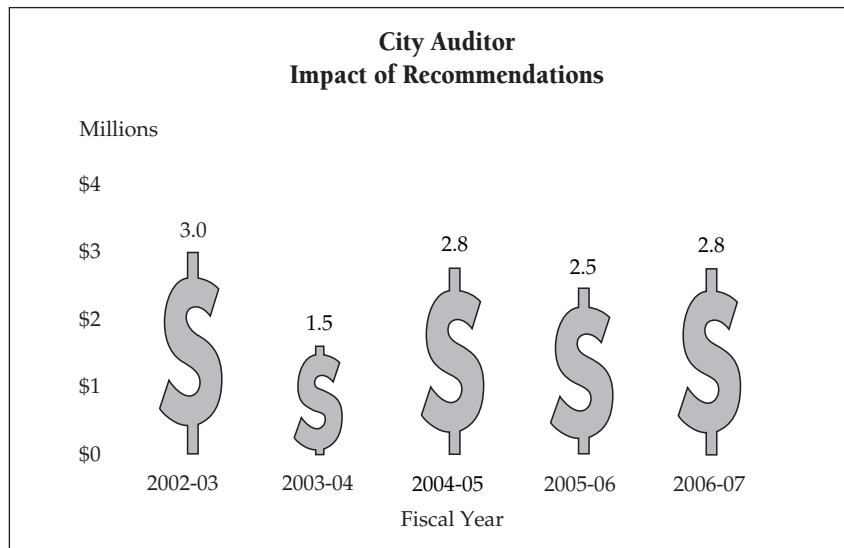
The City Auditor Department supports the city manager and elected officials in meeting residents' needs for quality government, products and services by providing independent and objective feedback on the city's programs, activities and functions. The city auditor's work is vital in maintaining trust 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 2006-07 operating budget allowance of \$3,239,000 is \$182,000 or 6.0 percent more than 2005-06 estimated expenditures. This increase is primarily due to normal inflationary adjustments and a return to full staffing levels. The budget also converts a temporary auditor II to a regular position.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$2,462,000	\$3,057,000	\$3,239,000
Total Positions	37.5	38.5	38.5
Source of Funds:			
General	\$2,462,000	\$3,057,000	\$3,239,000

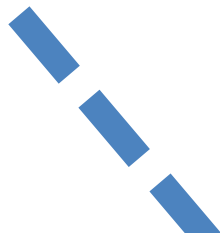


**City Auditor Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Performance audit and management reports issued	145	135	150
Percentage of commitment dates met	87%	85%	90%
Percentage of rulings issued timely	100%	100%	100%
Audit cycle time (calendar days)	121	140	125
Cost per audit	\$19,000	\$20,000	\$20,000
Customer Satisfaction (Scale 1 to 10, 10 being highest)	8.4	8.4	8.5

\*Based on 10 months actual experience.



**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 \$4,257,000 is \$444,000 or 11.7 percent more than 2005-06 estimated expenditures. This increase reflects a carry over of funds for a new Minority/Woman/Small Business Enterprise database and normal inflationary increases. The budget also converts a temporary equal opportunity specialist to regular status.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$3,430,000	\$3,807,000	\$4,251,000
Total Positions	38.0	40.0	40.0
Source of Funds:			
General	\$3,033,000	\$3,402,000	\$3,878,000
Community Development			
Block Grant	177,000	179,000	184,000
Grant	167,000	194,000	157,000
Other Restricted	53,000	32,000	32,000

**Equal Opportunity Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Discrimination complaints in employment, public accommodations, housing and Americans with Disabilities Act (ADA) accessibility, investigated and closed**	145	241	240
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	37	37	37
M/W/D/SBEs certified or recertified as percent of goal	103%	100%	100%
SBEs certified or recertified as percent of goal	83%	108%	108%
Contracts monitored for use of M/W/D/SBE subcontractors	545	545	545

\*Based on 10 months actual experience.

\*\*The number of discrimination complaints received reflects many varied circumstances and can fluctuate significantly.





**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.

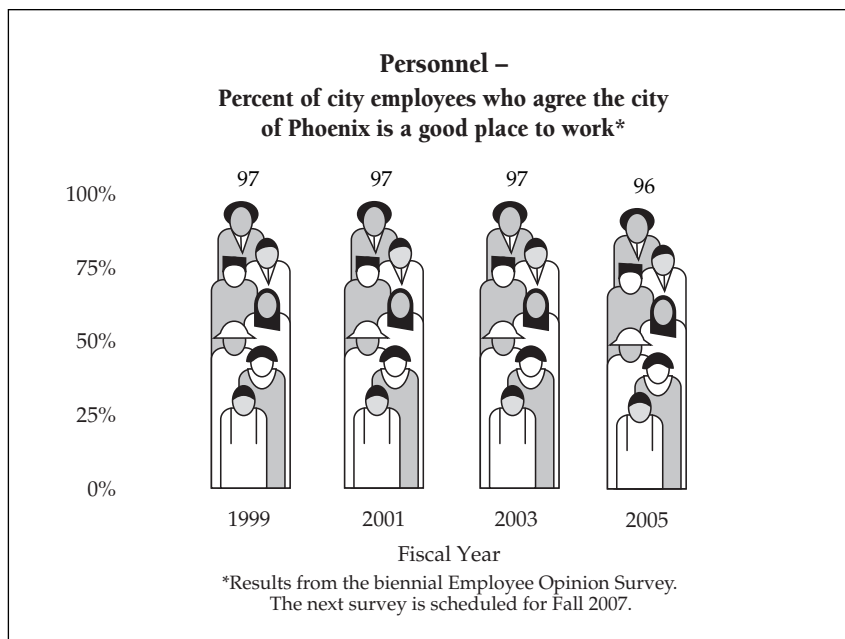
**Budget Allowance Explanation**

The Personnel Department 2006-07 operating budget allowance of \$16,664,000 is \$1,022,000 or 6.5 percent more than 2005-06 estimated expenditures. This increase is primarily due to the costs associated with the recruitment of several executive and middle manager positions throughout the city and normal inflationary cost increases.

The 2006-07 budget also includes the conversion of a temporary personnel analyst to regular status.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$14,438,000	\$15,622,000	\$16,644,000
Total Positions	112.4	113.4	113.4
Source of Funds:			
General	\$13,181,000	\$14,270,000	\$15,270,000
City Improvement	915,000	1,074,000	1,076,000
Other Restricted	342,000	278,000	298,000



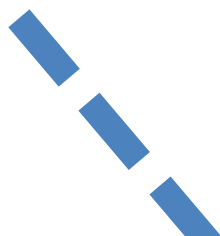
**Personnel Department Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Annualized employee turnover rate	5.14%	5.70%	5.15%
Average work days from vacancy-to-fill date	89	83	84
Number of recruitment processes**	626	900	750
Average work days for recruitment from opening to creation of eligibility list	24	22	24
Employees participating in city-sponsored and language classes	11,144	10,000	10,000
Number of industrial claims filed per each 125 full-time equivalent employees	12	13	13

\*Based on 10 months actual experience.

\*\*Higher than normal vacancy levels in 2005-06.



**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 2006-07 operating budget allowance of \$229,000 is \$9,000 or 4.1 percent more than 2005-06 estimated expenditures. This increase is primarily due to normal inflationary adjustments.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$194,000	\$220,000	\$229,000
Total Positions	2.0	2.0	2.0
Source of Funds:			
General	\$194,000	\$220,000	\$229,000

**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 \$1,836,000 is \$128,000 or 7.5 percent more than 2005-06 estimated expenditures. This increase is due primarily to increased software maintenance and audit costs and normal inflationary adjustments.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense (Gross*)	\$1,585,000	\$1,708,000	\$1,836,000
Total Positions	15.0	15.0	15.0
Source of Funds:			
General (Gross*)	\$1,585,000	\$1,708,000	\$1,836,000

\*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 2006-07 operating budget allowance of \$21,908,000 is \$1,292,000 or 6.3 percent more than 2005-06 estimated expenditures. The increase is primarily due to the full-year costs of an attorney and court clerk added in May 2006 to staff an additional arraignment courtroom. The increase

also reflects a return to full staffing levels, normal inflationary costs and carry over funds for the case and document management system. These increases are offset by a significant reduction in Local Law Enforcement Block Grant funding. Finally, a temporary administrative position was converted to a regular position in the budget.

### Expenditure and Position Summary

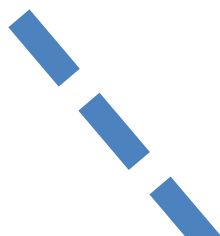
	2004-05	2005-06	2006-07
Operating Expense	\$19,473,000	\$20,616,000	\$21,908,000
Total Positions	242.0	246.0	246.0
Source of Funds:			
General	\$18,366,000	\$19,629,000	\$21,390,000
Court Awards	150,000	157,000	166,000
Grants	885,000	682,000	200,000
Other Restricted	72,000	148,000	152,000

### Law Department Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Criminal cases sent to diversion	3,314	3,300	3,500
Pre-trial disposition conferences set	65,773	70,000	70,000
New civil cases opened in the fields of condemnation, collection, taxes and civil litigation, excluding liability and other cases assigned to outside counsel	754	787	785
Number of defendants submitted for charging review	38,752	45,000	45,000
Number of civil cases closed, including those assigned to outside counsel and handled through the alternative dispute resolution process	902	905	900
Ordinances and resolutions for City Council adoption drafted and reviewed	1,348	1,088	1,100
Number of jury trials prosecuted	392	350	350

\*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 \$9,954,000 is \$6,527,000 more than 2005-06 estimated expenditures. This increase reflects costs necessary to upgrade critical network infrastructure and business systems, the carry over of costs associated with a voice mail replacement system and the upgrade

of the personnel and payroll system, normal inflationary increases and budget additions described below.

Budget additions include a new deputy chief information officer to oversee all Water Services Department-related technology issues and maintenance costs for the e-commerce software purchased with 2001 bonds.

The budget reflects the conversion of a temporary project manager and a temporary security guard to regular status.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense*	\$4,379,000	\$3,427,000	\$9,954,000
Total Positions	210.0	213.0	214.0
Source of Funds:			
General	\$2,929,000	\$1,646,000	\$7,999,000
City Improvement	928,000	1,010,000	1,012,000
Other Restricted	400,000	555,000	562,000
Aviation	122,000	216,000	219,000
Water	-	-	162,000

\*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 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Percentage of on-time operations center services	99.0%	99.2%	99.0%
Number of ITD-supported network devices	16,706	18,000	18,000
Critical Systems Availability Percentage:			
Enterprise Network	99.0%	99.0%	99.0%
Business Systems	99.2%	99.2%	99.0%
Internet Services	99.0%	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	10,522,991	11,890,979	12,000,000
Average cycle time of telephone service requests	2 weeks	2 weeks	2 weeks
Average number of CityCom phone calls processed daily	107,269	102,249	103,287
Average cycle time of wireless communication repairs	1.2 hours	1.2 hours	1.2 hours
Units of portable and mobile radio equipment	21,441	21,607	22,000

\*Based on 10 months actual experience.

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





## CITY CLERK AND ELECTIONS

### Program Goal

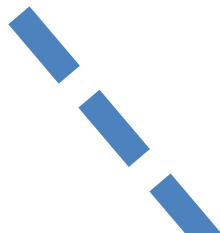
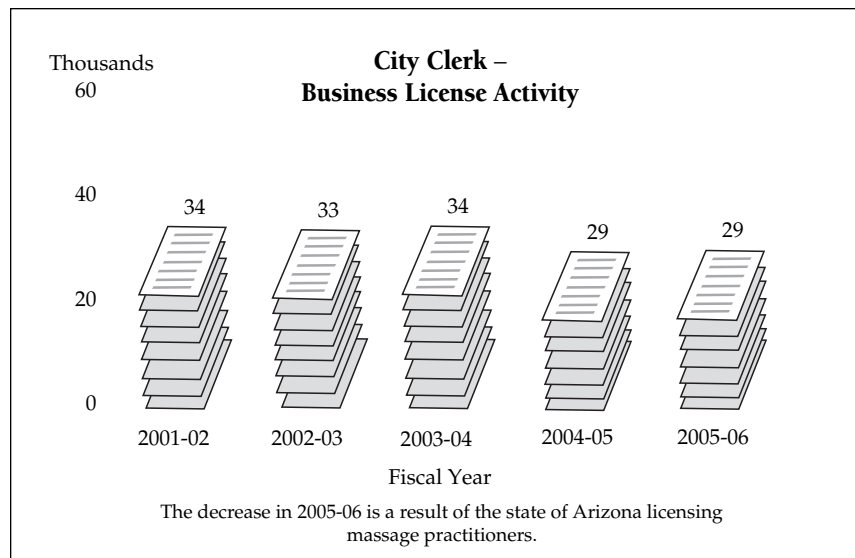
The City Clerk Department maintains orderly and accessible records of all city activities and transactions including posting all public meeting notifications; prepares agendas and minutes for City Council formal meetings; provides for effective administration of city elections and annexations; administers 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 \$6,640,000 is \$1,084,000 or 14.0 percent less than 2005-06 estimated expenditures. The decrease primarily reflects the non-recurring costs of a regularly scheduled citywide election and a special bond election in 2005-06. This decrease is partially offset by the carry forward of unspent funds for ballot tabulation software and normal inflationary increases.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$6,739,000	\$7,724,000	\$6,640,000
Total Positions	129.2	129.2	129.2
Source of Funds:			
General	\$6,576,000	\$7,558,000	\$6,477,000
City Improvement	163,000	166,000	163,000



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### City Clerk Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Council formal meetings for which agendas and minutes are prepared	47	45	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	7.1 mil.	7.1 mil.	7.1 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	2.4	2.8	2.8
Routine jobs	10.6	12.0	12.0
City Council regular and special elections held	1	1	1
Election time from poll closing to final results for citywide election	1.6 hours	2.0 hours	N/A
Percent of Enterprise Call Center questions answered without referral	98%	93%	93%
Customer satisfaction with department	96%	94%	94%

\*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. There is no citywide election scheduled in FY2006-07.





## 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.

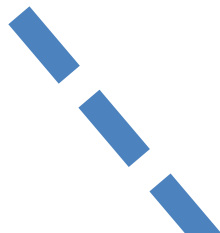
### Budget Allowance Explanation

The 2006-07 Finance operating budget allowance of \$26,320,000 is \$2,582,000 or 10.9 percent more than 2005-06 estimated expenditures. This reflects a return to full staffing and normal inflationary increases.

The budget also converts a temporary inventory management coordinator and a temporary accountant to regular status.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$22,061,000	\$23,738,000	\$26,320,000
Total Positions	310.5	313.5	313.5
Source of Funds:			
General	\$20,612,000	\$22,031,000	\$24,464,000
Water	751,000	811,000	928,000
Wastewater	628,000	782,000	782,000
Sports Facilities	67,000	123,000	128,000
Public Housing	-	(9,000)	18,000
City Improvement	1,000	-	-
Grants	2,000	-	-



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### Finance Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Investments by Portfolio:			
Treasurer's Group Portfolio -			
Dollars Invested	\$1,248 mil.	\$1,442 mil.	N/A
Average Yield	3.53%	3.82%	N/A
Average Life (years)	1.8	1.3	N/A
Yield Restricted Portfolio -			
Dollars Invested	\$233 mil.	\$265 mil.	N/A
Average Yield	2.09%	3.35%	N/A
Average Life (years)	.42	.07	N/A
Other Non-Yield Restricted Portfolio -			
Dollars Invested	\$1,073 mil.	\$1,611 mil.	N/A
Average Yield	2.36%	3.85%	N/A
Average Life (years)	.27	.15	N/A
Dollar value of accounts payable warrants processed	\$3.0 bil.	\$2.5 bil.	\$2.5 bil.
Privilege license tax gross dollars reviewed	\$8.0 bil.	\$5.0 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	3,383	3,450	3,525
Receivables:			
Dollar value of receivables billed	\$493 mil.	\$495 mil.	\$475 mil.
Percentage outstanding (as of June 30)	3.8%	3.5%	3.8%
City sales (excise) tax collected	\$587 mil.	\$667 mil.	\$720 mil.

\*Based on 10 months actual experience.

The amounts to be invested for 2006-07 are based on cash available during the fiscal year. The decrease in privilege license tax dollars reviewed from 2004-05 is due to closing assessments on some very large taxpayers in 2004-05.





**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 2006-07 operating budget allowance of \$4,307,000 is \$400,000 or 10.2 percent more than 2005-06 estimated expenditures. This increase is due primarily to increased charges to impact fee funds and normal inflationary increases. These are partially offset by the elimination of several one-time costs associated with the 2006 bond election. The budget also converts a temporary budget analyst to regular status.

**Expenditure and Position Summary**

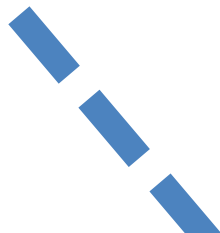
	2004-05	2005-06	2006-07
Operating Expense	\$3,612,000	\$3,907,000	\$4,307,000
Total Positions	32.0	33.0	33.0
Source of Funds:			
General	\$3,302,000	\$3,501,000	\$3,851,000
Other Restricted	310,000	406,000	456,000

**Budget and Research Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Percent variance of actual expenditures to estimated expenditures (GF)	(0.9)%	0%	0%
Percent variance of actual resources to estimated resources (GF)	(0.5)%	0%	0%
Costs savings and/or operational improvements identified (millions)	\$7.2	\$5.5	\$5.5
Percent of requested research completed by due date	85%	88%	100%
Customer satisfaction with services (scale of 1-10)	8.5	8.9	10.0
Percent of Capital Improvement Program awarded	92%	85%	85%

\*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**

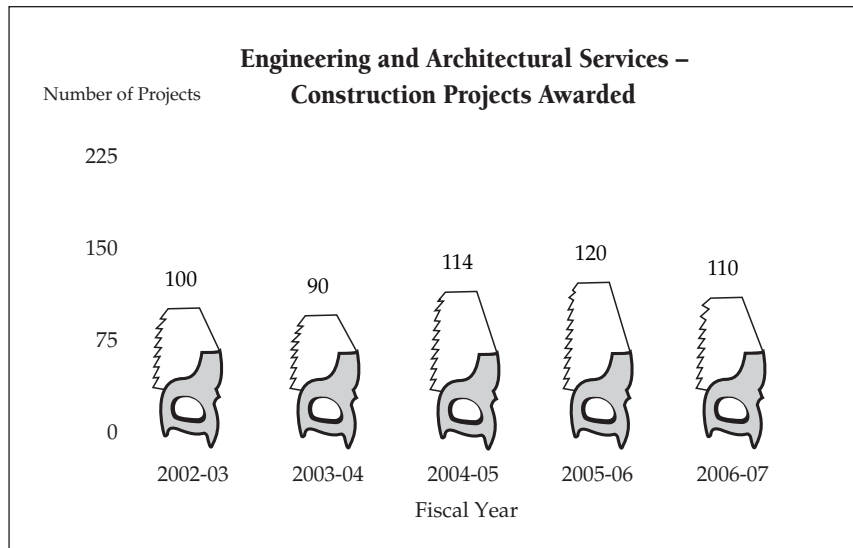
The Engineering and Architectural Services gross operating budget allowance of \$13,571,000 is \$1,087,000 or 8.7 percent higher than 2005-06 estimated expenditures. This increase is primarily the result of normal inflationary increases.

The budget also converts a temporary plans review coordinator for the downtown area and three temporary positions in the Utility Section to regular status.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense (Gross*)	\$11,194,000	\$12,484,000	\$13,571,000
Total Positions	110.1	112.1	112.1
Source of Funds:			
General (Gross*)	\$11,194,000	\$12,401,000	\$13,553,000
Other Restricted	-	83,000	18,000

\*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 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Percentage of utility permits reviewed and approved by target date**	87%	77%	77%
Number of construction contract bids awarded	114	120	110
Number of engineering and architectural consultant contracts awarded	298	280	300
Construction dollars as a percentage of total dollars awarded:			
Minority-owned business enterprises	4.4%	4.0%	3.0%
Woman-owned business enterprises	3.3%	3.0%	3.0%
Small business enterprised	1.9%	2.0%	3.0%

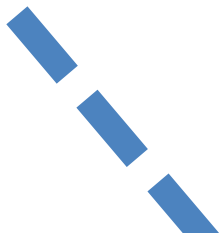
\*Based on 10 months actual experience.

\*\*Projected decrease in 2005-06 is due to impacts of anticipated increase in CIP projects workload.



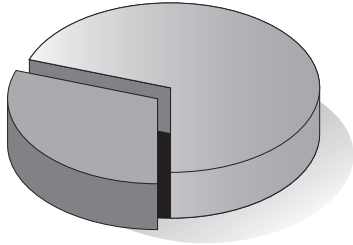


*The twin-engine Agusta 109E helicopter is a unique joint partnership between the Phoenix Police and Fire departments. Specially designed for police and fire missions, this helicopter makes it safer and more durable for many of the tasks it's called on to perform such as fighting fires, mountain rescues and search-and-rescue operations.*



# Public Safety

## The Public Safety Program Represents 31.4% 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 2006-07 Police operating budget allowance of \$473,744,000 is \$52,114,000 or 12.4 percent more than 2005-06 estimated expenditures. This increase is primarily due to costs associated with adding 116 sworn and 28 civilian positions and a Maricopa County jail fee increase. The city is utilizing remaining Universal Hiring Grant authority to leverage the hiring of 111 new police officer patrol positions over the next three years. The Aviation

### Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
<b>Average Response Time (Minutes)</b>			
Priority 1 - Emergency Calls	5.7	5.6	5.6
Priority 2 - Non-Emergency Calls	19.7	20.5	20.1
Priority 3 - All Other Calls	63.5	63.8	63.1
Telephone Callbacks	49.5	53.7	55.2
<b>Percentage of phone calls to 911 and Crime Stop answered within 10 seconds</b>			
	81.5%	81.3%	82.1%
<b>Cases accepted by the county attorney for issuance of complaint</b>			
	22,277	20,041	22,000
<b>Moving violation citations issued</b>			
	230,284	524,458	528,000
<b>Traffic accidents</b>			
	33,103	33,811	33,000
<b>Percentage of cases cleared:</b>			
Murder	41%	41%	41%
Rape	16%	26%	22%
Robbery	17%	19%	19%
Aggravated Assault	39%	39%	39%
Burglary	6%	5%	5%
Theft	15%	14%	15%
Auto Theft	9%	10%	10%
Arson	8%	9%	8%

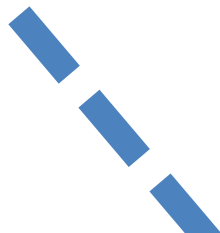
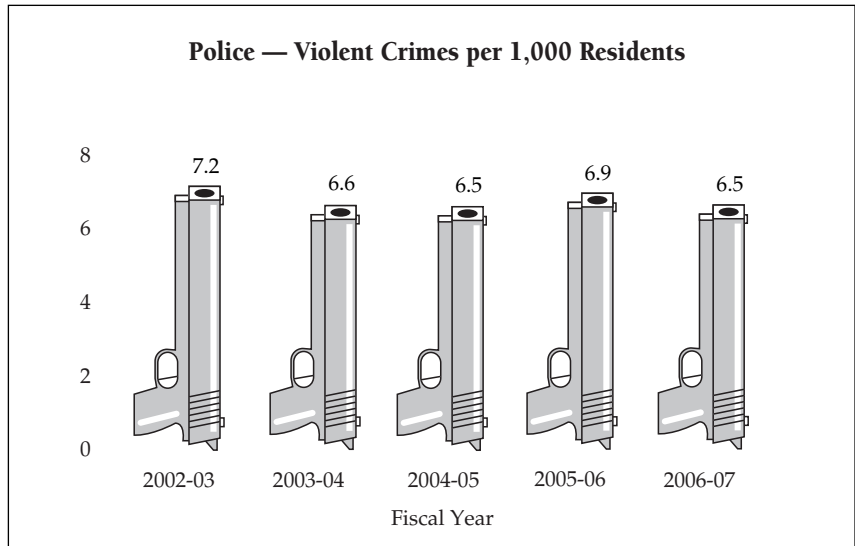
\*Based on 10 months actual experience.



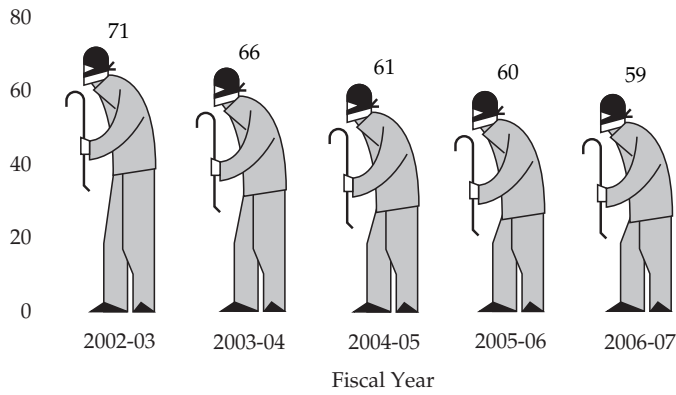
Department is funding the remaining five police officer positions for increased security at Sky Harbor Airport. In addition, 24 police communications operators are being added to address increased workload. Finally, four police support positions are being added to staff the new Sunnyslope neighborhood police station scheduled to open in March 2007.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$393,029,000	\$421,630,000	\$473,744,000
Total Positions	4,161.7	4,168.7	4,312.7
Source of Funds:			
General	\$350,091,000	\$366,263,000	\$408,754,000
Neighborhood Protection	18,265,000	21,429,000	23,515,000
Public Safety Enhancement	2,213,000	9,353,000	14,690,000
Federal and State Grants	16,453,000	14,537,000	17,749,000
Court Awards	3,144,000	3,464,000	3,017,000
City Improvement	916,000	1,636,000	3,956,000
Sports Facilities	964,000	993,000	993,000
Convention Center	759,000	782,000	782,000
Human Services Grant	-	18,000	-
Other Restricted	224,000	3,155,000	288,000



### Police — Property Crimes per 1,000 Residents



*The 2006-07 budget includes funding for the addition of 116 sworn and 28 civilian positions to the Police Department.*





## FIRE

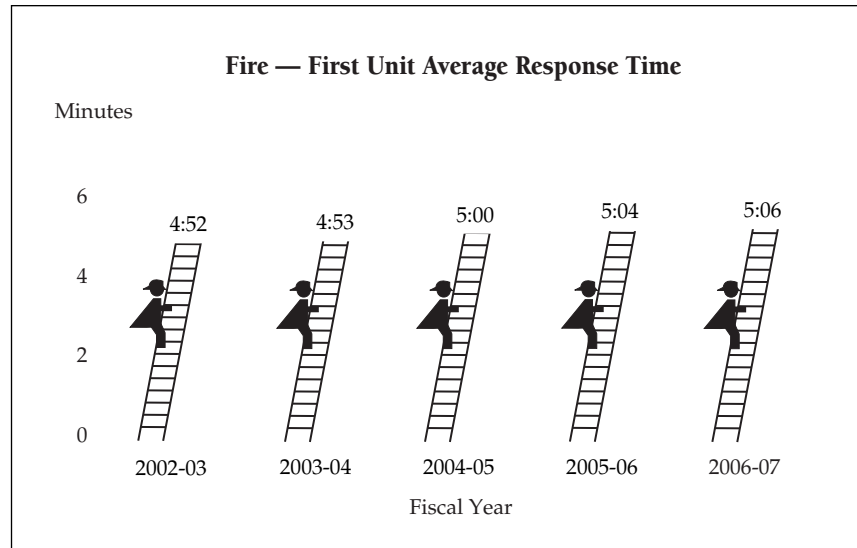
### Program Goal

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 2006-07 Fire operating budget allowance of \$247,297,000 is \$28,519,000 or 13.0 percent more than 2005-06 estimated expenditures. This increase reflects several budget additions and normal inflationary adjustments.

Budget additions include 64 firefighters and eight civilian support positions for four new bond-funded fire stations located



*The 2006-07 budget includes funding for the addition of 72 firefighters and 11 civilian support positions.*

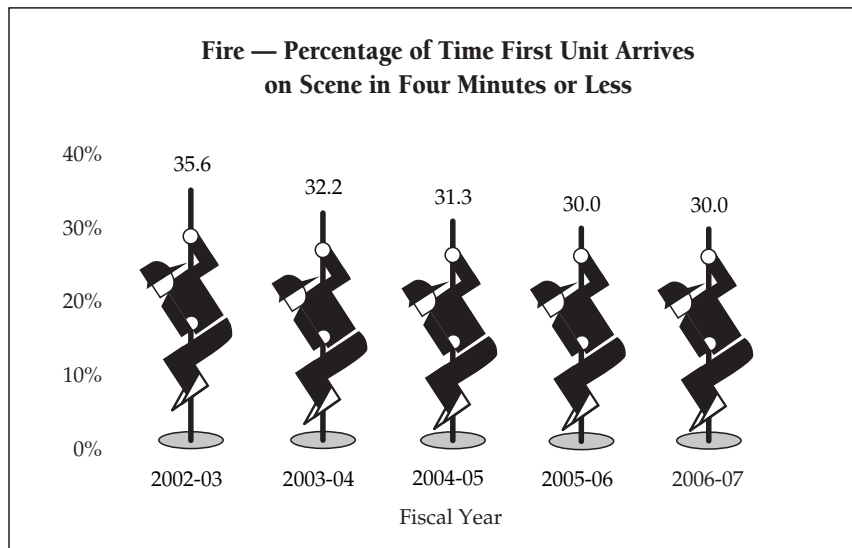
at 15th Avenue and Dobbins Road, 19th and Dunlap avenues, 19th Street and Indian School Road, and 99th Avenue and Lower Buckeye Road. The budget also adds three sworn positions to open the new Public Safety Driver Education Facility and provide training to all sworn staff who operate vehicles.

In addition, the budget reflects retaining five fire training captains to provide for the department's training needs over the next several years as experienced personnel retire and as new station construction continues. Finally, the budget includes three fire prevention specialists needed to assist with the Annual Facilities Program. These three positions will be funded with Development Services fees.

In total, the 2006-07 budget adds 72 sworn and 11 civilian positions to the Fire Department.

#### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$188,573,000	\$218,778,000	\$247,297,000
Total Positions	1,873.2	1,886.2	1,969.2
Source of Funds:			
General	\$172,462,000	\$194,330,000	\$219,704,000
Public Safety Enhancement	1,167,000	6,137,000	8,846,000
Fire Neighborhood Protection	6,388,000	6,467,000	8,673,000
Development Services	1,944,000	2,409,000	2,638,000
Grants	5,573,000	7,114,000	3,816,000
Other Restricted	125,000	121,000	68,000
City Improvement	914,000	2,200,000	3,552,000



#### Fire Department Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Percent of fire and emergency medical call responses within four minutes	31.3%	30%	30%
Patient transports to Valley hospitals via emergency medical vehicles	55,574	57,201	54,800
Percentage of time Advanced Life Support (ALS) medical calls are responded to with paramedic units within five minutes	49.8%	47.4%	47%
Number of fire investigations to determine cause only	761	797	840
Number of calls by type:			
Emergency Medical	117,243	125,000	130,000
Fire	15,488	17,000	17,000
Other (mountain/swift water/trench/tree rescues/other)	8,589	8,000	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 2006-07 operating budget allowance of \$787,000

is \$56,000 or 6.6 percent less than 2005-06 estimated expenditures. This decrease reflects a 2005-06 consulting contract to develop an emergency evacuation plan.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$349,000	\$843,000	\$787,000
Total Positions	6.5	6.5	6.5
Source of Funds:			
General	\$265,000	\$401,000	\$313,000
Public Safety Enhancement	-	295,000	321,000
Grants	84,000	147,000	153,000

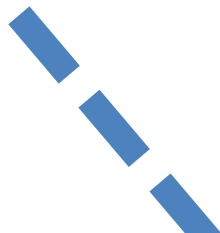
**FAMILY ADVOCACY CENTER**

**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 \$1,173,000 is \$80,000 or 7.3 percent more than 2005-06 estimated expenditures. This increase



is due to a full year's cost for maintaining property acquired for the planned construction of a new family advocacy center, and normal inflationary cost adjustments.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$969,000	\$1,093,000	\$1,173,000
Total Positions	5.0	7.0	7.0
Source of Funds:			
General	\$931,000	\$1,050,000	\$1,130,000
Other Restricted	38,000	43,000	43,000

**Family Advocacy Center Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Phone calls received	4,122	4,620	4,759
Victim contacts	7,433	7,260	7,478
Services provided <sup>1</sup>	3,284	3,276	3,409
Presentation participants	1,100	1,953	2,012

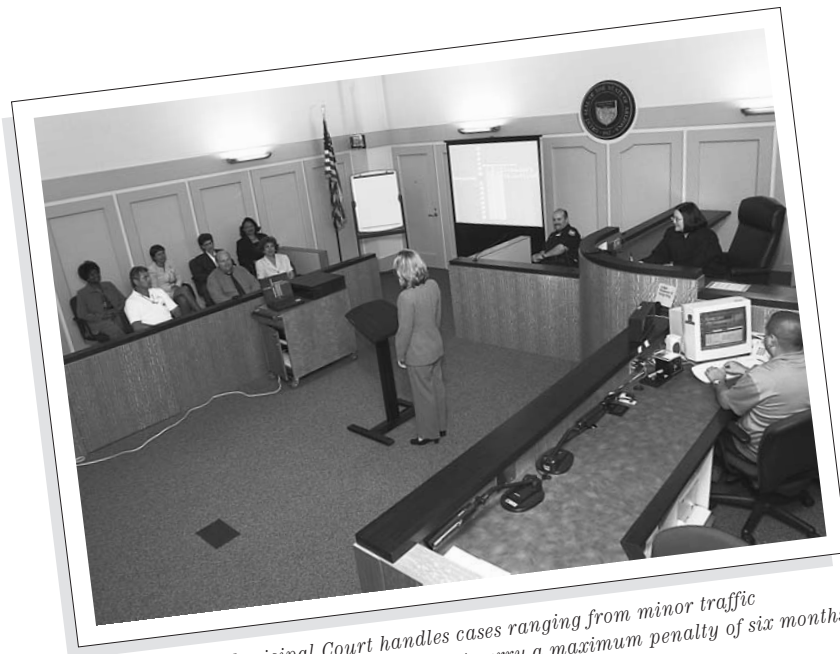
\*Based on 10 months actual experience.

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

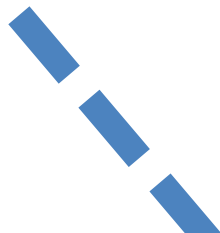


*The Family Advocacy Center provides victims the opportunity to obtain a variety of services without having to travel to multiple locations. At the center, individuals are able to meet with community and human services workers, and police and prosecutor staff, including victim advocates who are available to answer questions and provide emotional support.*



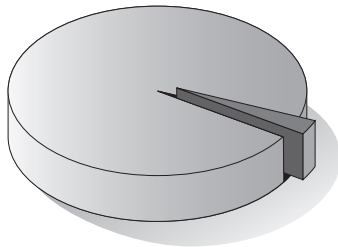


*The Phoenix Municipal Court handles cases ranging from minor traffic violations to Class 1 misdemeanors that carry a maximum penalty of six months in jail and/or a \$2,500 fine.*



# 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 2006-07 operating budget allowance of \$41,885,000 is \$4,499,000 or 12.0 percent more than 2005-06 estimated expenditures. The increase is due to the full-year costs of positions added mid-year in 2005-06 and normal inflationary increases.

These mid-year additions include two treasury collections representatives to expand the Delinquent Accounts Unit, which will result in additional revenue. A court clerk and a bailiff were added to staff another criminal arraignment court, which will provide expedited service to

## Municipal Court Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Criminal filings	72,278	78,000	78,000
Civil filings	277,903	260,550	270,000
Average number of days from arraignment to hearing for minor traffic cases	32.7	33.0	33.0
Number of criminal cases with a pending trial date at year end	1,751	2,000	1,800
Percent of trials/hearings appealed	2.8%	3.6%	3.6%
Percent of appeals affirmed	94.4%	92.7%	92.5%
Average cycle time for sending out restitution and bail refund checks	1.4 days	1.4 days	1.8 days
Average hold time for incoming information calls to the Customer Call Center	7.4 minutes	8.0 minutes**	8.0 minutes**

\*Based on 10 months actual experience.

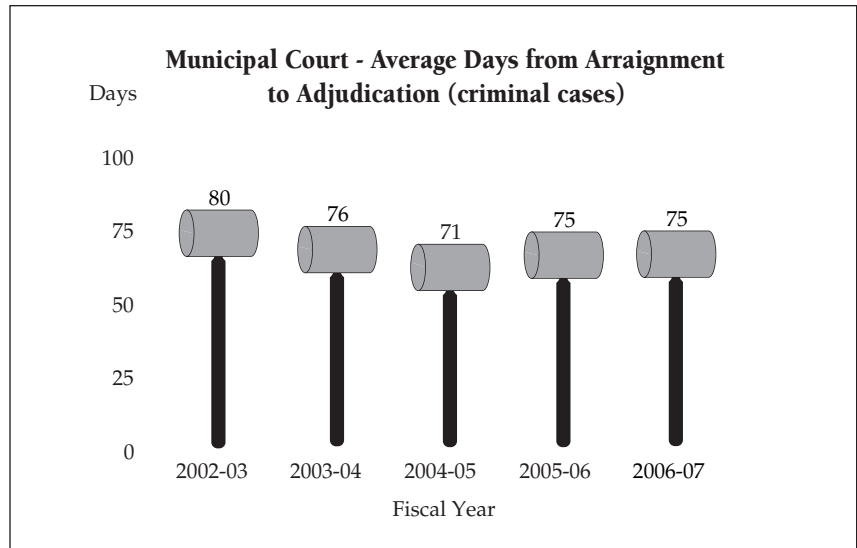
\*\*Calls relating to the FARE and TIP programs have contributed to longer holding times for other callers. In addition, this unit has had several staff vacancies.



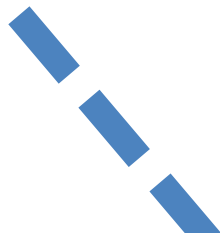
the public. Finally, six information technology positions were added to expand the Municipal Court's Computer Applications Development and Support Section and will be funded by the Court Technology Enhancement Fund (CTEF). These technology positions will allow the Municipal Court to continue implementation of mandated internal and external projects required for court operations.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$34,885,000	\$37,386,000	\$41,885,000
Total Positions	374.9	384.9	384.9
Source of Funds:			
General	\$28,859,000	\$30,806,000	\$34,130,000
Other Restricted	222,000	776,000	1,949,000
City Improvement	5,804,000	5,804,000	5,806,000



*The Phoenix Municipal Court provides interpreting and translating services to individuals who are non-English speaking or require sign language.*



**PUBLIC DEFENDER**

**Program Goal**

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

**Budget Allowance Explanation**

The 2006-07 operating budget allowance for the Public Defender Contract Administrator's Office of \$4,346,000 is \$416,000 or 10.6 percent more than the 2005-06 estimated expenditures. This increase is primarily due to normal inflationary adjustments. Funding for contractual expert witness services was converted to a full-time forensic technology expert position which will create efficiencies for the Municipal Court in trial scheduling.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$3,714,000	\$3,930,000	\$4,346,000
Total Positions	7.6	9.0	9.0
Source of Funds:			
General	\$3,714,000	\$3,930,000	\$4,346,000

**Public Defender Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

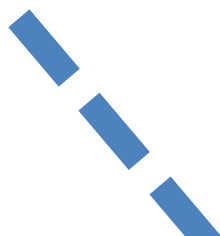
	2004-05	2005-06*	2006-07
Defendants charged with misdemeanor crimes represented in Phoenix Municipal Court	13,560	13,840	13,900
Defendants represented at Jail Court (first appearance after arrest), and K-Court (second appearance after arrest for those not bonding out after their first appearance)	23,085	25,761	26,000

\*Based on 10 months actual experience.



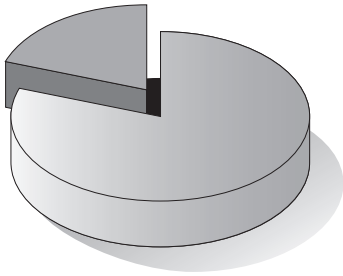


*More than 41 million passengers traveled through Phoenix Sky Harbor International Airport in fiscal year 2005-06.*



# Transportation

## The Transportation Program Represents 19.4% 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 2006-07 operating budget allowance of \$64,571,000 is \$5,947,000 or 10.1 percent more than 2005-06 estimated expenditures. This increase is primarily due to equipment replacements, a return to normal staffing levels, increased technology support, increased commodity and materials costs, increased costs for landscape maintenance and normal inflationary adjustments. This increase also is due to the carry forward of unspent funds to complete remodeling projects started in 2005-06 and for updating the Traffic and Barricade manual. The budget also reflects the first phase of the planned restoration of

### Street Transportation Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Street miles swept**	169,000	164,000	190,000
Miles of streets per street maintenance field employee	14.9	15.2	15.3
Percent of scheduled requests for street maintenance service completed within target	86%	85%	85%
Percent of major/collector street miles with satisfactory rideability	97%	98%	98%
Requests for services completed by the Operations Division	8,861	8,000	9,500
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***	325	220	250
Miles of major streets constructed****	14.5	11.0	8.0
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 sweeping cycle in 2004-05 doubled in non-attainment areas (Broadway to Baseline roads, 16th Street to 51st Avenue), decrease in 2005-06 is due to unusually high rainfall, and increase in 2006-07 is result of two additional sweepers purchased through cost sharing with MAG.

\*\*\*\*The decrease in 2005-06 is due to vacancies and a position transfer.

\*\*\*\*\*Decrease in 2005-06 and 2006-07 is due to the rise of material costs.



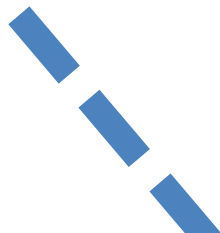
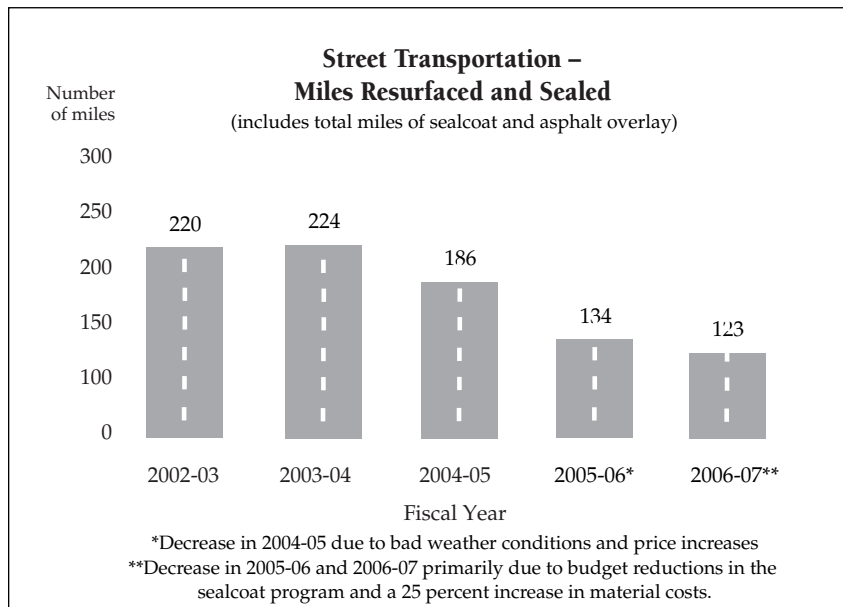
General Fund support to the department. Restoring General Fund support will free up gas tax funds for street construction.

The budget includes adding a 1.0 FTE engineering technician position to provide full customer service to the Floodplain Section. Costs for this position will be offset by elimination a 0.7 FTE part-time secretary II and other cost savings.

The budget also converts contract environmental services to two full-time environmental quality specialists for technical support with environmental compliance and regulation issues. Finally, the budget adds two temporary summer intern positions to assist with the street inspection areas and a civil engineer for the materials lab to work with downtown projects. Costs for these positions will be charged to the appropriate Capital Improvement Program.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$56,398,000	\$58,624,000	\$64,571,000
Total Positions	764.7	776.7	782.0
Source of Funds:			
General	\$19,575,000	\$19,669,000	\$25,638,000
Arizona Highway User Revenue	36,332,000	38,465,000	38,447,000
City Improvement	400,000	399,000	398,000
Grant	31,000	29,000	25,000
Other Restricted	60,000	62,000	63,000



## AVIATION

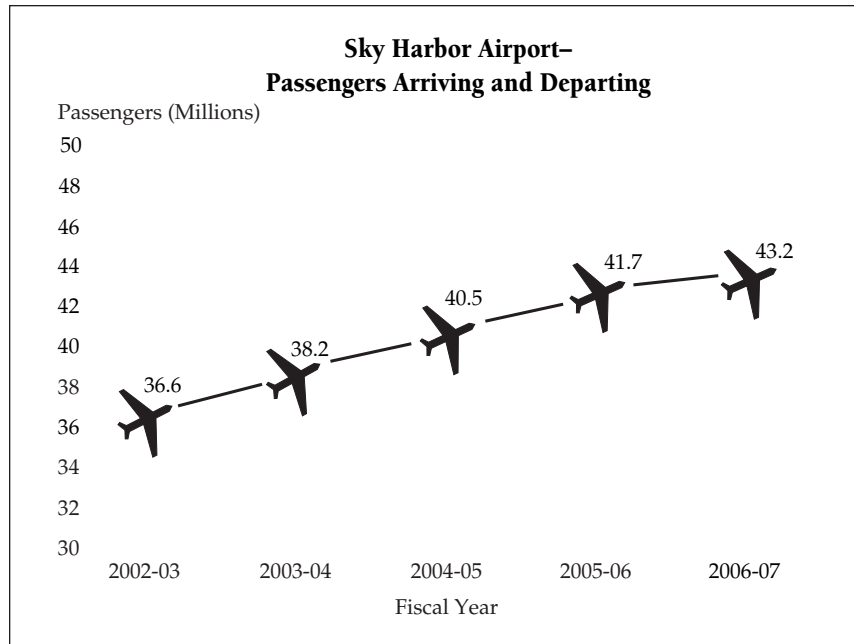
### Program Goal

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 \$196,582,000 is \$34,070,000 or 21.0 percent more than 2005-06 estimated expenditures. This increase is largely due to budget additions, the full year's costs associated with opening the new car rental facility and normal inflationary increases.

The 2006-07 budget adds staff and other expenses for operating new capital projects schedule to open in 2006-07. Those projects include the new in-line explosive detection baggage handling



*The new Rental Car Center at Phoenix Sky Harbor International Airport houses all of the airport's rental car operations, a total of 13 companies, under one roof. The rental car counters are located inside of a 125,000-square-foot customer service building which sits on top of a three-level parking garage.*



system for all terminals at Phoenix Sky Harbor International Airport and for new fire alarm, access control and digitally controlled equipment at the east economy parking garage, rental car center and bus maintenance facility. Also included is staff and maintenance contract for a new Aviation Department Geographic Information System (GIS).

In addition, the budget allowance adds one project manager to provide environmental, technical and regulatory oversight for numerous capital improvement projects, funds five sworn police officers to increase patrol of roadways and airfields (positions shown in Police Department) and converts one part-time communications dispatcher position to a regular full-time position.

**Expenditure and Position Summary**

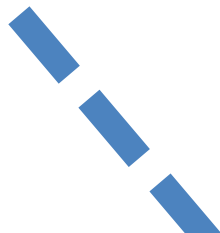
	2004-05	2005-06	2006-07
Operating Expense	\$144,143,000	\$162,512,000	\$196,582,000
Total Positions	769.7	803.7	824.7
Source of Funds:			
Aviation	\$144,143,000	\$162,512,000	\$196,582,000

**Aviation Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Sky Harbor passengers arriving and departing	40.5 mil.	41.7 mil.	43.0 mil.
Airline rental rates (cost per square foot):			
Terminal 2	\$48.36	\$50.76	\$52.28
Terminal 3	\$53.88	\$56.76	\$58.46
Terminal 4	\$64.08	\$62.28	\$64.14
Gross sales per departing passenger:			
Terminal 2	\$6.87	\$6.60	\$6.72
Terminal 3	\$9.00	\$8.76	\$8.93
Terminal 4	\$6.65	\$7.00	\$7.27
Aircraft takeoffs and landings (Sky Harbor Airport only)	546,562	554,000	560,000
Total international passengers	1,648,361	1,770,000	1,900,000
Air cargo processed (in tons)	333,828	334,000	338,000

\*Based on 10 months actual experience.



## PUBLIC TRANSIT

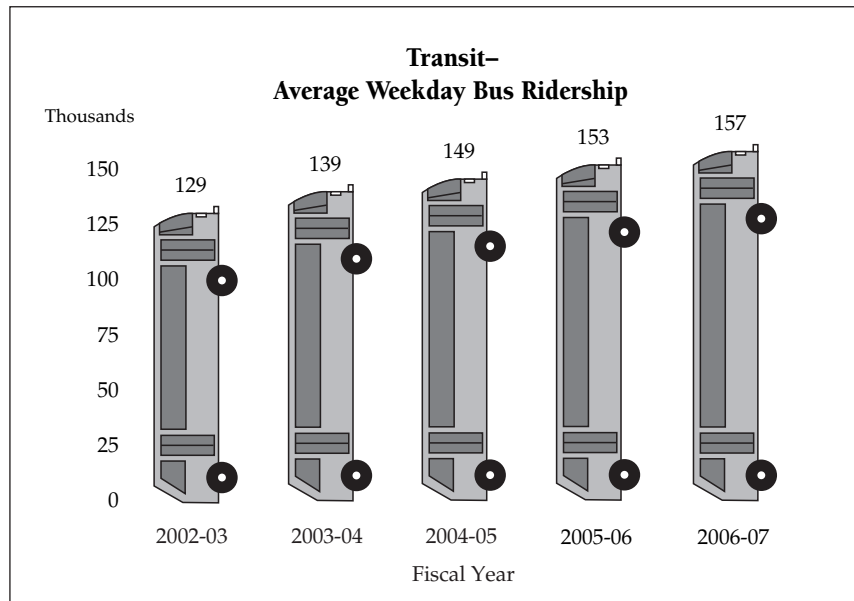
### Program Goal

The Public Transit Department provides 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 \$186,163,000 is \$21,579,000 or 13.1 percent more than 2005-06 estimated expenditures. This increase is primarily due to full-year costs of service added in 2005-06, service restoration and enhancements and normal inflationary increases.

The Transit 2000 budget provides for the restoration of 10:30 p.m. to midnight service on 12 local fixed routes and the



*The RAPID service take commuters to and from downtown Phoenix Monday through Friday mornings and afternoons. The 2006-07 budget includes funds to add more RAPID trips to this very popular transit service.*



restoration of Saturday service at Central Station. In addition, the budget includes funds to add Saturday service hours at Metrocenter Transit Center, extend weekday afternoon peak hours to alleviate overcrowding on six popular local routes, extend service on 35th Avenue to serve the Adobe Mountain Juvenile Institute, implement additional neighborhood circulator bus routes, increase Sunday frequency from 60 minutes to 30 minutes

on Route 56 and Route 45, improve Route 24 to better serve major employers in the Sky Harbor Center area, add RAPID trips to reduce overcrowding and provide for the Phoenix portion of Route 131. The budget also would add staff and resources to enhance maintenance of bus stops and transit facilities and provide support for new alarm systems. Also included is the addition of staff to enhance transit service planning, offset by contract savings.

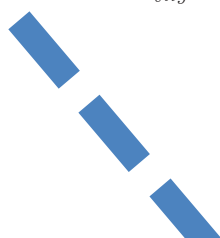


### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$141,311,000	\$164,584,000	\$186,163,000
Total Positions	86.0	92.0	97.0
Source of Funds:			
General	\$25,646,000	\$25,146,000	\$26,146,000
Transit 2000	79,780,000	90,658,000	100,969,000
City Improvement	14,811,000	27,355,000	38,126,000
Local Transportation Assistance	7,030,000	6,929,000	6,860,000
Other Agency	8,949,000	8,953,000	8,672,000
FTA Grant	5,095,000	5,522,000	5,390,000
Federal & State Grant Trust	-	21,000	-



*In fiscal year 2005-06, average weekday ridership on city buses was more than 152,000.*



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**Public Transit Major Performance Measures and Service Trends**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

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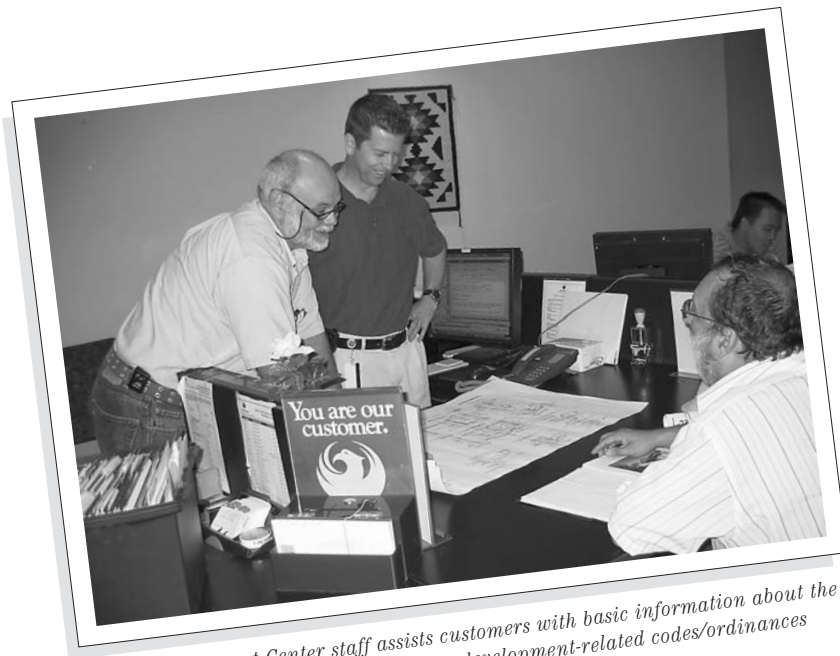
	2004-05	2005-06*	2006-07
Cost recovery from fares	22.1%	20.7%	19.9%
Operating revenue (thousands)	\$26,276	\$26,713	\$27,145
On-time performance for bus service	90%	89%	88%
On-time performance for Dial-a-Ride prescheduled service	95%	94%	94%
On-time performance for Dial-a-Ride on-demand service	61%	62%	59%
Average weekday ridership for bus service	148,508	152,875	157,000
Average weekday ridership for Dial-a-Ride service	1,256	1,291	1,300
Passengers per revenue mile for bus service	2.42	2.48	2.53
Passengers per revenue mile for Dial-a-Ride service	0.10	0.10	0.10

\*Based on 10 months actual experience.

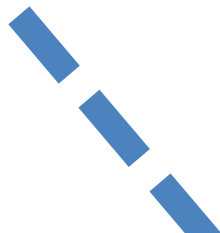
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Cost recovery from fares is decreasing due to the time it takes for newly added service to develop ridership. On-time performance for bus service is expected to decline due to ongoing construction in the Valley area. On-time performance for Dial-a-Ride is expected to decline due to increasing demand.



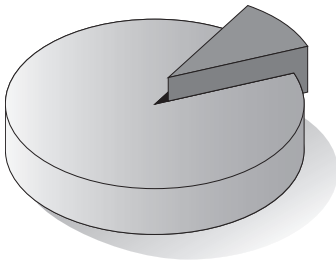


*The Development Center staff assists customers with basic information about the development process, plan submittals, development-related codes/ordinances and permits.*



# Community Development

## The Community Development Program Represents 10.0% 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 \$56,318,000 is \$7,353,000 or 15.0 percent more than 2005-06 estimated expenditures. This increase results primarily from budget additions, the full year's cost for mid-year additions and normal inflationary increases.

### Development Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Total construction permits issued	41,269	44,950	44,950
Single-family permits issued	11,924	10,000	10,000
Multi-family units permitted	6,429	3,500	3,500
Commercial square footage permitted	20.4 million	15 million	20 million
Building permit valuation	\$4.4 billion	\$4.2 billion	\$4.3 billion
Number of inspections	337,973	342,500	342,500
Percent of building safety inspections performed on scheduled day:			
Residential	78%	93%	93%
Commercial	96%	97%	97%
Residential lots submitted for preliminary review	13,698	12,000	12,000
Counter customers served	118,801	130,000	130,000
Average wait time	10 minutes	15 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. The average wait time is reported on all counters excluding the residential counter.



The mid-year budget additions in 2005-06 included increased staff for commercial inspections, residential and commercial plan review, and other resources including overtime and contracted plans review services to address the increasing demands for development services.

The 2006-07 budget includes the addition of staff to expand the Annual Facilities Review Program. In addition,

the budget adds three administrative support positions to improve public information services, assist with customer issues and problem resolution in the residential services area, and meet technical support workloads.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$42,140,000	\$48,965,000	\$56,318,000
Total Positions	459.0	523.0	532.0
Source of Funds:			
Development			
Services	\$41,840,000	\$48,637,000	\$55,778,000
Other Restricted	300,000	328,000	540,000

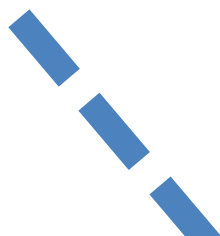
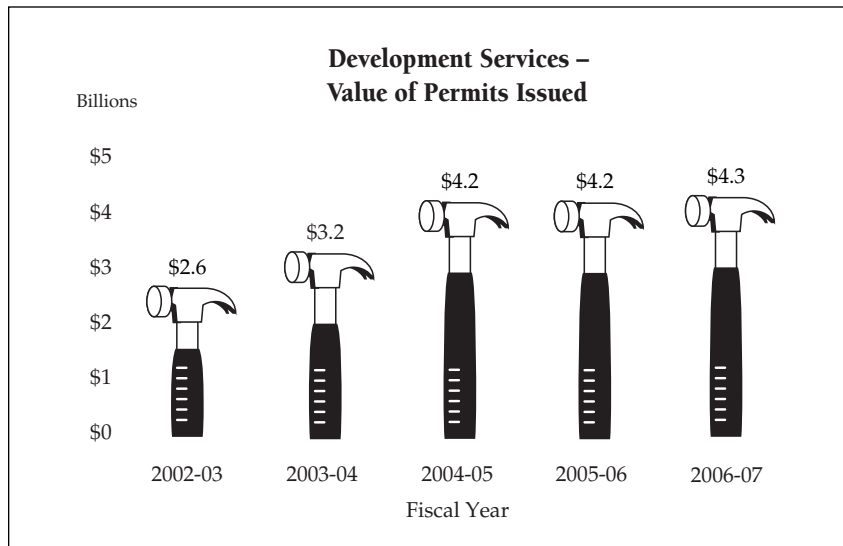
**PLANNING**

**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 2006-07 budget allowance of \$7,591,000 is \$346,000 or 4.8 percent more than 2005-06 estimated expenditures. The increase is





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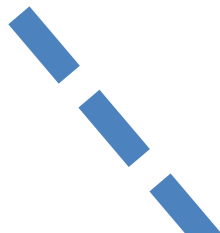
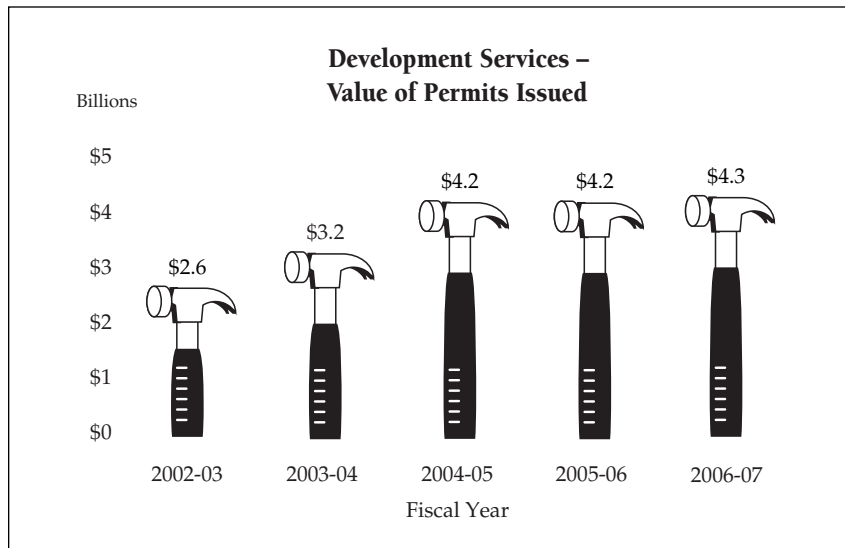
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**Budget Allowance Explanation**

The Planning Department's 2006-07 budget allowance of \$7,591,000 is \$346,000 or 4.8 percent more than 2005-06 estimated expenditures. The increase is



primarily due to the addition of a planner to provide assistance with General Plan amendments and zoning services to be funded through a fee increase.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$7,525,000	\$7,245,000	\$7,591,000
Total Positions	75.9	74.9	75.9
Source of Funds:			
General	\$6,734,000	\$6,368,000	\$6,795,000
Community Development			
Block Grant	62,000	63,000	65,000
Other Restricted	729,000	814,000	731,000

**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 \$728,000 is \$6,000 or 0.8 percent more than 2005-06 estimated expenditures.

**Planning Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Village planning committees supported	15	15	15
Zoning adjustment hearings scheduled within 25 working days of request	41%	35%	50%
Formal rezoning pre-application meetings scheduled within 15 working days of request	54%	30%	50%
Annual cycle General Plan amendments completed by target date	84%	71%	—
General Plan amendment recommendations by staff upheld by City Council	—	—	80% <sup>1</sup>
Zoning verification letters completed within 10 days	53%	60%	70%
Zoning case recommendations by staff that were upheld by City Council	96%	95%	95%
Zoning adjustment hearing officer actions upheld by Board of Adjustment	81%	80%	80%

\*Based on 10 months actual experience.

<sup>1</sup>“Annual cycle General Plan amendments completed by target date” performance measure replaced by “General Plan Amendment recommendations by staff upheld by City Council” measure.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$819,000	\$722,000	\$728,000
Total Positions	4.0	4.0	4.0
Source of Funds:			
General	\$491,000	\$332,000	\$338,000
Water	164,000	195,000	195,000
Wastewater	164,000	195,000	195,000



primarily due to the addition of a planner to provide assistance with General Plan amendments and zoning services to be funded through a fee increase.

#### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$7,525,000	\$7,245,000	\$7,591,000
Total Positions	75.9	74.9	75.9
Source of Funds:			
General	\$6,734,000	\$6,368,000	\$6,795,000
Community Development			
Block Grant	62,000	63,000	65,000
Other Restricted	729,000	814,000	731,000

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	2004-05	2005-06*	2006-07
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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.

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General	\$491,000	\$332,000	\$338,000
Water	164,000	195,000	195,000
Wastewater	164,000	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 2006-07 operating budget allowance of \$88,929,000 is \$21,248,000 or 31.4 percent more than 2005-06 estimated expenditures. The increase primarily reflects additional HOME Investment program funds and the carry forward of unspent allocations from prior years. Also reflected is the carry over of Community Development Block Grant (CDBG) and Housing Opportunities for Persons with AIDS (HOPWA) funds.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$69,932,000	\$67,681,000	\$88,929,000
Total Positions	137.7	145.7	145.7
Source of Funds:			
Public Housing	\$59,572,000	\$56,462,000	\$60,638,000
HOME Grant	7,388,000	7,749,000	24,095,000
Community Development Block Grant	969,000	2,450,000	3,329,000
General	172,000	177,000	181,000
Other Restricted	1,768,000	771,000	615,000
City Improvement	63,000	72,000	71,000

**Housing Major Performance Measures and Service Levels**

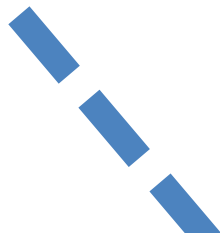
The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
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	5,320	5,320	5,320
City-owned and operated public housing units for families and seniors	2,564	2,585	2,675
Percent of Section 8 vouchers under lease	99%	100%	100%
Occupancy rate for public housing units	98.4%	97.0%	98.0%

\*Based on 10 months actual experience.

It is anticipated that in 2005-06 the number of conventional housing units will decrease by 78 units. These are the last remaining units in the HOPE VI project that will be demolished. However, the number of conventional units will increase by 99 units as units from Phase 1 of HOPE VI are leased. The total number of conventional units will be 1,516 at the end of 2005-06.

In 2006-07, the number of city-owned and operated public housing units is expected to be 2,675 and reflects the sale of 10 scattered site units and the addition of 100 units from Phase 2 of HOPE VI being leased.



**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 \$22,222,000 is \$479,000 or 2.2 percent more than 2005-06 estimated expenditures. This increase is primarily due to the full year costs of moving the Phoenix Film Office from the Public Information Office, and normal inflationary increases. Also reflected in the budget is the move of the Workforce Investment Program to the department from the Human Services Department in 2005-06. These increases are partially offset by a reduction in Community Block Grant funding.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$7,868,000	\$21,743,000	\$22,222,000
Total Positions	36.0	114.0	114.0
Source of Funds:			
General	\$2,434,000	\$2,827,000	\$3,660,000
Community Development Block Grant	1,432,000	1,058,000	889,000
City Improvement	2,330,000	2,808,000	2,764,000
Sports Facilities	105,000	40,000	40,000
Aviation	349,000	250,000	68,000
Water	500,000	518,000	525,000
Convention Center	132,000	133,000	135,000
Federal & State Grant Trust	398,000	6,427,000	14,051,000
Community Reinvestment	165,000	111,000	70,000
Other Restricted	23,000	20,000	20,000
HSD Grant	-	7,551,000	-

**Economic Development Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Projected jobs created/retained within the city of Phoenix as a result of department efforts	7,509	5,080	6,314
Loan applications approved for the Expand Collateral Loan Assistance Program	12	10	12
Loans approved for the New Markets Tax Credit Loan Program	N/A	11	4
Estimated sales tax generated from projects	\$21,627,088	\$27,464,475	\$26,761,266
Projected average annual salary for new jobs with companies newly located in Phoenix	\$39,618	\$39,000	\$41,000
Individuals serviced in employment and training programs			
Adult	2,612	2,500	2,300
Youth	1,048	1,855	1,850

\*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 of \$4,338,000 is \$445,000 or 11.4 percent greater than 2005-06 estimated expenditures. The increase primarily results from increased payments to the Enhanced Municipal Services District, the completion of the Translational Genomics Research Institute (T-GEN) project and the transition of assigned staff to operating funds, a return to full staffing levels and normal inflationary increases.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$3,776,000	\$3,893,000	\$4,338,000
Total Positions	16.0	16.0	16.0
Source of Funds:			
General	\$3,273,000	\$3,370,000	\$3,815,000
Sports Facilities	102,000	106,000	106,000
Convention Center	401,000	417,000	417,000

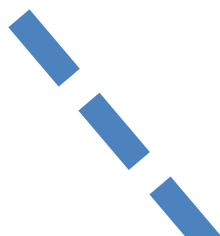
**Downtown Development Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Number of development/redevelopment projects in process	32	35	39
Estimated construction value of projects (in millions)	\$1,102,152	\$1,461,400	\$1,800,000
Number of residential units created	68	159	212
Projected jobs created downtown as a result of department efforts	170	239	380

\*Based on 10 months actual experience.

The increase in number of jobs projected in 2006-07 will be due to the opening of the Arizona State University Downtown Phoenix Campus as well as the Arizona Biomedical Collaborative facility.



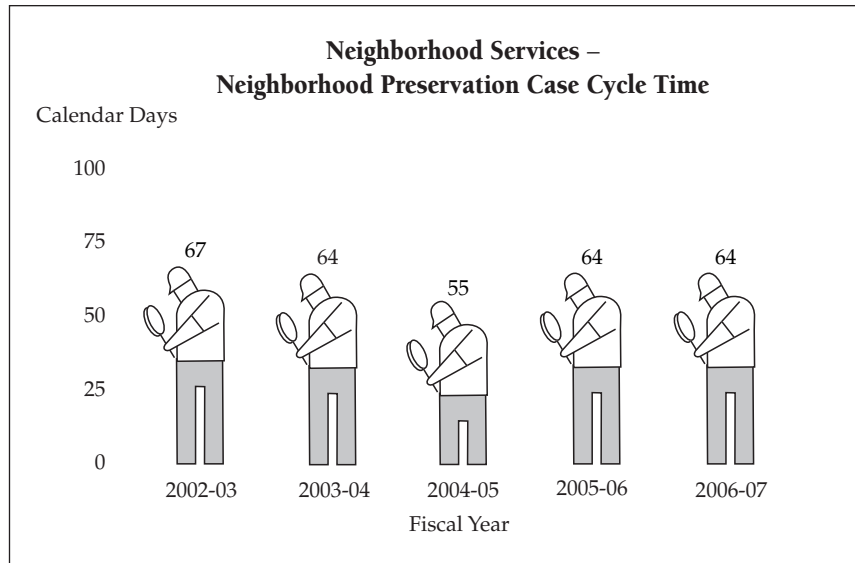
## NEIGHBORHOOD SERVICES

### 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 \$49,949,000 is \$21,360,000 or 74.7 percent more than 2005-06 estimated expenditures. The General Fund budget of \$15,926,000 is \$2,322,000 or 17.1 percent more than the 2005-06 estimated expenditures. The General Fund increase primarily reflects



*The Graffiti Busters Program removes graffiti within 48 hours of receiving a report from any city resident.*





the full year's cost of the Graffiti Busters Program expansion approved in 2005-06, the carry forward of prior years' unspent but committed Fight Back funds and normal inflationary increases.

The increase in grant programs, including federal/state grants, HOME Investment Program and CDBG results from the carry forward of unspent grant funds, and a new allocation of HOME funds, partially offset by a reduction in the CDBG allocation for 2006-07.

**Expenditure and Position Summary**

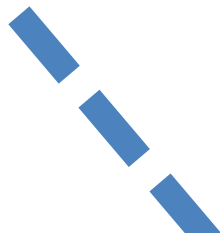
	2004-05	2005-06	2006-07
Operating Expense	\$30,162,000	\$28,589,000	\$49,949,000
Total Positions	232.0	237.0	237.0
Source of Funds:			
General	\$12,837,000	\$13,604,000	\$15,926,000
Community Development Block Grant	13,870,000	11,277,000	26,413,000
Federal & State Grant Trust	1,839,000	2,040,000	2,137,000
HOME Program Grant	1,563,000	1,586,000	5,023,000
Other Restricted	53,000	82,000	100,000
City Improvement Funds	-	-	350,000

**Neighborhood Services Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Residents who receive landlord/tenant counseling	9,301	7,850	7,850
Neighborhood cleanup/resident meetings facilitated	646	650	660
Dollar value of infrastructure and development projects completed	\$24,212,193	\$27,599,001	\$32,027,223
Sites where graffiti was removed through the Graffiti Busters Program	43,960	53,500	60,000
Homeowner-occupied housing rehabilitation projects completed	677	577	519
Percent of neighborhood preservation cases resolved voluntarily	86%	86%	86%
Neighborhood preservation average response time from first call to initial inspection for occupied/non-hazard cases (in calendar days)	11	11	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	6	6
Properties acquired/demolished/redeveloped for neighborhood revitalization purposes	72	171	196

\*Based on 10 months actual experience.



## 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

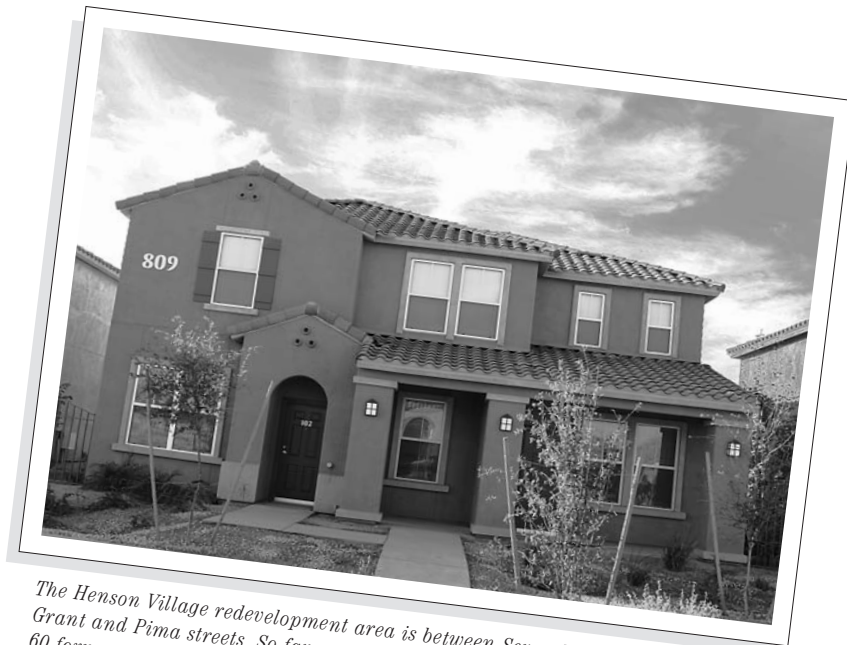
The Hope VI Project 2006-07 gross operating budget allowance of \$965,000 is \$90,000 or 10.3 percent more than 2005-06 estimated expenditures. This increase reflects normal inflationary adjustments as well as costs associated with adding a 0.5 caseworker II and 0.5 clerk II to assist with the recently opened Community Training and Education Center.

The operating budget also includes the conversion of a temporary accountant II position to regular status.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$797,000	\$875,000	\$965,000
Total Positions	9.5	10.5	11.5
Source of Funds:			
General (Gross*)	\$797,000	\$875,000	\$965,000

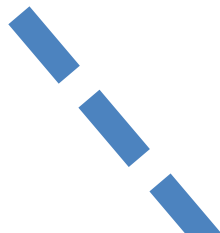
\*Gross costs are charged to the Hope VI federal grant and Conventional Housing funds.



*The Henson Village redevelopment area is between Seventh and 15th avenues and Grant and Pima streets. So far, more than 110 families have moved in, including 60 former residents. This community revitalization project, valued at \$100 million, is a result of a federal grant and public, private and nonprofit partnerships.*

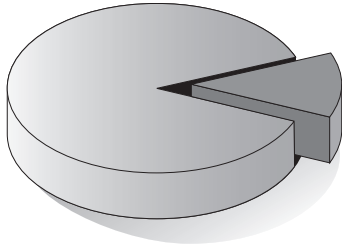


*The new 27,000-square-foot Maryvale Community Center boasts a gymnasium, weight room and an elevated indoor running track.*



# Community Enrichment

**The Community Enrichment Program Represents 11.6% of the Total Budget.**



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

## PARKS AND RECREATION

### Program Goal

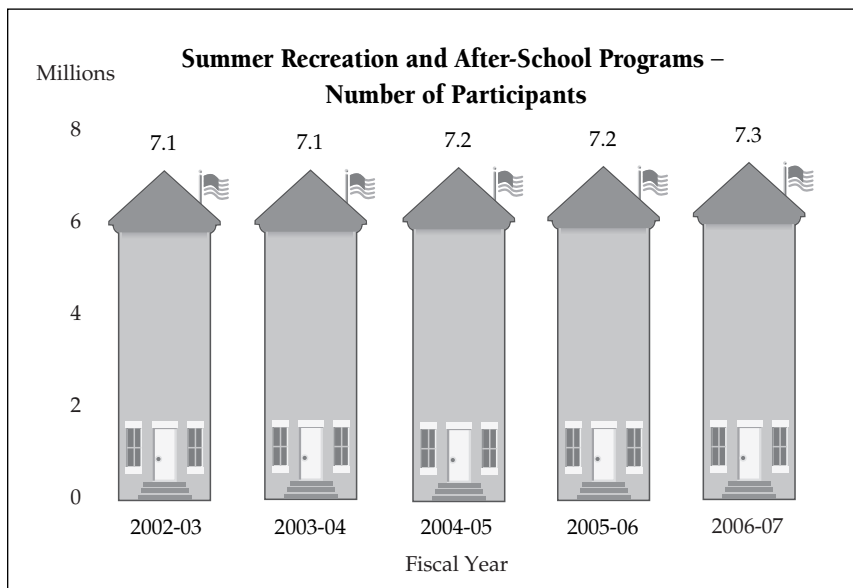
The Parks and Recreation Department provides and maintains a diverse parks and recreation system available and accessible to all, which contributes to the physical, mental, social and cultural needs of the community and permits outlets that cultivate a wholesome sense of civic pride and social responsibility.

### Budget Allowance Explanation

The 2006-07 Parks and Recreation operating budget allowance of \$115,887,000 is \$15,563,000 or 15.5 percent more than 2005-06 estimated expenditures. This increase is due the full year's operating costs for facilities opened in 2005-06, operating costs for new or expanded facilities opening in

2006-07 and normal inflationary adjustments. This increase also is due to the carry forward of funds for continued implementation of the city's Rio Salado Dust Control Program.

The budget provides for additional staff and operating costs to open and maintain new or improved park facilities (\$4,359,000) constructed with Parks and Preserve Initiative funds, 2001 bond funds and other funds. These facilities include Desert West Park, 35th Avenue Community Learning Center, Phoenix Center North Building, Winship House, Tovrea Castle and Carraro Cactus Garden, Reach 11 Recreation Area, Dove Valley Park, park at Cave Creek and Tatum Road, Tramonto Park, Deem Hills Park, Stetson Valley Neighborhood Park, Washington Adult Center, Pecos Park Community Center, park at 31st Avenue and Roeser Road, Laveen Basin, Laveen Farms Park,





and Rio Salado Habitat. The budget also provides staff and other operating costs for street landscaping maintenance of new streets citywide.

The budget also includes the addition of a management assistant position to perform department and citywide program and project planning for the Parks

and Open Space Impact Fee program. The costs of this position will be charged to the Impact Fee Program administrative fee revenue.

Also included in the budget is the conversion of two temporary account clerks to regular status.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$92,207,000	\$100,324,000	\$115,887,000
Total Positions	1,513.2	1,530.4	1,611.9
Source of Funds:			
General	\$86,369,000	\$93,379,000	\$108,000,000
Other Restricted	2,233,000	3,362,000	3,573,000
City Improvement	1,398,000	1,494,000	1,959,000
Grant	1,621,000	1,501,000	1,746,000
Convention Center	317,000	311,000	319,000
Parks and Preserves	162,000	167,000	180,000
Golf	107,000	110,000	110,000

### Parks and Recreation Major Performance Measures and Service Levels

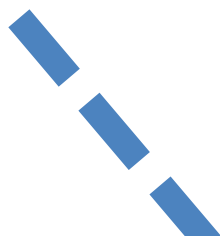
The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Acres maintained:**			
Developed parks	4,374	4,478	4,634
Undeveloped park land	3,871	3,975	3,975
Parkways and medians	885	896	1,015
Preserves/desert parks	29,353	29,353	29,353
Cost per acre for annual maintenance:			
Developed parks	\$6,551	\$6,919	\$7,333
Undeveloped park land	\$1,798	\$1,893	\$2,189
Preserves/desert parks	\$181	\$196	\$227
Acres of developed parks per 1,000 population			
	2.88	3.01	3.03
Number of volunteer hours	195,000	250,000	250,000
At-Risk-Youth participants	225,000	225,000	225,000
Aquatic participants	878,000	800,000	800,000
All other recreation services participants***	29,202,000	31,177,000	33,031,000

\*Based on 10 months actual experience.

\*\*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.

\*\*\*Excludes summer and after-school, at-risk-youth, aquatics and golf participants.



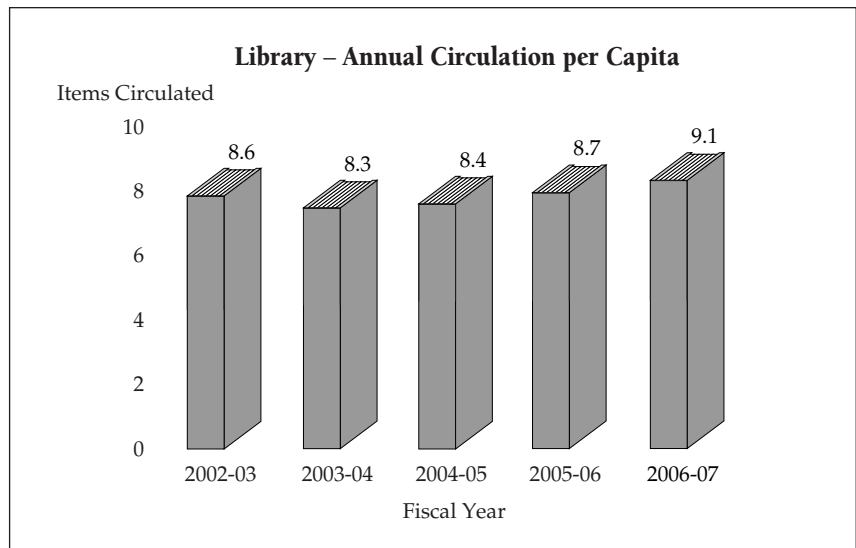
## LIBRARY

### 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 2006-07 budget allowance of \$38,090,000 is \$4,045,000 or 11.9 percent more than 2005-06 estimated expenditures. The increase is largely due to the addition of operating costs for the new Cesar



*The Phoenix Public Library teen centers are a unique space, designed by teens, for teens where they can read, do homework or catch up with each other in a fun learning environment.*





Chavez regional library scheduled to open in July 2006 as well as normal inflationary increases.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$30,693,000	\$34,045,000	\$38,090,000
Total Positions	420.0	420.0	436.5
Source of Funds:			
General	\$30,105,000	\$33,071,000	\$36,915,000
Grant	159,000	373,000	404,000
Other Restricted	429,000	601,000	771,000

### Library Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Number of library visitors served	4,276,266	4,366,665	4,758,665
Number of electronic visits	10,869,369	12,911,000	14,848,000
Annual budget for purchase of library materials	\$5,390,795	\$5,883,613	\$6,197,088
Cost per library visitor served	\$7.18	\$7.80	\$8.00
Number of items circulated:			
Central	2,456,990	2,493,907	2,531,316
13 Branches	9,807,477	10,570,256	11,432,256
Cost per item circulated	\$2.50	\$2.61	\$2.73
Circulation per library visit	2.87	2.99	2.93
Collection turnover rate	5.63	5.39	5.45
Library card registration as a percentage of population	68.7%	70.0%	72.0%
Number of books in stock	2,178,625	2,424,760	2,560,760
Number of telephone reference requests answered	114,260	111,054	113,275
Annual circulation per capita	8.63	8.94	9.29
Number of hours open for public service per week	886	924	979

\*Based on 10 months actual experience.

**GOLF**

**Program Goal**

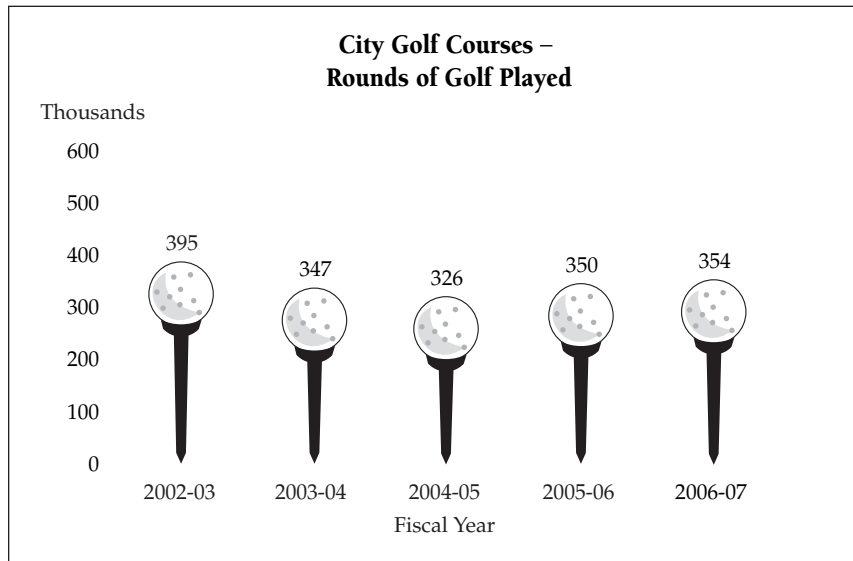
The Golf Program provides quality golf services 365 days a year on a self-sustaining basis to residents and visitors.

**Budget Allowance Explanation**

The Golf Program 2006-07 operating budget allowance of \$7,889,000 is \$1,339,000 or 20.4 percent more than the 2005-06 estimated expenditures. This is due primarily to full year costs related to the transitioning of the Maryvale, Papago and Encanto 9- and 18-hole pro shops from contract to city operations. Additional revenues from golf cart rentals, merchandise sales, increased rounds and member card sales are anticipated to offset these costs.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$5,825,000	\$6,550,000	\$7,889,000
Total Positions	115.5	140.0	140.0
Source of Funds:			
Golf	\$5,820,000	\$6,550,000	\$7,889,000
Grant	5,000	-	-



**Golf Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Acres of golf courses maintained	922	922	922
Annual cost of maintenance per acre	\$5,216	\$5,721	\$6,397
Cost per participant	\$17.84	\$18.72	\$22.29

\*Based on 10 months actual experience.





## PHOENIX CONVENTION CENTER

### Program Goal

The Phoenix Convention Center 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 Phoenix Convention Center operating budget allowance of \$38,554,000 is \$2,877,000 or 8.1 percent more than 2005-06 estimated expenditures. The increase is primarily the result of new

capital facility operating costs, service enhancements and normal inflationary cost increases. The budget also includes the carry forward of 2005-06 funds for renovations at Symphony Hall and the south building of the convention center.

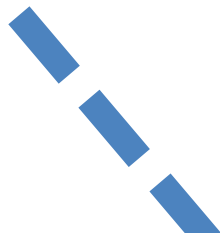
The budget provides for staff and other resources to manage the state-of-the-art conference center in the new west building, implement a new Guest Experience Program, and expand advertising to the non-convention market. Also included is funding for staff to provide improved contract management, technical support and expanded warehouse operations. The budget also includes \$562,000 for contractual and commodity costs associated with the new west building.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$32,299,000	\$35,677,000	\$38,554,000
Total Positions	205.4	209.4	214.4
Source of Funds:			
Convention Center	\$24,557,000	\$31,630,000	\$34,493,000
General	1,863,000	1,990,000	1,995,000
City Improvement	1,679,000	1,557,000	1,556,000
Sports Facilities	4,200,000	500,000	500,000



*The 2006-07 budget provides for staff and other resources to manage the state-of-the-art conference center in the new west building of the Phoenix Convention Center.*



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**Phoenix Convention Center Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

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	2004-05	2005-06*	2006-07
Estimated direct spending impact from conventions (millions)	\$170.3	\$157.3	\$174.2
Number of conventions	49	41	57
Number of local public shows	39	48	34
Percent square feet occupancy (all events)	71%	70%	53%
Number of theatrical performances	235	381	385
Total theater attendance	200,372	294,579	314,350
Total parking revenue (millions)	\$6.9	\$6.9	\$8.9
Revenue per parking space	\$920	\$920	\$1,186
Operating expense per parking space	\$674	\$661	\$683

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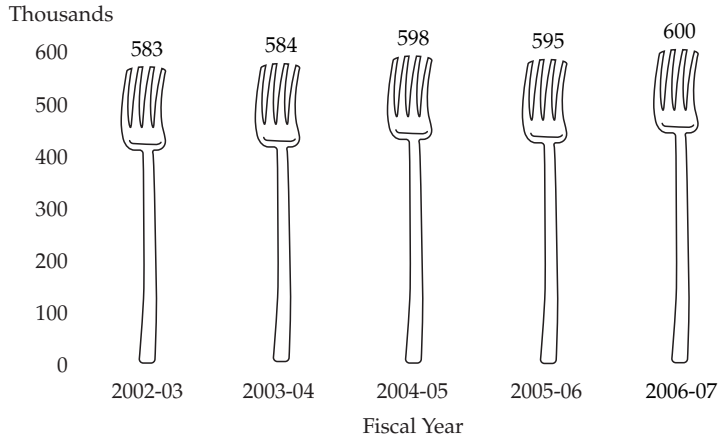
\*Based on 10 months actual experience.

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 2006-07 due to industry interest in the new West Building. Percent square feet occupancy is decreasing due to the demolition of the North Building and the resulting inability to host large conventions and trade shows in a single continuous space. Total parking revenue and revenue per parking space is increasing in 2006-07 due to increased rates.





### Human Services – Meals Served by Senior Nutrition Program



## HUMAN SERVICES

### Program Goal

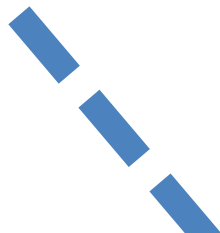
The Human Services Department promotes self-sufficiency by providing a wide array of services that foster the economic, physical and social well-being of residents.

### Budget Allowance Explanation

The Human Services operating budget allowance of \$62,336,000 is \$1,896,000 or 3.0 percent less than 2005-06 estimated expenditures. This reduction is primarily due to an accounting change related to Continuum of Care grant funds. These federal funds will now be paid directly to service providers. This decrease also



*The Human Services Department's PACE (Phoenix Advocacy and Counseling for Elderly) program offers counseling and casework services to Phoenix residents over the age of 60.*



reflects the carry forward of prior years' unspent CDBG funds in 2005-06. The reduction in grants is partially offset by additional grant funding from the Department of Economic Security for utilities assistance, normal inflationary adjustments and budget additions.

The budget includes funding to open the senior center at the Pecos Community Center in Ahwatukee. This relocation and expansion of the Ahwatukee Senior Center, funded in the 2001 Bond Program, will enable the center to become fully functional as a multigenerational senior center.

#### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$72,587,000	\$64,232,000	\$62,336,000
Total Positions	566.4	493.0	500.8
Source of Funds:			
General	\$22,257,000	\$24,582,000	\$27,111,000
Human Services Grants	47,903,000	36,958,000	32,839,000
Community Development			
Block Grant	1,116,000	1,521,000	1,173,000
Federal Grants	457,000	315,000	260,000
City Improvement	226,000	266,000	466,000
Water	250,000	250,000	250,000
Transit 2000	156,000	156,000	156,000
Public Housing	124,000	103,000	-
Other Restricted	98,000	81,000	81,000

#### Human Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Number of children in Head Start	3,764	3,863	3,979
Number of students receiving school-based services	2,581	2,500	2,500
Community Services Division unduplicated households served	12,921	13,000	17,000
Number of community volunteer hours managed by Human Services staff	174,146	157,195	144,600
Average monthly downtown homeless population:			
Sheltered	514	645	645
Unsheltered	67	82	82
Persons served at the winter overflow shelter	3,171	4,723	4,700
Senior clients receiving daily meals	2,470	2,620	2,640
Daily average number of Reserve-a-Ride passengers	603	650	650
Small Business	73	75	75
Summer Youth	1,072	1,050	900
Youthbuild	41	32	32

\*Based on 10 months actual experience.

Unduplicated households assisted by the Community Services Division is projected to increase due to additional grant funding from the Department of Economic Security.

Decrease in number of community volunteer hours managed by staff continues to decrease due to reduced Local Law Enforcement Block Grant (LLEBG) funding for youth programs and lower volunteer participation at senior centers.

Increase in number of persons served at winter shelter is a result of increased funding from Federal Emergency Management Agency (FEMA) and Emergency Shelter Grants (ESG) as well as increased demand. Number of senior clients receiving daily meals has increased over 2004-05 levels due to expanded space at Devonshire, Westside and Shadow Mountain senior centers. Summer youth activities has been lowered due to reduced CDBG funding and uncertain state funding. Youthbuild projections reflect the difficulty in recruiting and retaining participants.





## 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 \$1,135,000 is \$85,000 or 8.1 percent more than 2005-06 estimated expenditures. The budget reflects normal inflationary increases, and a carry over of unspent funds for the Focus on Results program.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$980,000	\$1,050,000	\$1,135,000
Total Positions	5.8	5.8	5.8
Source of Funds:			
General	\$662,000	\$797,000	\$897,000
Other Restricted	318,000	253,000	238,000

## 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 2006-07 operating budget allowance of \$608,000 is \$59,000 or 10.7 percent more than 2005-06 estimated expenditures. This increase is the result of normal inflationary increases and a return to full staffing levels.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$517,000	\$549,000	\$608,000
Total Positions	5.0	5.0	5.0
Source of Funds:			
General	\$517,000	\$549,000	\$608,000

## RIO SALADO

### Program Goal

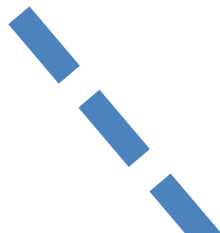
The Rio Salado Office coordinates the Phoenix Rio Salado Habitat Restoration Project and directs the city's efforts in restoring the native wetland and riparian habitats along the banks of the Salt River.

### Budget Allowance Explanation

The Rio Salado 2006-07 operating budget allowance of \$150,000 is \$8,000 or 5.6 percent more than the 2005-06 estimated expenditures. This increase reflects normal inflationary adjustments.

### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$126,000	\$142,000	\$150,000
Total Positions	1.0	1.0	1.0
Source of Funds:			
General	\$126,000	\$142,000	\$150,000



**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 \$572,000 is \$60,000 or 11.7 percent more than 2005-06 estimated expenditures. This increase is primarily due to the transfer to the general fund of staff time previously charged to declining 1988 bond funds, and normal inflationary increases.

**Expenditure and Position Summary**

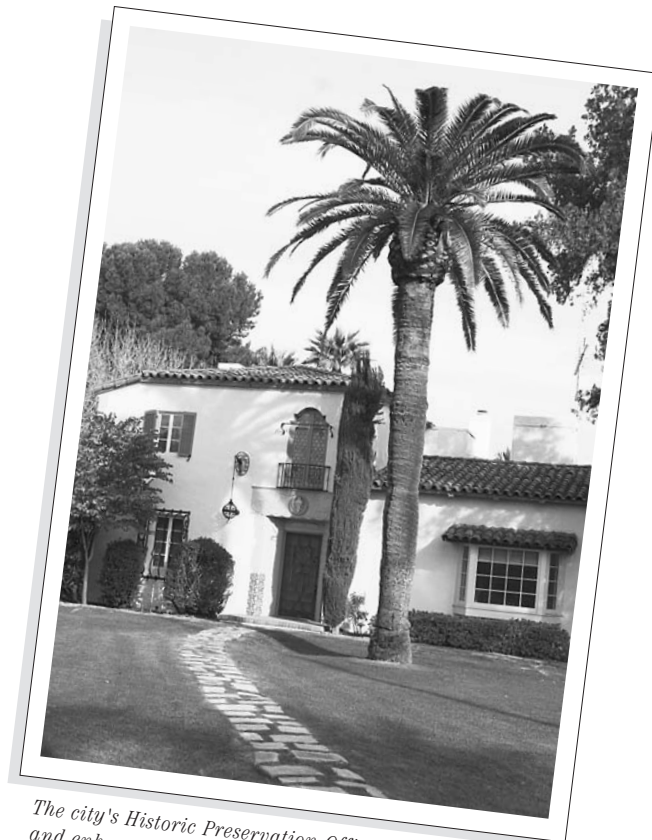
	2004-05	2005-06	2006-07
Operating Expense	\$475,000	\$512,000	\$572,000
Total Positions	6.0	6.0	6.0
Source of Funds:			
General	\$475,000	\$512,000	\$572,000

**Historic Preservation Office Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Number of design reviews performed on building permits in historic districts	417	422	430
Number of city grants awarded for historic rehabilitation projects	32	36	38

\*Based on 10 months actual experience.



*The city's Historic Preservation Office works to protect and enhance historic neighborhoods, buildings and sites in Phoenix.*





**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 \$2,376,000 is \$141,000 or 6.3 percent more than 2005-06 estimated expenditures. This reflects normal inflationary increases. The budget includes \$721,000 dedicated to the matching grant program. The remaining funding represents support staff and operating expenses.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$2,773,000	\$2,235,000	\$2,376,000
Total Positions	12.5	12.5	12.5
Source of Funds:			
General	\$1,174,000	\$1,195,000	\$1,305,000
Local Transportation Assistance	106,000	106,000	106,000
Grant	1,243,000	684,000	715,000
Other Restricted	250,000	250,000	250,000



*The award-winning Baseline Road Streetscape, completed in summer 2005, was designed to add shade and comfort for walkers and bus riders as part of a larger street improvement along Baseline Road from Seventh to 40th streets.*

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**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 2006-07 budget allowance.

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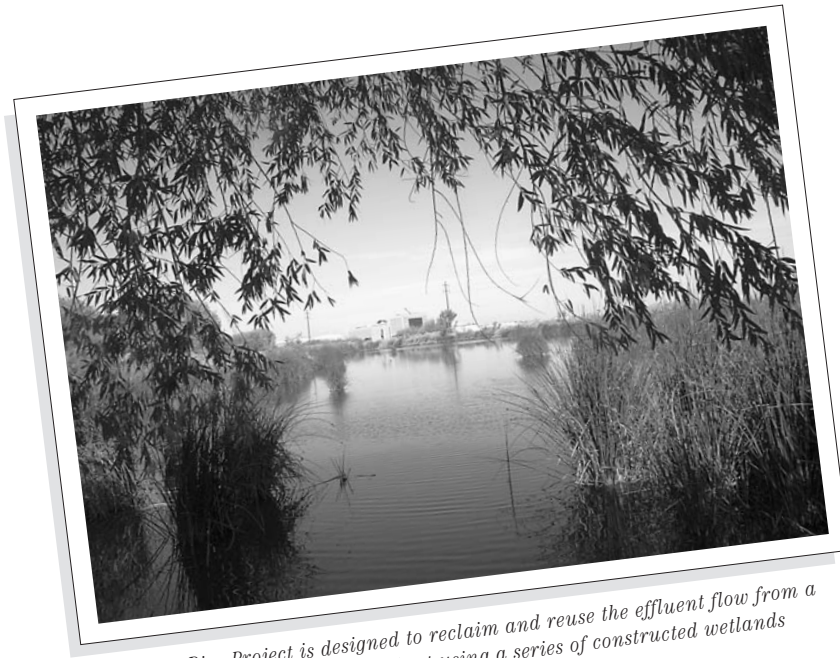
	2004-05	2005-06*	2006-07
Grant applications processed to support arts activities through schools and nonprofit organizations	141	126	147
Grant awards administered to support arts activities through schools and nonprofit organizations	112	116	115
Percent-for-art projects to enhance city capital improvement projects with artwork	58	64	60
Local artists/arts organizations training workshops	23	20	20
Arts management consulting projects coordinated by Business Volunteers for the Arts	43	50	50

\*Based on 10 months actual experience.

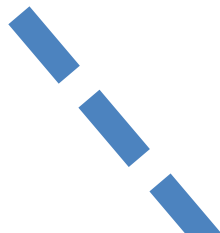
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The number of grants applications processed and administered will vary with the number of applicants and the size of the grants awarded. The number of percent-for-art projects administered varies with capital improvement project activity and the scope of the individual projects undertaken.



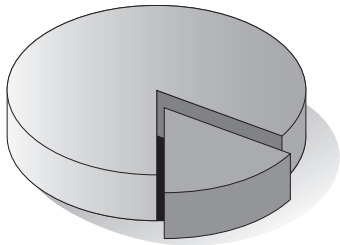


*The Tres Rios Project is designed to reclaim and reuse the effluent flow from a nearby wastewater treatment plant using a series of constructed wetlands along a seven-mile stretch of the Salt River.*



# 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.

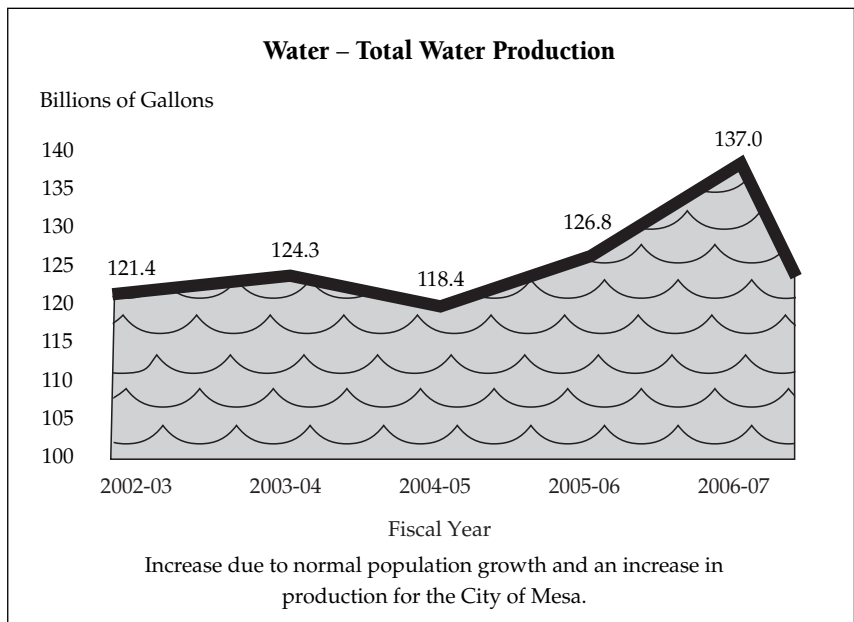
## WATER SERVICES

### 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 \$232,037,000 is \$23,188,000 or 11.1 percent more than 2005-06 estimated expenditures. The increase is primarily due to contract operating costs for the new Lake Pleasant Water Treatment Plant, increases in chemical prices, normal inflationary increases and budget additions. The budget also includes the carry forward of 2005-06 funds for the Enhanced Water Conservation Program, an energy



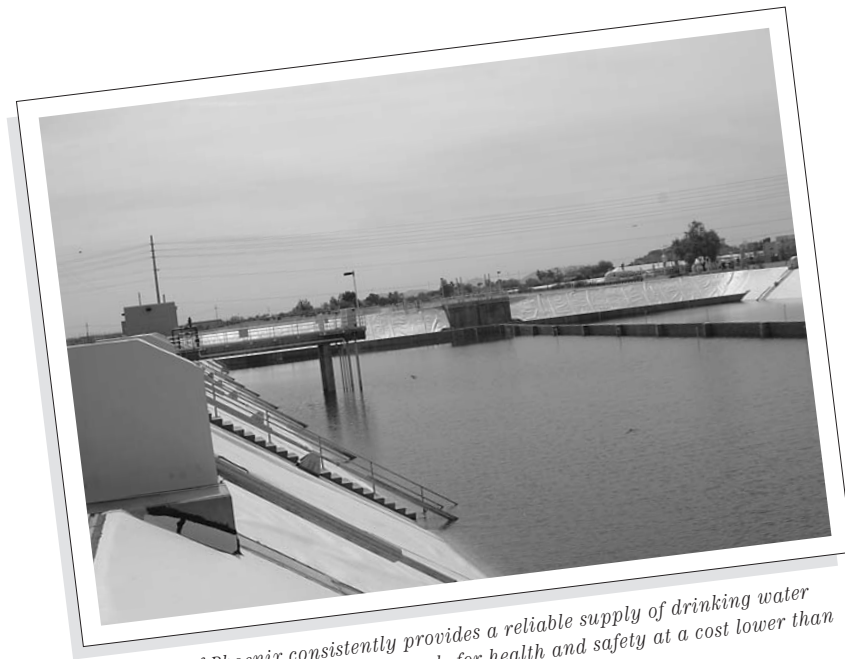


management system for the laboratory, and information technology improvements.

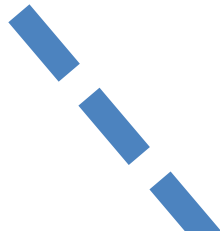
The budget adds staff to monitor the highly complex Lake Pleasant Water Treatment Plant contract and provides funds for increased technical support for water technology applications.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$190,524,000	\$208,849,000	\$232,037,000
Total Positions	1,355.1	1,416.1	1,417.1
Source of Funds:			
Water	\$121,874,000	\$135,462,000	\$152,735,000
Wastewater	68,536,000	73,200,000	79,195,000
City Improvement	19,000	85,000	-
Other Restricted	95,000	102,000	107,000



*The city of Phoenix consistently provides a reliable supply of drinking water that meets or surpasses all standards for health and safety at a cost lower than most cities in the Southwest.*



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**Water Services Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

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	2004-05	2005-06*	2006-07
Gallons of water produced systemwide (in billions)	118.4	126.8	137.0
Gallons of wastewater treated (in billions)	70.0	71.4	70.0
Gallons of water supplied to consumers per \$.01	4.54	4.27	4.00
Miles of wastewater collection lines cleaned	1,294	1,484	1,488
Laboratory analyses and analytic screenings conducted in-house	84,116	90,381	90,381
Telephone calls:			
Received	981,967	996,697	1,001,606
Percent answered	94%	96%	96%
Customer payments processed by customer services staff (excludes mailed payments)	985,419	1,000,200	1,005,127
Emergency repairs to water distribution system	6,265	5,850	5,850
Percent of water leaks repaired within the 5-day standard	94%	96%	98%
Average gallons of water used per capita per day	192	198	198

\*Based on 10 months actual experience.

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Gallons of water produced systemwide (in billions) increased due to population increases and increased demand from the city of Mesa. 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 infrastructure.





## 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 2006-07 Solid Waste Management operating budget allowance of \$103,074,000 is \$18,931,000 or 22.5 percent more than 2005-06 estimated expenditures. This increase is due to a new long haul contract that reflects increased hauling

distances, increased costs for procuring solid waste containers and refuse barrels, fuel price increases and other normal inflationary cost increases. Also contributing to the increase is the carry forward of unspent 2005-06 funds for vehicles, software upgrades and furniture to be purchased in 2006-07.

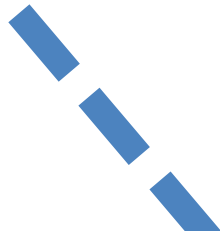
The budget also includes funding for a security guard at the 27th Avenue Transfer Station to improve site security.

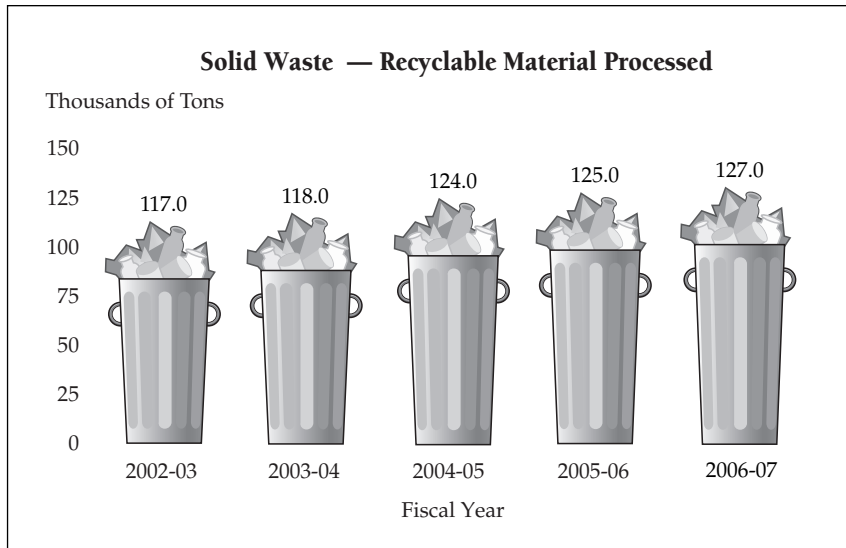
### Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$78,008,000	\$84,143,000	\$103,074,000
Total Positions	498.0	519.0	520.0
Source of Funds:			
Solid Waste	\$77,124,000	\$83,380,000	\$102,048,000
General	884,000	763,000	1,026,000



*Following the closure of the Skunk Creek Landfill, customers and residents can now drop off garbage and recyclables at the new North Gateway Transfer Station which opened Jan. 2, 2006.*





**Solid Waste Management Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Residential households served with twice per week contained solid waste and recyclable material collections	355,345	366,000	368,000
Tons of residential recyclable materials collected	124,121	125,000	126,500
Tons of total solid waste disposed at city landfills**	930,000	1,000,000	1,170,000
Tons of solid waste from city residences disposed**	650,000	675,000	800,000

\*Based on 10 months actual experience.

\*\*FY 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 2006-07 Public Works operating budget allowance of \$29,192,000 is \$5,252,000 or 21.9 percent more than 2005-06 estimated expenditures.

The increase is primarily due to normal inflationary adjustments and reduced staff

vacancies. In addition, purchases of fleet vehicles and various facility repair and improvement projects were not completed in 2005-06 and were carried forward to 2006-07.

Other supplemental increases included in the 2006-07 operating budget reflect funding for staff and other operating costs for the citizen service center located at the Pecos Community Center scheduled to open in December 2006, a mechanic to support the maintenance of additional fire apparatus, and staff additions to the alarm services team to support new alarm systems in Public Transit and Water Services departments.

**Expenditure and Position Summary**

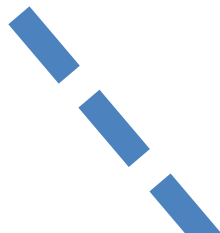
	2004-05	2005-06	2006-07
Operating Expense	\$23,746,000	\$23,940,000	\$29,192,000
Total Positions	501.0	498.0	505.0
Source of Funds:			
General	\$17,907,000	\$17,062,000	\$21,222,000
City Improvement	5,326,000	5,371,000	6,375,000
Other Restricted	513,000	1,507,000	1,595,000

**Public Works Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Square feet of building space maintained	7,342,987	8,035,000	8,101,000
Facility service requests completed	19,292	21,174	21,400
Fleet vehicles per mechanic	38.5	38.3	38.5
Units of equipment for which fleet management is provided	6,441	6,794	6,875
Annual miles of fleet vehicle utilization (in millions)	50.0	52.0	52.0

\*Based on 10 months actual experience.



**ENVIRONMENTAL PROGRAMS**

**Program Goal**

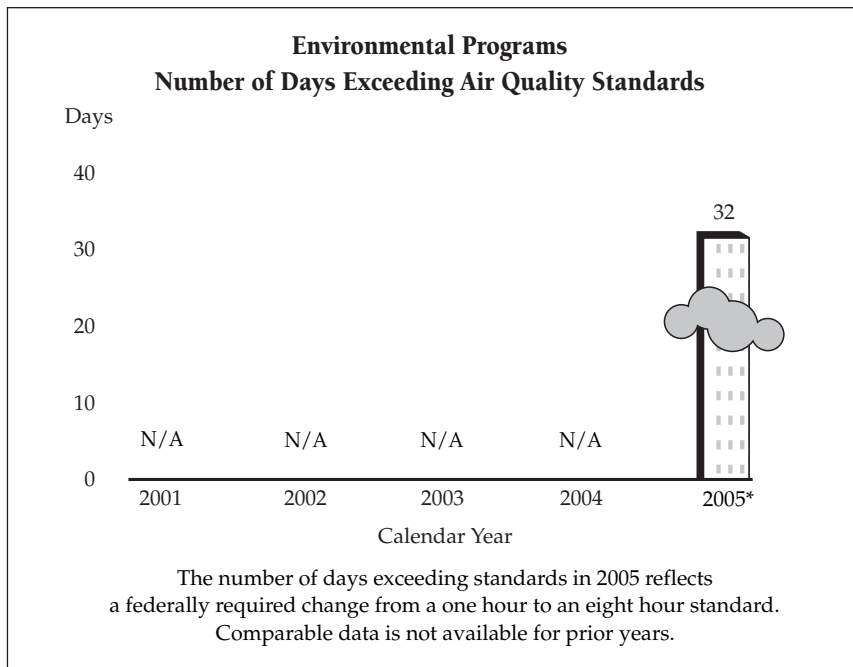
The Office of Environmental Programs provides coordination and monitoring for the city's environmental programs and activities, and develops and implements regulatory policies and programs.

**Budget Allowance Explanation**

The 2006-07 Office of Environmental Programs operating budget allowance of \$1,911,000 is \$37,000 or 2 percent more than the 2005-06 estimated expenditures. This increase is the result of normal inflationary increases partially offset by a reduction in grant funds.

**Expenditure and Position Summary**

	2004-05	2005-06	2006-07
Operating Expense	\$1,445,000	\$1,874,000	\$1,911,000
Total Positions	15.0	15.0	15.0
Source of Funds:			
General	\$1,216,000	\$1,278,000	\$1,474,000
Water	199,000	210,000	237,000
Capital Construction	15,000	101,000	100,000
Federal & State Grant	15,000	285,000	100,000



**Environmental Programs Major Performance Measures and Service Levels**

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Employees receiving training on environmental issues	1,102	1,800	1,000
Number of facility assessments and technical assistance visits conducted**	89	75	65
Number of brownfield projects implemented	19	19	21
Overall customer satisfaction with technical and regulatory assistance	97%	96%	96%
Pollution prevention and hazardous materials/hazardous waste compliance assistance provided***	42	65	65

\*Based on 10 months actual experience.

\*\*Departments are assessed on a cyclical basis. The annual variance reflects different departments which have a varying number of facilities.

\*\*\*Assistance is generally provided on a customer driven basis and can vary based on department staff turnover and specific situations.



## 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.

### GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2005-06 budgeted level of \$24,740,000 to \$28,860,000. This increases the General Fund contingency to 2.7 percent of operating expenditures.

In 1995-96, the City Council adopted a policy to, over time, as funding allowed, 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 funding level to 2.5 percent. Beginning in 2004-05 the City Council once again began increasing the Contingency Fund, over time, back to a 3 percent level.

Then, as part of a five-year forecast review in May 2005, the City Council expressed interest in increasing the contingency fund to 3.5 percent if the local economy performed better than staff estimates. The 2006-07 budget increases the contingency amount by \$4,120,000 and also increases the percentage to 2.7 percent of the General Fund.

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 2006-07.

**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
2006-07	1,083,000	28,860	2.7

\*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.



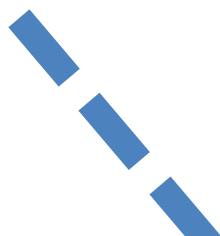


### OTHER FUND CONTINGENCIES

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.

**2006-07 Other Fund Operating Expenditure and Contingency Amount (000's)**

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$115,625	\$ 14,500	12.5%
Development Services	64,416	6,000	9.3
Aviation	206,869	10,000	4.8
Water	185,365	30,000	16.2
Wastewater	94,993	14,821	15.6
Solid Waste	108,048	6,000	5.6
Convention Center	41,146	5,000	12.2
Golf	8,049	50	0.6
Public Safety Enhancement	24,590	733	3.0



# Debt Service

Debt service expenditures include payments of principal, interest, sinking fund contributions, costs of issuance and bond reserve requirements for bonds issued. The debt service allowance in 2006-07 for existing debt and future bond sales is \$705,485,000. As shown in the following chart, debt service payments including bond issuance costs are funded by Secondary Property Tax, Water, Aviation, Wastewater, City Improvement, Arizona Highway User Revenue, Convention Center and Solid Waste funds. Other funding sources include Sports Facilities, Golf and Grant funds. City Improvement includes \$67.6 million in nonprofit corporation bonds debt service payments funded by general and Transit 2000 sales tax funds.

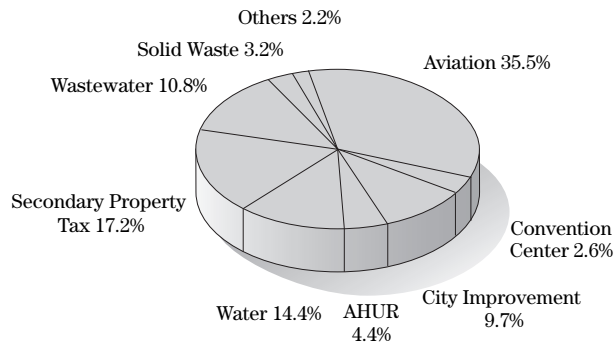
Secondary property tax shown in the pie chart above represents the annual tax levy for debt service and related interest earnings.

## 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 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

2006-07 Debt Service



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 14, 2006, the Mayor and the City Council appointed the 2006 Citizens' Bond Committee composed of nearly 700 members to review the city's fiscal capacity, capital facility needs and operating and maintenance costs of needed facilities. This committee recommended an \$878.5 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 \$878.5 million of recommended bond authorizations in the March 14, 2006 special election. These authorizations provided funding to construct capital improvements in the following areas:

- Police and Fire Protection
- Police, Fire and Computer Technology
- Parks, Recreation and Mountain Preserves
- Education Facilities
- Library Facilities
- Street Improvements
- Storm Sewers
- Senior Facilities
- Cultural Facilities
- Affordable Housing Neighborhood Revitalization

### 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.

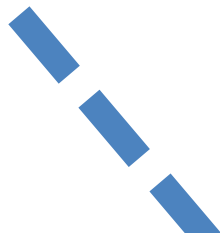
The following table is a statement of the city's bonded indebtedness as of April 1, 2006.

### Statement of Bonded Indebtedness

#### General Obligation Bonds (In Thousands of Dollars) <sup>(1)</sup>

Purpose	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	\$1,111,027	\$ —	\$1,111,027	\$ —	\$1,111,027
Airport	—	24,375	24,375	37,315	61,690
Sanitary Sewer	—	66,499	66,499	—	66,499
Solid Waste	—	39,910	39,910	—	39,910
Water	—	121,296	121,296	—	121,296
Public Housing	—	—	—	1,725	1,725
Street and Highway	—	—	—	170,771	170,771
Subtotal	\$1,111,027	\$252,080	\$1,363,107	\$209,811	\$1,572,918
Less: Restricted Funds	(265,974)	—	(265,974)	—	(265,974)
Direct Debt	\$845,053	\$252,080	\$1,097,133	\$209,811	\$1,306,944
Less: Revenue Supported	—	(252,080)	(252,080)	(209,811)	(461,891)
Net Debt	\$ 845,053	\$ —	\$ 845,053	\$ —	\$ 845,053

(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, 2006 based upon 2005-06 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, 2006.

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	\$2,283,923,814
Direct General Obligation Bonds Outstanding	(817,086,934)
Unused 20% Limitation Borrowing Capacity	\$1,466,836,880

### All Other General Obligation Bonds

6% Constitutional Limitation	\$685,177,144
Direct General Obligation Bonds Outstanding	\$546,020,000
Less: Principal Redemption Funds held in Restricted Fund as of April 1, 2005	(265,973,680)
Direct General Obligation Bonds Outstanding	(280,046,320)
Unused 6% Limitation Borrowing Capacity	\$405,130,824

### Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt Pop. Est. as of April 1, 2006 (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, 2006	\$708.41	9.61%	1.19%
Net Direct General Obligation Bonded Debt Outstanding as of April 1, 2006	545.65	7.40%	0.92%





**General Government Nonprofit Corporation Bonds**

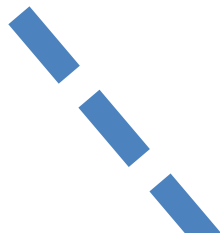
In addition to bonded debt, the city uses nonprofit corporation bonds as a financing tool. This form of financing involves the issuance of bonds by a nonprofit corporation for city-approved projects. The city makes annual payments equal to the bond debt service requirements to the corporation.

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	2004-05 Actual	2005-06 Estimate	2006-07 Budget
Secondary Property Tax	\$101,466	\$109,653	\$121,017
Aviation	63,468	62,272	77,172
Arizona Highway User Revenue	29,206	31,247	31,242
Convention Center	9,638	20,424	18,590
General	20,999	23,856	29,514
Golf	394	579	849
Grant Funds - Transit and Housing	2,142	2,139	2,148
Public Housing	63	0	0
Solid Waste	17,226	17,797	22,533
Sports Facilities	9,136	7,020	9,842
Transit 2000	15,137	27,683	38,452
Wastewater	47,204	58,950	70,776
Water	54,249	83,202	94,195
Capital Funds - Various Sources	14,905	16,971	189,155
<b>Total</b>	<b>\$385,233</b>	<b>\$461,793</b>	<b>\$705,485</b>



# 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. Other planning processes identify the need and provide funding for capital projects. On April 4, 2006, the City Council reviewed the Preliminary 2006-11 Capital Improvement Program and forwarded the 2006 bond-funded portion to the 2006 Bond Committee for their review and consideration. The Bond Committee approved the plan presented here for 2006 bonds. The Capital Improvement Program reflected here includes the preliminary plan presented to City Council updated for project timing and cost changes.

## 2006-11 Capital Improvement Program Development

The annual Capital Improvement Program update process began in January when departments prepared revised 2005-06 estimates and their updated five-year capital improvement programs. The 2005-06 estimates reflect updated construction estimates, project delays, 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 funding sources. Budget and Research staff reviewed the departments' revised programs for funding availability, reasonableness and technical accuracy.

Presented in this program are projects reviewed and adopted through several planning processes. These include capital

projects from the most recently adopted multi-year rate plans for enterprise funds such as Water and Wastewater and from other planning process including the five-year Arterial Streets Plan, peripheral area infrastructure financing plans for impact fees and various multi-year facility maintenance plans. Also reflected are capital projects from voter-approved sales tax and bond programs including the \$878.5 million 2006 Bond Program approved in March 2006.

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 also has achieved lower bid prices and increased competition for city projects by avoiding busy periods for the construction industry.

## 2006 Citizens' Bond Committee Program

Voter-approved bond authorizations are the major funding source for the general government portion of the Capital Improvement Program. The city generally seeks new voter-approved programs on five-year cycles. Consistent with that planning cycle, a Citizens' Bond Committee process was initiated by the City Council in June 2005. More than 700 community volunteers were appointed by the City Council to serve on 17 bond subcommittees to help shape the program.

Two of the committees evaluated the city's capacity to service new debt and to fund the operating costs of new capital facilities. These committees reviewed

multi-year forecasts for assessed valuation and property tax levies and for General Fund revenues and expenses. They recommended bond and operating cost capacities before 14 service-related committees began their work to evaluate five-year capital facility needs identified by city departments as well as capital project funding requests by community nonprofit organizations. Through the work of these subcommittees, the Citizens' Bond Committee recommended nearly 200 capital projects to the City Council that would not require an increase in the city's combined property tax rate of \$1.82 per \$100 of assessed valuation.

City Council formed the \$878.5 million in projects into the following seven propositions which were all approved by the voters in March 2006. The 2006 Bond Program projects are reflected in the 2006-11 Capital Improvement Program and are consistent with the recommendations of the Citizens' Bond Committee.

- Strengthening Police, Fire and Homeland Security (\$177 million)
- Using Technology to Improve Police and Fire Protection, Government Efficiency, Customer Service and Access to Voting (\$16.1 million)
- Building Small High Schools, Higher Education and Health Science Facilities (\$198.7 million)
- Increasing Recreational Opportunities with New Parks and Open Spaces (\$120.5 million)
- Serving Our Community with Libraries and Youth, Senior and Cultural Centers (\$133.8 million)
- Providing Housing that is Affordable to Families and Seniors and Revitalizing Neighborhoods (\$85 million)
- Constructing Streets and Storm Sewers for Better Infrastructure (\$147.4 million)





It has been the city's practice to require ongoing citizen oversight of property tax-funded bond programs. The 2006 Bond Committee met April 20, 2006, to review and recommend approval of the 2006 bond-funded portion of the Preliminary 2006-11 Capital Improvement Program. Minor changes to project timing were recommended and are reflected in this 2006-11 Capital Improvement Program.

### **Capital Construction Funds**

The Capital Construction fund was established in 1998-99 and provides about \$23 million each year for critical infrastructure improvements in the right-of-way. Citizen 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.

Funds will be programmed in these project categories for each year of the Capital Improvement Program. Individual projects will be determined during the first year of the program based on traffic engineering data and neighborhood input.

### **Parks and Preserves Funds**

In September 1999, the voters approved a ten-year, one-tenth of one 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 2006-11 Capital Improvement Program includes \$134.8 million of these funds, which are programmed for regional, community and neighborhood parks, and Sonoran Preserve land acquisition. Land acquisitions are planned and timed to take advantage of state grant funding opportunities. These funds are programmed through 2009-10 reflecting the expiration of the ten-year sales tax.

### **Transit 2000 Funds**

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of one percent sales tax to implement the Transit 2000 plan. The 2006-11 Capital Improvement Program includes \$206.8 million of these funds, which are programmed for:

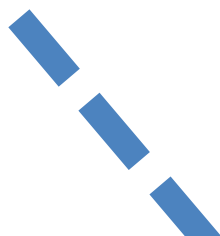
- Additional buses for expanded regular, express and Dial-a-Ride service (\$700,000)
- New and expanded passenger and maintenance facilities (\$25.8 million)
- Bus pullouts, left-turn arrows and bicycle lanes (\$9.5 million)
- Technology upgrades (\$6.3 million)
- Light rail, bus rapid transit and other facilities (\$150.5 million)
- Contingencies (\$14 million)

### **Programming of 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. An impact fee program was developed that is based on projected infrastructure requirements within several planning areas. Impact fees collected for a specific planning area must be expended for capital infrastructure in the plan for that area and may not be used for any other purpose. In addition, impact fee-funded projects must directly benefit the parties that paid the fees.

Impact fee collections initially progressed slowly because of a slowdown in construction in the late 1980s and early 1990s. In recent years, impact fee collections have become more significant. However, because the revenue streams are dependent on what can be volatile development activity, only impact fee revenues that have been collected are programmed in the Capital Improvement Program.

Budget and Research staff have worked with Planning and operating department staff to appropriately program \$145.7 million in available impact fees in the 2006-11 Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.



**SUMMARY OF 2006-11 CAPITAL IMPROVEMENT PROGRAM**  
(In Thousands of Dollars)

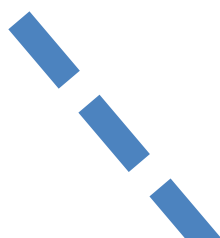
<b>Program</b>	2006-07	2007-08	2008-09	2009-10	2010-11	5-Year Total
Arts and Cultural Facilities	\$ 16,386	\$ 17,471	\$ 10,327	\$ 28	\$ 238	\$ 44,450
Aviation	581,048	52,435	7,165	1,236	—	641,884
Economic Development	105,487	61,100	50,640	11,730	8,912	237,869
Energy Conservation	1,500	1,250	1,250	1,388	1,450	6,838
Facilities Management	15,832	8,895	11,449	7,852	10,004	54,032
Fire Protection	27,128	12,500	14,800	20,103	19,197	93,728
Freeway Mitigation	4,220	914	—	—	—	5,134
Historic Preservation	4,272	2,603	3,085	1,730	3,055	14,745
HOPE	8,284	1,200	1,178	3,329	850	14,841
Housing	14,936	8,925	8,281	11,909	12,330	56,381
Human Services	17,135	3,900	5,400	6,000	5,900	38,335
Information Technology	18,024	2,184	8,283	9,135	6,233	43,859
Libraries	21,301	9,885	5,267	3,487	8,931	48,871
Neighborhood Services	8,681	6,500	7,850	7,850	8,120	39,001
Parks, Recreation and Mountain Preserves	182,480	61,654	43,424	36,609	20,145	344,312
Phoenix Convention Center	48,336	3,100	9,508	12,067	8,894	81,905
Police Protection	23,397	—	26,487	44,120	18,619	112,623
Public Transit	338,033	192,796	79,224	103,720	111,034	824,807
Solid Waste Disposal	44,802	21,980	4,777	4,500	4,853	80,912
Storm Sewers	49,373	16,435	16,234	17,505	22,738	122,285
Streets - Major Streets	93,050	52,076	63,733	44,665	56,666	310,190
Streets - Other Streets	36,314	23,804	36,801	42,497	34,531	173,947
Streets - Traffic Improvements	17,119	8,440	15,286	19,921	14,531	75,297
Wastewater	393,653	321,295	132,270	124,130	51,488	1,022,836
Water	255,873	293,343	265,787	211,245	110,542	1,136,790
<b>Total</b>	<b>\$2,326,664</b>	<b>\$1,184,685</b>	<b>\$828,506</b>	<b>\$746,756</b>	<b>\$539,261</b>	<b>\$5,625,872</b>





**SUMMARY OF 2006-11 CAPITAL IMPROVEMENT PROGRAM  
BY SOURCE OF FUNDS  
(In Thousands of Dollars)**

<b>Source of Funds</b>	2006-07	2007-08	2008-09	2009-10	2010-11	5-Year Total
General Funds	\$ 9,708	\$ 9,345	\$ 7,905	\$ 3,760	\$ 2,360	\$ 33,078
Parks and Preserves	67,942	29,735	22,500	14,700	–	134,877
Transit 2000	40,889	31,733	27,515	44,519	62,183	206,839
Development Services	75	–	89	250	134	548
Capital Construction	25,083	20,597	25,346	22,924	23,577	117,527
Arizona Highway Users	72,201	57,177	59,153	62,151	61,074	311,756
Public Transit	25,662	38,418	36,491	36,245	29,482	166,298
Community Reinvestment	1,469	1,100	900	900	682	5,051
Community Development Block Grants (CDBG)	2,476	400	600	600	600	4,676
HOPE Grant	5,956	1,200	515	–	–	7,671
Other Restricted	3,873	–	–	–	–	3,873
Grant Funds	1,289	–	–	–	–	1,289
Enterprise Funds:						
Aviation	35,572	16,735	7,005	1,689	511	61,512
Water	58,481	65,775	94,477	73,498	107,501	399,732
Wastewater	34,901	39,733	37,601	39,552	33,060	184,847
Solid Waste	4,507	2,250	3,340	3,553	3,758	17,408
Convention Center	42,849	3,100	3,000	3,138	3,200	55,287
<b>Total Operating Funds</b>	<b>\$432,933</b>	<b>\$317,298</b>	<b>\$326,437</b>	<b>\$307,479</b>	<b>\$328,122</b>	<b>\$1,712,269</b>
Property Tax Supported:						
2006 Various Purpose	176,198	160,598	205,792	177,183	158,729	878,500
2001 Various Purpose	145,556	–	–	–	–	145,556
1989 Historic Preservation	16	8	–	–	–	24
1988 Various Purpose	1,655	914	–	–	–	2,569
Revenue Supported:						
1981 Various Purpose	2,366	–	–	–	–	2,366
1988 Various Purpose	120	–	–	–	–	120
Nonprofit Corporation Bonds:						
Aviation	213,860	500	500	500	–	215,360
Convention Center	5,428	–	–	–	–	5,428
Wastewater	208,309	185,457	62,659	49,569	9,759	515,753
Water	175,152	207,954	160,162	136,598	2,078	681,944
<b>Total Bond Funds</b>	<b>\$928,660</b>	<b>\$555,431</b>	<b>\$429,113</b>	<b>\$363,850</b>	<b>\$170,566</b>	<b>\$2,447,620</b>



**SUMMARY OF 2006-11 CAPITAL IMPROVEMENT PROGRAM (continued)**  
**BY SOURCE OF FUNDS**  
(In Thousands of Dollars)

<b>Source of Funds</b>	2006-07	2007-08	2008-09	2009-10	2010-11	5-Year Total
Impact Fees	\$ 130,407	\$ 6,010	\$ 8,776	\$ 500	\$ –	\$ 145,693
Nonprofit Corporation:						
Transit 2000	218,794	76,920	–	–	–	295,714
Other	42,389	19,750	260	–	–	62,399
Passenger Facility Charge	99,881	6,325	–	–	–	106,206
Other Cities' Share -						
SROG and Val Vista	142,556	115,319	40,998	37,612	10,643	347,128
Solid Waste Remediation	2,892	980	1,217	1,061	1,156	7,306
Capital Grants	292,669	76,924	16,200	26,317	22,526	434,636
Federal, State and Other Participation	28,574	9,728	5,505	9,061	6,248	59,116
Parks Capital Gifts	1,026	–	–	–	–	1,026
Private Participation	3,450	–	–	–	–	3,450
Capital Reserves	–	–	–	876	–	876
Other Capital	2,433	–	–	–	–	2,433
<b>Total Other Capital Sources</b>	<b>\$ 965,071</b>	<b>\$ 311,956</b>	<b>\$ 72,956</b>	<b>\$ 75,427</b>	<b>\$ 40,573</b>	<b>\$1,465,983</b>
<b>TOTAL</b>	<b>\$2,326,664</b>	<b>\$1,184,685</b>	<b>\$828,506</b>	<b>\$746,756</b>	<b>\$539,261</b>	<b>\$5,625,872</b>

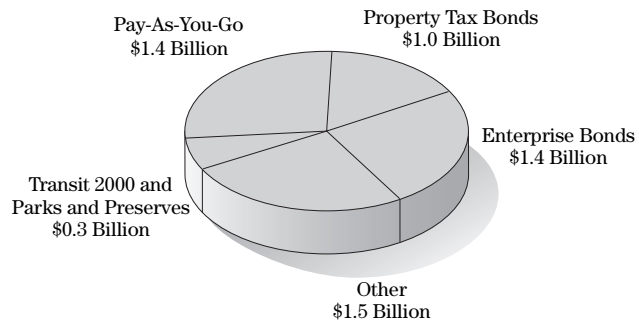


# 2006-11 Capital Improvement Program Highlights

The Capital Improvement Program (CIP) totals \$5.6 billion over the next five years. As shown in the pie chart, funding for the 2006-11 program comes from five main sources: \$1.0 billion in 1988, 1989, 2001 and 2006 voter-approved bond funds, \$1.4 billion in pay-as-you-go operating funds, \$1.4 billion in various enterprise bonds, \$341.7 million in Transit 2000 and Parks and Preserve Initiative funds, and \$1.5 billion in other funds. The \$1.5 billion in other funds includes \$358.1 million in nonprofit corporation financing, \$434.6 million in capital grants, \$410.7 million from private and other cities and agencies for participating in programs such as Water and Wastewater, \$145.7 million in impact fees, \$106.2 million in passenger facility charges, \$7.3 million in solid waste remediation funding and \$3.3 million from other miscellaneous capital sources.

Projects included in the first year total \$2.3 billion and are funded from pay-as-you-go operating funds (\$432.9 million), bond funds (\$928.7 million) and other capital financing (\$965.1 million). A financial organization chart at the end of this section presents a visual overview of the first year by source of funds. Two additional schedules summarize the first year by source of funds and the 2006-07 Capital Budget by fund. A brief overview of the five-year plan for each program follows.

**2006-11 Capital Improvement Program Sources of Funds**



## Arts and Cultural Facilities

The \$44.5 million Arts and Cultural Facilities program is funded with 2001 and 2006 bonds and includes the following projects:

- Complete an expansion of the Phoenix Museum of History
- Construct an expansion of the Museo Chicano
- Complete renovation of the Phoenix Family Museum
- Complete renovation of the Phoenix Theatre
- Construct a new facility to house Arizona Opera and Ballet Arizona
- Renovate existing Black Theatre Troupe facility at 333 E. Portland St.
- Renovate Carver Museum at 415 E. Grant St.
- Address major maintenance, ADA and safety issues at city-owned cultural facilities

## Aviation

The Aviation program totals \$641.9 million. This program includes improvements at Phoenix Sky Harbor International Airport and the two satellite airports, Phoenix Goodyear and Phoenix 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 Phoenix Sky Harbor International Airport include the following:

- Reconstruct existing asphalt taxiways in concrete
- Acquire land around the airport and other noise mitigation projects
- Construct prepay machines for parking garages
- Complete a terminal blast analysis and other required security improvements
- Develop landscape plan
- Upgrade North security checkpoint at Terminal 3
- Upgrade electrical system at Terminal 3



- Rehabilitate Terminal 4 sidewalk expansion joints
- Complete an in-line baggage explosion detection system

The Aviation program also includes early redemption of passenger facility charge revenue bonds, development of a master plan for the Phoenix Deer Valley Airport and environmental assessments at both satellite airports. Finally, the program includes a \$5.0 million capital investment in the Williams Gateway Airport Authority.

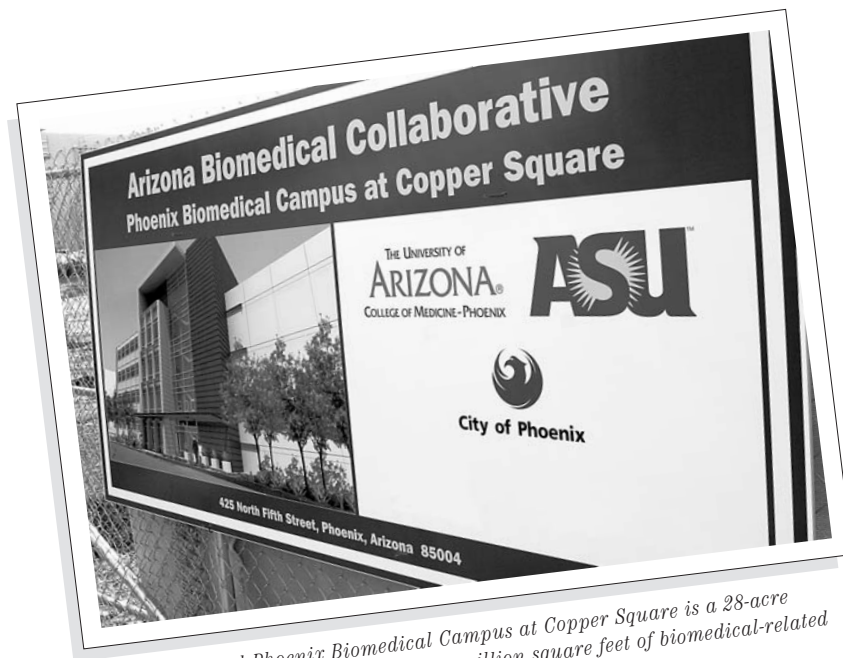
### Economic Development

The \$237.9 million Economic Development program is funded with 2006 bonds, community reinvestment funds, and nonprofit corporation bond financing. Included in this program are downtown and citywide economic development projects.

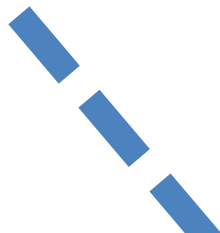
Downtown projects include acquisition of land, renovation of three existing buildings and design and construction of new facilities in a 20-acre downtown site for ASU Downtown, design the new University of Arizona College of Pharmacy and infrastructure improvements to the Phoenix Biomedical Campus. Land acquisition and site preparation near the

downtown area for the expansion of the Life Sciences Research Park also is planned. Other projects include land acquisition for the Fillmore Property, equipment acquisition for the Translational Genomics Institute (TGEN)/International Genomics Consortium (IGC) project and downtown infrastructure improvements to sidewalks, landscaping and lighting, business redevelopment and art enhancements.

The citywide Economic Development program is funded with 2006 bonds. Planned projects include revitalization of public infrastructure on the west side of the city, assistance to small high schools targeted to specific career development programs and acquisition of property for the relocation of the state fairgrounds.



*The city-owned Phoenix Biomedical Campus at Copper Square is a 28-acre urban research park planned for two million square feet of biomedical-related research, laboratory and academic facilities.*



### **Energy Conservation**

The \$6.8 million Energy Conservation program is funded with general, convention center, 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 \$54.0 million and is funded with 2001 and 2006 bonds and general funds. The following projects are planned for 2001 and 2006 bond funding:

- Renovation of the Glenrosa Service Center
- Design and construct accessibility improvements at existing service centers and buildings
- Complete the Pecos Community Center
- Conceptual design of customer service centers
- Infrastructure for the future Estrella maintenance and customer service center
- Replacement of critical facility and support systems in Phoenix City Hall and the Calvin C. Goode buildings

Projects planned for general funding include remediation of contaminated soil from leaking underground storage tanks; upgrade of the air distribution system, secondary electric and lighting systems and refurbish the flooring at the Calvin C. Goode Building; repair the life-safety systems and replace sprinkler piping at Phoenix City Hall; design and construct facilities improvements at the Union Hills, Salt River, Central, Glenrosa and Okemah service centers; design and construct a fuel dispensing station at the Glenrosa Service Center and construct equipment repair canopies at the Okemah Service Center.





## Fire Protection

The \$93.7 million Fire Protection program is funded with 2001 and 2006 bonds and impact fees. The following fire stations are planned for bond funding:

### New Fire Station Construction

- Station 55 at I-17 Freeway and Jomax Road
- Station 57 at 15th Avenue and Dobbins Road (opens April 2007)
- Station 59 in Estrella Village
- Station 72 in Desert View Village
- Station 74 in West Ahwatukee Foothills

### New Infill Fire Station Construction

- Station 60 at 19th and Dunlap avenues (opens May 2007)
- Station 61 at 16th Street and Indian School Road (opens May 2007)
- Station 62 at 99th Avenue and Lower Buckeye Road (opens May 2007)

### Land Acquisition for Future New Fire Stations

- Station 64 at 51st Avenue and Osborn Road
- Station 63 at Seventh Street and Thunderbird Road
- Stations 57 and 62 also are partially funded by impact fees.

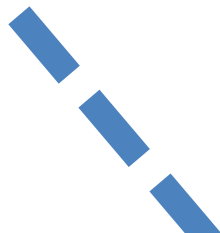
The following firefighter training and technology projects also are programmed for bond funding:

- Acquisition of firefighter training technology
- Expansion of Fire Training Academy
- Construction of a Command Training Center
- Construction of a Dispatch and Emergency Operations Center
- Installation of traffic preemption equipment
- Upgrade of the computer-aided dispatch system

Revenue from participating entities will fund their portion of the multi-agency computer-aided dispatch equipment project.



*Station 56 opened in April 2006 and serves residents in the far north part of the city. Four additional fire stations are scheduled to open across the city in 2006-07.*



### **Freeway Mitigation**

The Freeway Mitigation program totals \$5.1 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 in the city's neighborhoods. Improvements are programmed for the Piestewa Peak Parkway, Outer Loop, South Mountain Loop and Black Canyon/Maricopa Freeway corridors.

### **Historic Preservation**

The Historic Preservation program totals \$14.7 million and is funded with 1989, 2001 and 2006 bonds. The following projects are planned for 2001 and 2006 bond funding:

- Construction of historic preservation demonstration projects
- Acquire and rehabilitate threatened historic buildings citywide
- Identify post World War II neighborhoods citywide eligible for city historic designation
- Matching grants for residential and commercial historic-property owners to rehabilitate historic properties in exchange for conservation easements

### **HOPE**

The HOPE VI project is programmed for \$14.8 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 and private partnership.





## Housing

The Housing program totals \$56.4 million and is funded with Community Development Block Grant (CDBG) funds, 2001 and 2006 bonds, and federal grant funds.

Housing projects using 2006 bonds include:

- Acquire and expand city-owned properties by 200 annually for affordable housing
- Increase affordable housing new loan program
- Install air conditioning units in public housing to replace obsolete evaporative coolers

Nonprofit projects in the 2006 Bond Program include:

- Provide funding for construction of the United Methodist Outreach Ministries New Day Center homeless shelter for families

Remaining 2001 bonds are programmed to acquire housing for low-income families and seniors. Modernization projects also are planned based on the availability of grant funds. City Council approved allocations of Community Development Block Grant funds also are programmed.

## Human Services

The \$38.3 million Human Services program is funded with 2001 and 2006 bonds. This program provides for design and construction of the La Pradera and 51st Avenue senior centers, purchase of land for the 16th Street Senior Center and completion of the South Family Services Center. It also provides for renovation and expansion of the Watkins Homeless Shelter to serve as an emergency shelter and the use of 2001 bonds that remain for a family transitional living center.

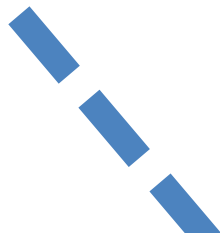
Nonprofit projects in the 2006 Bond Program include:

- Expansion of the Boys and Girls Club Dave Pratt Dental Clinic
- Renovation of the Native American Connections' Guiding Star Treatment Center
- Acquire land for the Native American Connections' Business and Cultural Center
- Partial funding to acquire a facility for the Valle Del Sol Combined Service Center
- Acquire land for the Body Positive Community Service Center

## Information Technology

The \$43.9 million Information Technology program is funded with 2001 and 2006 bonds, and with water, wastewater, solid waste disposal, aviation, Arizona highway users and convention center revenues. Projects planned for 2001 and 2006 bond funding include the following:

- Replace the public safety and public service radio system with the Phoenix Regional Wireless Network project
- Acquire information system management and security software and hardware
- Improve data communications infrastructure
- Complete stabilization of the telephone system
- Acquire electronic equipment to provide improved customer service
- Acquire information system management software tools and hardware
- Acquire land, design, construct and equip an alternate information technology operations center
- Deploy voice/data convergence-ready equipment to upgrade and enhance staff connectivity
- Acquire wide-area network equipment to enhance employee productivity
- Improve the city's Geographic Information System
- Purchase equipment to expand availability of accessible voting in city elections as required by the federal Help America Vote Act (HAVA)



## Libraries

The Libraries program totals \$48.9 million and is funded with 2001 and 2006 bonds, general funds and impact fees. Projects for 2001 and 2006 bond funding include the following:

- Acquire land for a North Gateway Branch Library
- Acquire land for a Desert View Branch Library
- Demolish, design and construct a new branch library to replace the existing Harmon Library
- Acquisition of land for a West Ahwatukee Branch Library
- Construct a 15,000-square-foot branch library in partnership with South Mountain Community College
- Remodel the Saguaro Library and add additional public computers and an enhanced collection

- Expand patron self-service capabilities, including wireless Internet access at all facilities, self-checkout equipment at all libraries, RFID (Radio Frequency Identification) technology at all libraries and additional public computers at libraries with the greatest need
- Complete the Cesar Chavez Regional Branch Library
- Design and construct Agave Regional Branch Library

General funds are planned to construct minor improvements to the Cholla Branch Library and improve branch libraries in older neighborhoods to meet current standards. Impact fees are planned to acquire sites for new libraries in North Gateway, West Ahwatukee, Desert View areas and they are also for the design of the Estrella Branch Library.

## Neighborhood Services

The Neighborhood Services program totals \$39.0 million and is funded with 2001 and 2006 bonds and Community Development Block Grant (CDBG) funds.

Projects utilizing 2001 and 2006 bonds include the following:

- Acquire land for a future Graffiti Buster Service Center
- Partner with the community and other city departments to address critical neighborhood projects
- Construct sidewalks, lighting, alley improvements and landscaping to enhance aging neighborhoods



*The 13,500-square-foot Neighborhood Resource Center located at 24th Street and Broadway Road features neighborhood meeting rooms, Neighborhood Services Department offices and a police substation.*





## **Parks, Recreation and Mountain Preserves**

The Parks and Recreation program totals \$344.3 million and is funded with 2001 and 2006 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 and 2006 bond-funded improvements:

- Acquire land in the Ahwatukee Foothills area
- Improve and renovate parks citywide

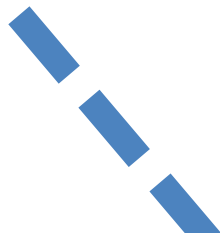
- Acquire Pioneer Living History Museum property and renovate the Ben Avery Shooting Range
- Acquire land for neighborhood mini-park sites
- Develop a downtown civic space park
- Renovate and construct trails citywide
- Renovate aquatics facilities citywide
- Renovate and construct park upgrades to comply with the Americans with Disabilities Act
- Construct sport fields and install sports lighting upgrades citywide
- Acquire land for the Rio Salado Oeste habitat restoration
- Design and construct a soccer stadium at the Reach 11 sports complex

Nonprofit projects in the program include:

- Provide funding for construction of a sports and recreation center for A Bridge to Independent Living (ABIL)
- Provide funding toward construction of an Audubon Center at Rio Salado
- Provide partial funding for construction of a Boys and Girls Club
- Provide partial funding for offsite improvements for construction of a Salvation Army South Mountain Center
- Provide partial funding for construction of a gymnasium at a new Maryvale branch of the YMCA



*The Reach 11 recreation area amenities include an equestrian center, hiking and riding trails, a trailhead parking lot, restrooms, a picnic area with ramada and grills, a drinking fountain and wildlife/nature desert areas.*



Parks and Preserves Initiative-funded projects include improvements to community and neighborhood parks and land for the Sonoran Preserve. 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.

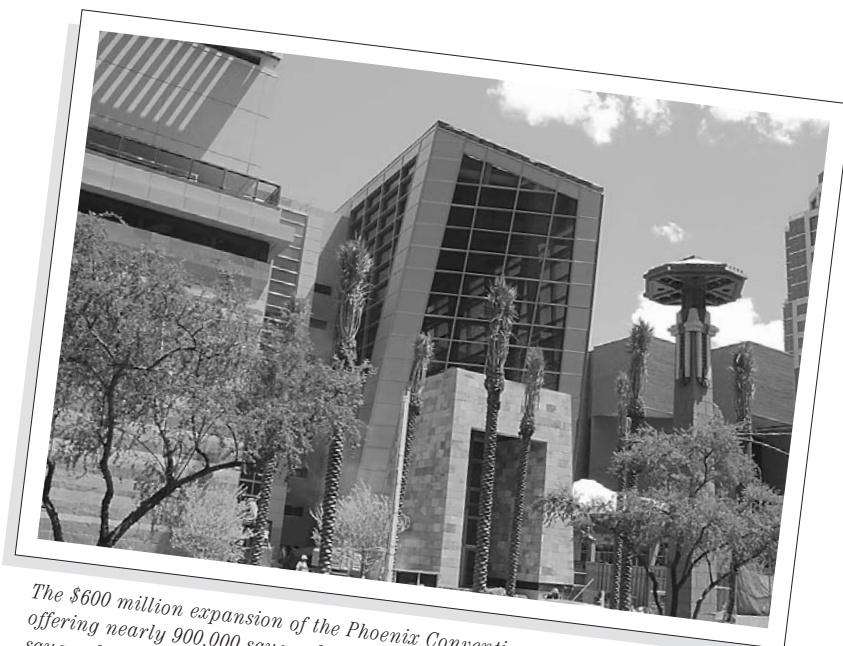
### **Phoenix Convention Center**

The \$81.9 million Phoenix Convention Center program is funded with convention center operating revenue, nonprofit corporation bonds, 2006 bonds and general funds. In addition to the convention center, this program includes the Herberger and Orpheum theaters, Symphony Hall plus the Patriot's, Hyatt Regency, Heritage and Convention Center parking garages.

The multi-year convention center expansion is the primary project funded in this program. Other convention center projects include only internal repairs.

Miscellaneous improvements and studies are planned for garages and theaters.

2006 bonds are planned for the Herberger Theater Center for renovations and enhancements as well as Patriot's Garage structural repairs.



*The \$600 million expansion of the Phoenix Convention Center will triple in size, offering nearly 900,000 square feet of rentable space and more than two million square feet total. Phase one will be ready for groups in July 2006, and the completion of the entire convention center is scheduled for early 2009.*





### **Police Protection**

The Police Protection program totals \$112.6 million. This program is funded with 2001 and 2006 bonds.

The following projects are planned for 2001 and 2006 bond funding:

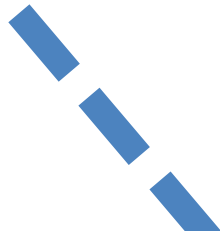
- Complete construction and equip a new forensics crime lab
- Construct the Sunnyslope neighborhood police station at Seventh and Peoria avenues
- Purchase eight single-engine, medium-duty helicopters to replace the current fleet
- Design and construct aircraft hangar facilities at the Deer Valley Airport
- Purchase additional equipment to provide server redundancy for police computer systems
- Upgrade and install Computer Aided Dispatch (CAD) system
- Improve radio coverage in various areas and in buildings through the Phoenix Regional Wireless Network (PRWN) project
- Acquire equipment for Automated Fingerprint Identification (AFIS) upgrade
- Acquire land for a new Northwest Precinct
- Acquire Police Automated Computer Entry (PACE) upgrade and replacement
- Design, rebuild and equip the Squaw Peak Precinct
- Design new precinct in the Northeast/Cave Creek and Smokehouse Trail area
- Acquire land, design and construct a new precinct in the northwest area of I-17 and Happy Valley Road
- Design the Southwest Phoenix Facility
- Design Communications Center expansion
- Construct neighborhood police stations
- Renovate police headquarters and facilities
- Complete the range design and driving track improvements

### **Public Transit**

The \$824.8 million Public Transit program is funded with Transit 2000 revenue, Regional Transportation revenue including the half-cent countywide sales tax, Transit nonprofit corporation bonds, 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 and regional transportation revenue 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 \$80.9 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 and 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 painting all exterior structural steel, landscaping, monitoring groundwater and methane gas. In addition, the Solid Waste Disposal program includes cell excavation and construction of a drainage system and methane gas system for the new State Route 85 landfill.

### **Storm Sewers**

The Storm Sewers program totals \$122.3 million and is funded with 2001 and 2006 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 and 2006 bond funding includes the following projects:

- 10th Street Wash improvement project
- 28th Street, Red Mountain Freeway to Thomas Road storm drain
- 24th Avenue and Camelback Road detention basin
- 26th Avenue and Verde Lane detention basin
- 23rd Avenue and Roeser Road
- Seventh Street, Pima to Deer Valley roads
- Bethany Home Road Outfall Channel
- 51st Avenue, Dobbins Road to Southern Avenue storm drain
- 51st Avenue, Southern Avenue to Salt River storm drain

- Camelback Road, Agua Fria Freeway to 99th Avenue storm drain
- 19th Avenue, Deer Valley to Pinnacle Peak roads
- 20th Avenue and Turney Detention Basin
- 30th Avenue and Madison storm drain
- 75th Avenue, Buckeye to Van Buren storm drain
- 75th Avenue, Salt River to Papago Freeway
- Ninth Avenue, Arizona Canal to Peoria Avenue storm drain
- Deer Valley Road, 16th to 20th streets
- Fillmore, Ninth to Third avenues storm drain
- Pinnacle Peak Road and Tatum Boulevard Intersection improvements

In addition, 2001 and 2006 bond funds are planned to construct local drainage improvements, provide floodplain survey assistance and rehabilitate existing storm drains.





### Major Streets

The \$310.2 million Major Street program is funded with Arizona Highway User Revenue, capital construction funds, 2001 and 2006 bonds, impact fees and participation by other agencies. This program provides for the construction of major arterial streets over the next five years. This program agrees with the approved five-year Major Street program. Major street construction for 2001 and 2006 bond funding includes the following projects:

- 20th Street, Highland to Camelback Road
- 75th Avenue, Buckeye to Van Buren
- Acquire right-of-way for east-west parkway in the Sonoran Desert Preserve
- Pinnacle Peak Road and Tatum Boulevard intersection improvements
- 32nd Street, Washington Street to McDowell Road
- Westside streetscape and retrofit programs
- Rio Salado Beyond the Banks land and roadway
- 19th Avenue, Jomax to Central Arizona Project canal
- Historic districts streetscape improvements

Also funded with 2006 bonds is the purchase of office space for traffic counting, parking meter and right-of-way management functions.

Major street construction for Arizona Highway User Revenue funding includes the following projects:

- 19th Avenue, Baseline Road to Southern Avenue
- 67th Avenue, Buckeye Road to Van Buren Avenue
- Camelback Road, 107th to 99th avenues
- 52nd Street, McDowell to Thomas roads
- Pinnacle Peak Road, 43rd to 35th avenues
- Van Buren Avenue, 67th to 59th avenues
- Seventh Avenue, Southern Avenue to Salt River
- Lower Buckeye Road, 43rd Avenue to 35th Avenue
- Van Buren Avenue, 75th to 67th avenues
- 32nd Street, Southern Avenue to Broadway Road
- Scottsdale Road, Loop 101 to Bell Road
- McDowell Road, 83rd to 75th avenues
- Retrofit Program

Impact fees are planned for street improvements in the Laveen area.

### Other Street Improvements

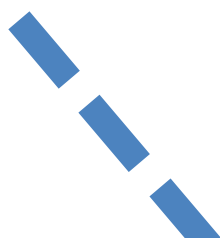
The Other Streets program totals \$173.9 million and is funded with Arizona Highway User Revenue, 2001 and 2006 bonds, capital construction funds and participation by other agencies. The Other Streets program includes local paving projects, mid-block streetlights, bikeways, tunnels, pathways, residential street resurfacing, major street overlay, major street micro seal, and sidewalk and ramp improvements. The program also includes the annual Portland Cement Concrete Repair program and Slurry Seal program. Capital Construction funds are included for dust control to stabilize dirt shoulders and alleys.

### Traffic Improvements

The Traffic Improvements program totals \$75.3 million and is funded with 2006 bonds, Arizona Highway User Revenue, capital construction funds and participation by other agencies. This program includes traffic congestion, screen wall, speed hump, painting, bottleneck removal, traffic signal system upgrade, new warranted traffic signal and left turn arrow projects.

Arizona Highway User Revenue is funding the construction of a pedestrian underpass at 25th Street and Camelback Road.

Capital Construction funds are included in the program for traffic safety, traffic calming, screen walls, and school safety storage (securing children using crosswalks via a median) and sidewalks. Funds will be allocated to specific traffic improvement projects as needs are identified.



## **Wastewater**

The Wastewater program totals \$1.0 billion and is funded with wastewater operating revenue, nonprofit corporation bonds, impact fees and other cities' participation in the 91st Avenue Wastewater Treatment Plant Subregional Operating Group (SROG) joint venture.

Major projects programmed at the 91st Avenue Wastewater Treatment Plant include unified plant expansion, support system upgrades, odor control facilities, instrumentation and control improvements, metering station upgrades, and repair and replacement of equipment.

Other major Wastewater projects include the following:

- Construction of a reuse and 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 relief sewers citywide
- 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 Road
- Construction of parallel sections of the Broadway Sewer from 32nd Street to 51st Avenue to provide needed additional capacity
- Rehabilitation of selected sewers of various sizes and materials located throughout the city
- Sewer relocations for light rail
- Replacement and upgrade of the billing system

## **Water**

The \$1.1 billion Water program is funded with water operating revenue, nonprofit corporation bonds, capital reserve funds and city of Mesa participation in the Val Vista Water Treatment Plant joint venture.

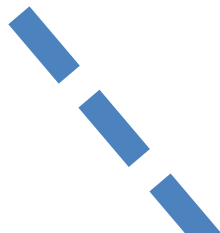
Major projects programmed include the following:

- Acquisition and 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
- Rehabilitation and security upgrades at Cave Creek Water Reclamation Plant





- Design of a new water treatment plant at 15th Avenue and Dobbins Road
- Design and construction of east and west basins at Deer Valley Water Treatment Plant
- Conversion of plant filtration to granular activated carbon at Val Vista, Deer Valley, 24th Street and Union Hills water treatment plants
- Rehabilitation and process optimization at the Val Vista, Deer Valley, 24th Street and Union Hills water treatment plants
- Replacement and rehabilitation of the Val Vista Transmission Main from the Val Vista Water Treatment Plant to 48th Street
- Construction of water main improvements recommended in the integrity study and rehabilitation of existing mains citywide
- Increase capacity of water distribution system in the Camelback East residential corridor
- Construction of new mains in growth areas
- Replacement and upgrade of the billing system
- Acquisition of additional water resources
- Relocation of water lines for light rail
- Install new service meters and construction of plumbing connections for alley service relocations



**2006-07 CAPITAL IMPROVEMENT PROGRAM  
BY SOURCE OF FUNDS  
(In Thousands of Dollars)**

	Total Program	Pay-As- You-Go Operating	Misc. Bonds *	2006 Bonds	Nonprofit Corporation Bonds	Other Capital Sources
Arts and Cultural Facilities	\$16,386	\$3,545	\$ 6,340	\$6,501	\$ -	\$ -
Aviation	581,048	35,663	2,366	-	213,860	329,159
Economic Development	105,487	1,170	71	101,560	-	2,686
Energy Conservation	1,500	1,500	-	-	-	-
Facilities Management	15,832	9,534	4,832	500	-	966
Fire Protection	27,128	-	15,209	6,905	-	5,014
Freeway Mitigation	4,220	-	4,220	-	-	-
Historic Preservation	4,272	139	1,498	2,634	-	-
HOPE VI	8,284	6,956	141	23	1,164	-
Housing	14,936	-	3,484	3,450	-	8,002
Human Services	17,135	-	14,635	2,500	-	-
Information Technology	18,024	2,860	8,647	6,330	-	187
Libraries	21,301	299	13,423	3,500	-	4,079
Neighborhood Services	8,681	1,698	3,486	3,437	-	60
Parks, Recreation and Mountain Preserves	182,480	68,289	22,816	25,569	150	65,656
Phoenix Convention Center	48,336	42,080	98	-	6,158	-
Police Protection	23,397	-	14,814	3,000	-	5,583
Public Transit	338,033	66,200	-	-	950	270,883
Solid Waste Disposal	44,802	3,836	328	-	-	40,638
Storm Sewers	49,373	2,216	22,880	9,805	-	14,473
Streets - Major Streets	93,050	52,269	10,076	-	160	30,545
Streets - Other Streets	36,314	30,622	-	-	-	5,692
Streets - Traffic Improvements	17,119	12,329	-	-	-	4,790
Wastewater	393,653	34,208	-	44	206,169	153,232
Water	255,873	57,520	349	440	174,138	23,426
<b>Total</b>	<b>\$2,326,664</b>	<b>\$432,933</b>	<b>\$149,713</b>	<b>\$176,198</b>	<b>\$602,749</b>	<b>\$965,071</b>

\*Remaining 1981, 1988, 1989 and 2001 bond funds. Of this amount, \$145,556,000 is 2001 bond funds.

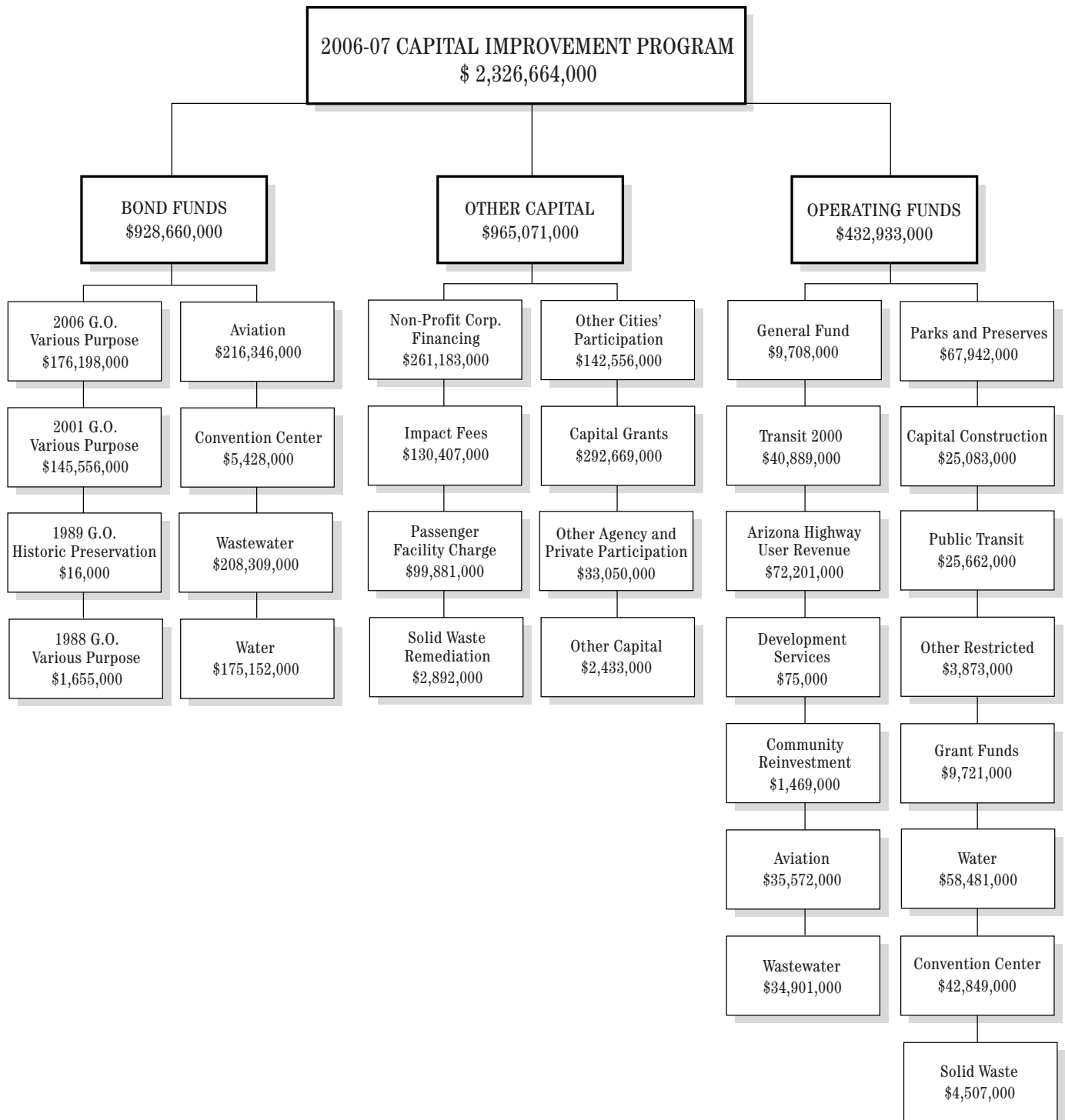




**RESOURCES AND EXPENDITURES BY CAPITAL FUND  
2006-07 CAPITAL IMPROVEMENT PROGRAM**

	RESOURCES		EXPENDITURES		FUND BALANCES		
	Beginning Balance	Projected Revenue	Total	Estimated Expenditures	Ending Fund Balances	Available For Sale	Funds Available Beyond 6/07
<b>Capital Fund</b>							
<b>Bond and Related Funds</b>							
2006 Downtown Education & Historic Preservation	\$ -	\$ -	\$ -	\$100,500,000	\$(100,500,000)	\$198,700,000	\$98,200,000
2006 Art & Culture, Human Services, Libraries & Facilities	-	-	-	15,194,000	(15,194,000)	133,800,000	118,606,000
2006 Parks and Recreation	-	-	-	24,620,000	(24,620,000)	120,500,000	95,880,000
2006 Police & Fire Protection	-	-	-	14,035,000	(14,035,000)	177,000,000	162,965,000
2006 Police & Fire Technology	-	-	-	2,200,000	(2,200,000)	16,100,000	13,900,000
2006 Housing, Neighborhood Services & Economic Development	-	-	-	8,345,000	(8,345,000)	85,000,000	76,655,000
2006 Streets and Storm Sewers	-	-	-	11,305,000	(11,305,000)	147,400,000	136,095,000
2001 Affordable Housing & Homeless Shelter	9,646,042	-	9,646,042	9,598,441	47,601	-	47,601
2001 Educational, Youth & Cultural Facilities	4,530,727	-	4,530,727	8,878,850	(4,348,123)	5,000,000	651,877
2001 Environmental Improvement & Cleanup	(3,709,165)	-	(3,709,165)	1,497,267	(5,206,432)	5,500,000	293,568
2001 Fire Protection Facilities & Equipment	(6,567,093)	-	(6,567,093)	11,019,590	(17,586,683)	18,500,000	913,317
2001 New & Improved Libraries	417,781	-	417,781	13,423,647	(13,005,866)	13,300,000	294,134
2001 Neighborhood Protection & Senior Centers	2,548,534	-	2,548,534	16,688,182	(14,139,648)	14,860,000	720,352
2001 Parks, Open Space & Recreation	7,115,384	-	7,115,384	19,921,859	(12,806,475)	14,500,000	1,693,525
2001 Police Protection Facilities & Equipment	(17,662,402)	-	(17,662,402)	11,416,386	(29,078,788)	30,300,000	1,221,212
2001 Police, Fire & Computer Technology	6,144,372	-	6,144,372	16,528,667	(10,384,295)	10,800,000	415,705
2001 Preserving Phoenix Heritage	(1,157,022)	-	(1,157,022)	783,248	(1,940,270)	2,300,000	359,730
2001 Storm Sewers	8,703,697	-	8,703,697	23,121,180	(14,417,483)	15,470,000	1,052,517
2001 Street Improvements	(18,575,508)	-	(18,575,508)	12,678,134	(31,253,642)	31,500,000	246,358
1989 Historic Preservation	297,749	-	297,749	16,364	281,385	-	281,385
1988 Freeway Mitigation, Neighborhood Stabilization & Slum & Blight Elimination	(170,588)	-	(170,588)	1,215,412	(1,386,000)	2,300,000	914,000
1988 Parks, Recreation & Mountain Preserve	178,438	-	178,438	146,631	31,807	-	31,807
1988 Police Protection	(44,016)	-	(44,016)	255,984	(300,000)	300,000	-
1988 Storm Sewers	37,260	-	37,260	37,260	-	-	-
Various Aviation Bonds	(214,891,403)	1,220,000	(213,671,403)	216,346,000	(430,017,403)	436,045,000	6,027,597
Various Phoenix Convention Center Bonds	8,757,856	-	8,757,856	5,427,532	3,330,324	-	3,330,324
Various Wastewater Bonds	(96,605,710)	-	(96,605,710)	208,308,794	(304,914,504)	602,000,000	297,085,496
Various Water Bonds	7,611,936	-	7,611,936	175,152,303	(167,540,367)	715,000,000	547,459,633
Various Purpose Bonds	474,347	-	474,347	-	474,347	-	474,347
<b>Other Financing</b>							
General Government Non-Profit Corp. Bonds	(123,815,380)	-	(123,815,380)	5,063,396	(128,878,776)	461,700,000	332,821,224
Solid Waste Non-Profit Corp. Bonds	(27,060,672)	-	(27,060,672)	37,325,108	(64,385,780)	84,268,000	19,882,220
Transit Light Rail Bonds	309,768,650	-	309,768,650	218,793,799	90,974,851	-	90,974,851
Capital Grants	54,879,466	324,693,000	379,572,466	325,718,924	53,853,542	N/A	53,853,542
Impact Fees	151,687,758	-	151,687,758	130,406,814	21,280,944	N/A	21,280,944
Other Capital	22,923,274	-	22,923,274	2,433,000	20,490,274	N/A	20,490,274
Other Cities' Participation in Joint Ventures	60,589,000	142,556,000	203,145,000	142,556,000	60,589,000	N/A	60,589,000
Passenger Facility Charge and Related Bonds	320,916,076	88,426,000	409,342,076	99,881,015	309,461,061	N/A	309,461,061
Responsible Party Remediation Funds	9,201,070	-	9,201,070	2,891,736	6,309,334	N/A	6,309,334
<b>TOTAL</b>	\$476,170,458	\$556,895,000	\$1,033,065,458	\$1,893,730,523	\$(860,665,065)	\$3,342,143,000	\$2,481,477,935

# 2006-07 Capital Improvement Program Organizational Chart



## Operating Costs for New Capital Facilities



Capital improvements are the police and fire stations, senior centers, parks, swimming pools, libraries, cultural facilities and customer service centers that are needed to deliver services to our residents. Capital improvements also include investment in commercial and neighborhood development, redevelopment and revitalization. Since these types of capital projects are assets with a multi-year life, issuing bonded debt is an appropriate way to pay for these expenses. It will allow the initial costs to be repaid over the years the investment is used. The service delivery costs and day-to-day operating expenses such as staff salaries or supplies are not capital improvements. These costs cannot be funded with bonded debt and must be paid from the city's annual operating funds.

On March 13, 2001, Phoenix voters approved a \$753.9 million bond program. Based on the 2001 Citizen's Bond Committee's latest schedule, the full year's impact of facilities operated with general funds and opening in 2006-07 is \$11.3 million. Projects funded with 2001 bond funds and opening beyond 2006-07 are estimated to result in \$1.6 million in new General Fund operating costs.

On March 14, 2006, Phoenix voters approved an \$878.5 million bond program. Projects funded with these bond funds are estimated to result in \$14 million in new General Fund operating costs beginning in the 2008-09 fiscal year.

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 2006-07 budget includes \$22.6 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 2006-07 budget, along with the full-year operating and maintenance costs for the 2007-08 fiscal year and the source of funds that would be used for these costs.





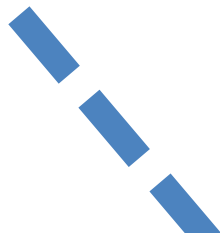
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**OPERATING COSTS FOR NEW CAPITAL FACILITIES**

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	2006-07	2007-08
<b>Aviation</b>		
Explosive Detection System baggage handling system	\$8,973,000	\$8,973,000
Fire Alarm and Access control hardware	287,000	287,000
Geographic Information Systems capital project	280,000	280,000
<b>Fire</b>		
Fire Station 57 - 15th Avenue and Dobbins Road	1,207,000	1,814,000
Fire Station 60 - 19th Avenue and Dunlap	659,000	1,262,000
Fire Station 61 - 19th Street and Indian School	612,000	1,277,000
Fire Station 62 - 99th Avenue and Lower Buckeye	439,000	1,223,000
Public Safety Driver Education Facility	499,000	499,000
<b>HOPE VI</b>		
Community Training and Education Center	35,000	35,000
<b>Human Services</b>		
Pecos Community Senior Center	231,000	407,000
<b>Information Technology</b>		
E-commerce software products	23,000	23,000
<b>Library</b>		
Cesar Chavez Library	880,000	880,000
<b>Parks and Recreation</b>		
Desert West Park soccer fields	111,000	190,000
Community Learning Center	43,000	130,000
Phoenix Center North Building Renovation	108,000	325,000
Winship House Renovation	49,000	59,000
Tovrea Castle and Carraro Cactus Garden Restoration	126,000	189,000
Reach 11 Recreation Area Sports Complex	898,000	898,000
Dove Valley Park	45,000	99,000
Cave Creek and Tatum Road Park	109,000	145,000
Tramonto Park	50,000	67,000
Deem Hills Park	68,000	272,000
Stetson Valley Neighborhood Park	71,000	75,000
Washington Adult Center Gymnasium	96,000	115,000
Pecos Park Community Center	582,000	872,000
31st Avenue and Roeser Road Park	268,000	276,000
Laveen Basin	163,000	122,000
Laveen Farms Park	103,000	77,000
Rio Salado Habitat Restoration Project New Amenities	391,000	515,000
New Street Landscaping Maintenance	1,078,000	904,000
<b>Phoenix Convention Center</b>		
West Building (Phase One of expansion)	647,000	484,000

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**OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)**

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	2006-07	2007-08
<b>Police</b>		
Sunnyslope Neighborhood Police Station	\$ 99,000	\$ 165,000
<b>Public Works</b>		
Citizen Service Center at the Pecos Community Center	155,000	187,000
<b>Water Services</b>		
Lake Pleasant Water Treatment Plant	3,227,000	7,318,000
<b>Net Total Costs</b>	<b>\$22,612,000</b>	<b>\$30,444,000</b>

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**Source of Funds**

General	8,052,000	11,291,000
Aviation	9,540,000	9,540,000
Convention Center	647,000	484,000
Federal Grants	35,000	35,000
Public Safety Enhancement	1,111,000	1,776,000
Water	3,227,000	7,318,000
<b>Total Source of Funds</b>	<b>\$22,612,000</b>	<b>\$30,444,000</b>

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**SCHEDULE 1: RESOURCES AND EXPENDITURES BY FUND**  
(In Thousands of Dollars)

	Resources						Expenditures				
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer To From		Total	Operating	Capital	Debt Service	Total	Restricted Fund Balances
<b>General Funds:</b>											
General	\$60,840	\$240,753	\$1,500	\$802,569	\$163,858	\$941,804	\$932,395	\$9,409	–	\$941,804	–
Parks and Recreation	–	14,204	–	93,796	–	108,000	108,000	–	–	108,000	–
Library	–	1,718	–	35,496	–	37,214	36,915	299	–	37,214	–
Cable Communications	–	8,475	–	–	2,481	5,994	5,994	–	–	5,994	–
<b>Total General Funds</b>	<b>\$60,840</b>	<b>\$265,150*</b>	<b>\$1,500</b>	<b>\$931,861</b>	<b>\$166,339</b>	<b>\$1,093,012</b>	<b>\$1,083,304</b>	<b>\$9,708</b>	<b>–</b>	<b>\$1,093,012</b>	<b>–</b>
<b>Special Revenue Funds:</b>											
Excise Tax	–	1,071,341	–	–	1,071,341	–	–	–	–	–	–
Neighborhood Protection - Police	–	(20)	–	22,605	270	22,315	22,315	–	–	22,315	–
Neighborhood Protection - Fire	765	1	–	8,074	100	8,740	8,673	–	–	8,673	67
Neighborhood Protection - Block Watch	1,115	200	–	1,615	19	2,911	1,200	–	–	1,200	1,711
Public Safety Enhancement - Police	2,316	–	–	13,555	–	15,871	15,474	–	–	15,474	397
Public Safety Enhancement - Fire	1,235	–	–	8,124	5	9,354	9,116	–	–	9,116	238
Parks and Preserves	58,555	600	100	32,295	325	91,225	180	67,942	–	68,122	23,103
Transit 2000	154,675	33,228	500	129,179	39,408	278,174	115,625	40,889	326	156,840	121,334
Court Awards	1	3,182	–	–	–	3,183	3,183	–	–	3,183	–
Development Services	28,926	60,241	–	–	3,793	85,374	64,416	75	–	64,491	20,883
Capital Construction	7,619	750	–	20,811	5	29,175	100	25,083	–	25,183	3,992
Sports Facilities	15,901	500	–	16,164	461	32,104	1,767	–	9,842	11,609	20,495
Arizona Highway User Revenue	20,628	120,373	2,200	–	–	143,201	38,447	72,201	31,242	141,890	1,311
Local Transportation Assistance	–	6,966	–	–	–	6,966	6,966	–	–	6,966	–
Regional Transit	2,482	35,792	–	–	–	38,274	8,672	25,662	–	34,334	3,940
Community Reinvestment	5,209	2,156	–	–	–	7,365	70	1,469	–	1,539	5,826
Secondary Property Tax and GO Bond Redemption	908	120,209	–	–	–	121,117	–	–	121,017	121,017	100
Impact Fee Program Administration	2,700	2,460	–	–	–	5,160	2,168	–	–	2,168	2,992
City Improvement	–	–	–	67,640	–	67,640	–	–	67,640	67,640	–
Other Restricted Funds	18,539	13,119	–	–	–	31,658	10,457	3,873	–	14,330	17,328
Grant Funds	36,919	196,429	–	–	337	233,011	201,699	9,721	2,148	213,568	19,443
<b>Total Special Revenue Funds</b>	<b>\$358,493</b>	<b>\$1,667,527</b>	<b>\$2,800</b>	<b>\$320,062</b>	<b>\$1,116,064</b>	<b>\$1,232,818</b>	<b>\$510,528</b>	<b>\$246,915</b>	<b>\$232,215</b>	<b>\$989,658</b>	<b>\$243,160</b>
<b>Enterprise Funds:</b>											
Aviation	51,234	266,987	–	21,278	6,334	333,165	206,869	35,572	77,172	319,613	13,552
Water	156,271	296,518	–	–	16,317	436,472	185,365	58,481	94,195	338,041	98,431
Wastewater	64,146	180,099	–	–	9,208	235,037	94,993	34,901	70,776	200,670	34,367
Solid Waste	36,388	116,461	–	–	5,274	147,575	108,048	4,507	22,533	135,088	12,487
Convention Center	55,480	10,573	–	62,553	2,736	125,870	41,146	42,849	18,590	102,585	23,285
Golf Course	(931)	9,081	–	–	357	7,793	8,049	–	849	8,898	(1,105)
<b>Total Enterprise Funds</b>	<b>\$362,588</b>	<b>\$879,719</b>	<b>\$–</b>	<b>\$83,831</b>	<b>\$40,226</b>	<b>\$1,285,912</b>	<b>\$644,470</b>	<b>\$176,310</b>	<b>\$284,115</b>	<b>\$1,104,895</b>	<b>\$181,017</b>
<b>GRAND TOTAL</b>	<b>\$781,921</b>	<b>\$2,812,396</b>	<b>\$4,300</b>	<b>\$1,335,754</b>	<b>\$1,322,629</b>	<b>\$3,611,742</b>	<b>\$2,238,302</b>	<b>\$432,933</b>	<b>\$516,330</b>	<b>\$3,187,565</b>	<b>\$424,177</b>

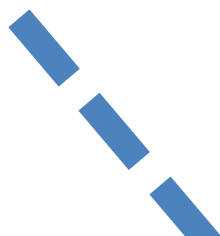
\*General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$756.4 million, and is included in the General Funds total of \$1,021.5 million shown on Schedule 2.





**SCHEDULE 2: REVENUES BY MAJOR SOURCE**  
**(In Thousands of Dollars)**

Revenue Source	2004-05 Actuals	2005-06 Estimate	2006-07 Budget	Increase/(Decrease) From 2005-06 Estimate	
				Amount	Percent
<b>GENERAL FUNDS</b>					
<b>Local Sales Taxes and Related Fees</b>	\$358,965	\$405,150	\$442,886	\$37,736	9.3%
<b>State-Shared Revenues</b>					
State Sales Tax	123,788	140,520	144,557	4,037	2.9
State Income Tax	121,440	138,313	166,390	28,077	20.3
Vehicle License Tax	56,552	60,765	60,584	(181)	-0.3
Subtotal	\$301,780	\$339,598	\$371,531	\$31,933	9.4%
<b>Primary Property Tax</b>	82,547	90,396	95,660	5,264	5.8
<b>User Fees/Other Revenue</b>					
Licenses & Permits	2,459	2,507	2,533	26	1.0
Cable Communications	7,968	8,464	8,475	11	0.1
Fines & Forfeitures	19,301	21,485	23,110	1,625	7.6
Court Default Fee	820	1,040	1,121	81	7.8
Engineering & Architectural Services	2,930	1,122	2,514	1,392	+100
Fire	28,716	28,623	31,035	2,412	8.4
Hazardous Materials Inspection Fees	1,346	1,325	1,325	0	0.0
Library Fees	1,048	1,583	1,718	135	8.5
Parks & Recreation	3,165	5,320	5,151	(169)	-3.2
Planning	1,803	1,515	1,558	43	2.8
Police	11,111	11,700	11,822	122	1.0
Street Transportation	3,223	2,240	2,247	7	0.3
Other Service Charges	14,035	14,988	17,117	2,129	14.2
Others	1,767	1,296	1,713	417	32.2
Subtotal	\$99,692	\$103,208	\$111,439	\$8,231	8.0%
<b>Total General Funds</b>	<b>\$842,984</b>	<b>\$938,352</b>	<b>\$1,021,516</b>	<b>\$83,164</b>	<b>8.9%</b>



**SCHEDULE 2: REVENUES BY MAJOR SOURCE (Continued)**  
**(In Thousands of Dollars)**

Revenue Source	2004-05 Actuals	2005-06 Estimate	2006-07 Budget	Increase/(Decrease) From 2005-06 Estimate	
				Amount	Percent
<b>SPECIAL REVENUE FUNDS</b>					
Neighborhood Protection	\$25,481	\$29,554	\$32,475	\$2,921	9.9%
Public Safety Enhancement	3,136	19,580	21,679	2,099	10.7
Parks and Preserves	26,703	30,976	32,895	1,919	6.2
Transit 2000	136,211	149,847	162,407	12,560	8.4
Court Awards	3,318	3,622	3,182	(440)	-12.1
Development Services	52,450	57,261	60,241	2,980	5.2
Capital Construction	18,437	20,435	21,561	1,126	5.5
Sports Facilities	13,993	15,457	16,664	1,207	7.8
Arizona Highway User Revenue	120,038	123,275	120,373	(2,902)	-2.4
Local Transportation Assistance	7,136	7,035	6,966	(69)	-1.0
Regional Transit Revenues	8,348	22,432	35,792	13,360	59.6
Community Reinvestment	2,036	2,151	2,156	5	0.2
Secondary Property Tax	101,466	110,461	120,209	9,748	8.8
Impact Fee Program Administration	3,383	2,860	2,460	(400)	-14.0
Other Restricted Revenues	18,989	13,067	13,119	52	0.4
Grants					
Public Housing Grants	69,947	75,833	74,068	(1,765)	-2.3
Human Services Grants	47,884	44,527	32,839	(11,688)	-26.2
Community Development	21,284	18,564	34,529	15,965	86.0
Criminal Justice Grants	17,363	15,217	17,949	2,732	18.0
Public Transit Grants	6,704	7,117	6,982	(135)	-1.9
HOPE VI Grant	8,123	14,345	5,956	(8,389)	-58.5
Other Grants	15,292	19,283	24,106	4,823	-25.0
Subtotal - Grants	\$186,597	\$194,886	\$196,429	\$1,543	0.8
Subtotal Special Revenue Funds	\$727,722	\$802,899	\$848,608	\$45,709	5.7%
<b>ENTERPRISE FUNDS</b>					
Aviation	228,947	244,372	266,987	22,615	9.3
Water System	252,643	285,265	296,518	11,253	3.9
Wastewater System	159,069	170,791	180,099	9,308	5.4
Solid Waste	108,525	114,307	116,461	2,154	1.9
Convention Center	57,415	65,993	73,126	7,133	10.8
Golf Courses	5,833	7,567	9,081	1,514	20.0
Subtotal Enterprise Funds	\$812,432	\$888,295	\$942,272	\$53,977	6.1%
<b>GRAND TOTAL</b>	<b>\$2,383,138</b>	<b>\$2,629,546</b>	<b>\$2,812,396</b>	<b>\$182,850</b>	<b>7.0%</b>





**SCHEDULE 3: EXPENDITURES BY DEPARTMENT**  
**(In Thousands of Dollars)**

Program	2004-05 Actual	2005-06 Estimate	Percent Change from 2004-05 Actual	2006-07 Budget	Percent Change from 2005-06 Estimate
<b>General Government</b>					
Mayor	\$2,344	\$2,429	3.6	\$2,579	6.2%
City Council	3,807	4,316	13.4	4,625	7.2
City Manager	1,236	1,128	(8.7)	1,174	4.1
Deputy City Managers	1,608	1,768	10.0	2,020	14.3
Intergovernmental Programs	1,277	1,222	(4.3)	1,398	14.4
Public Information	3,390	3,192	(5.8)	3,688	15.5
City Auditor	2,462	3,057	24.2	3,239	6.0
Equal Opportunity	3,430	3,807	11.0	4,251	11.7
Personnel	14,438	15,622	8.2	16,644	6.5
Phoenix Employment Relations Board	194	220	13.4	229	4.1
Retirement Systems	–	1	N/A	–	(100.0)
Law	3,898	4,230	8.5	4,568	8.0
Information Technology	4,379	3,427	(21.7)	9,954	190.5
City Clerk and Elections	6,739	7,724	14.6	6,640	(14.0)
Finance	22,061	23,738	7.6	26,320	10.9
Budget and Research	3,612	3,907	8.2	4,307	10.2
Engineering and Architectural Services	(118)	(132)	11.9	568	100.0+
<b>Total General Government</b>	<b>\$74,757</b>	<b>79,656</b>	<b>6.6</b>	<b>\$92,204</b>	<b>15.8</b>
<b>Public Safety</b>					
Police	393,029	421,630	7.3	473,744	12.4
Fire	188,573	218,778	16.0	247,297	13.0
Emergency Management	349	843	141.5	787	(6.6)
Family Advocacy Center	969	1,093	12.8	1,173	7.3
<b>Total Public Safety</b>	<b>582,920</b>	<b>642,344</b>	<b>10.2</b>	<b>\$723,001</b>	<b>12.6</b>
<b>Criminal Justice</b>					
Municipal Court	34,885	37,386	7.2	41,885	12.0
City Prosecutor	15,575	16,386	5.2	17,340	5.8
Public Defender	3,714	3,930	5.8	4,346	10.6
<b>Total Criminal Justice</b>	<b>54,174</b>	<b>57,702</b>	<b>6.5</b>	<b>\$63,571</b>	<b>10.2</b>
<b>Transportation</b>					
Street Transportation	56,398	58,624	3.9	64,571	10.1
Aviation	144,143	162,512	12.7	196,582	21.0
Public Transit	141,311	164,584	16.5	186,163	13.1
<b>Total Transportation</b>	<b>341,852</b>	<b>385,720</b>	<b>12.8</b>	<b>\$447,316</b>	<b>16.0</b>

**SCHEDULE 3: EXPENDITURES BY DEPARTMENT (Continued)**  
(In Thousands of Dollars)

Program	2004-05 Actual	2005-06 Estimate	Percent Change from 2004-05 Actual	2006-07 Budget	Percent Change from 2005-06 Estimate
<b>Community Development</b>					
Development Services	\$42,140	\$48,965	16.2	\$56,318	15.0
Planning	7,525	7,245	(3.7)	7,591	4.8
Business Customer Service Center	819	722	(11.8)	728	0.8
Housing	69,932	67,681	(3.2)	88,929	31.4
Community and Economic Development	7,868	21,743	176.3	22,222	2.2
Neighborhood Services	30,162	28,589	(5.2)	49,949	74.7
HOPE VI Project	1	—	(100.0)	—	N/A
Downtown Development	3,776	3,893	3.1	4,338	11.4
<b>Total Community Development</b>	<b>\$162,223</b>	<b>\$178,838</b>	<b>10.2</b>	<b>\$230,075</b>	<b>28.6</b>
<b>Community Enrichment</b>					
Parks and Recreation	92,207	100,324	8.8	115,887	15.5
Library	30,693	34,045	10.9	38,090	11.8
Golf	5,825	6,550	12.4	7,889	20.4
Phoenix Convention Center	32,299	35,677	10.5	38,554	8.1
Human Services	72,587	64,232	(11.5)	62,336	(3.0)
Education and Youth Programs	980	1,050	7.1	1,135	8.1
Rio Salado	126	142	12.7	150	5.6
Historic Preservation	475	512	7.8	572	11.7
Office of Arts and Culture	2,773	2,235	(19.4)	2,376	6.3
International and Sister Cities Programs	517	549	6.2	608	10.7
<b>Total Community Enrichment</b>	<b>238,482</b>	<b>\$245,316</b>	<b>2.9</b>	<b>\$267,597</b>	<b>9.1</b>
<b>Environmental Services</b>					
Water Services	190,524	208,849	9.6	232,037	11.1
Solid Waste Management	78,008	84,143	7.9	103,074	22.5
Public Works	23,746	23,940	0.8	29,192	21.9
Environmental Programs	1,445	1,874	29.7	1,911	2.0
<b>Total Environmental Services</b>	<b>\$293,723</b>	<b>\$318,806</b>	<b>8.5</b>	<b>\$366,214</b>	<b>14.9</b>
<b>Contingencies</b>	<b>—</b>	<b>—</b>	<b>N/A</b>	<b>\$115,964</b>	<b>N/A</b>
<b>GRAND TOTAL*</b>	<b>\$1,748,131</b>	<b>\$1,908,382</b>	<b>9.2</b>	<b>\$2,305,942</b>	<b>20.8</b>

\*Totals include City Improvement debt 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	Base	Budget Changes	Total	General Funds	Enterprise Funds	Special Revenue Funds*
<b>General Government</b>						
Mayor	\$2,579	–	\$2,579	\$2,393	–	\$186
City Council	4,625	–	4,625	4,625	–	–
City Manager	1,174	–	1,174	1,174	–	–
Deputy City Managers	2,020	–	2,020	1,687	333	–
Intergovernmental Programs	1,398	–	1,398	1,387	–	11
Public Information	3,688	–	3,688	3,680	–	8
City Auditor	3,239	–	3,239	3,239	–	–
Equal Opportunity	4,251	–	4,251	3,878	–	373
Personnel	16,644	–	16,644	15,270	–	1,374
Phoenix Employment Relations Board	229	–	229	229	–	–
Retirement Systems	–	–	–	–	–	–
Law	4,568	–	4,568	4,519	–	49
Information Technology	9,774	180	9,954	7,999	381	1,574
City Clerk and Elections	6,640	–	6,640	6,477	–	163
Finance	26,320	–	26,320	24,464	1,710	146
Budget and Research	4,307	–	4,307	3,851	–	456
Engineering and Architectural Services	568	–	568	550	–	18
<b>Total General Government</b>	<b>\$92,024</b>	<b>180</b>	<b>\$92,204</b>	<b>\$85,422</b>	<b>\$2,424</b>	<b>\$4,358</b>
<b>Public Safety</b>						
Police	469,035	4,709	473,744	408,754	782	64,208
Fire	243,624	3,673	247,297	219,704	–	27,593
Emergency Management	787	–	787	313	–	474
Family Advocacy Center	1,173	–	1,173	1,130	–	43
<b>Total Public Safety</b>	<b>\$714,619</b>	<b>8,382</b>	<b>\$723,001</b>	<b>\$629,901</b>	<b>\$782</b>	<b>\$92,318</b>
<b>Criminal Justice</b>						
Municipal Court	41,885	–	41,885	34,130	–	7,755
City Prosecutor	17,340	–	17,340	16,871	–	469
Public Defender	4,346	–	4,346	4,346	–	–
<b>Total Criminal Justice</b>	<b>\$63,571</b>	<b>–</b>	<b>\$63,571</b>	<b>\$55,347</b>	<b>–</b>	<b>\$8,224</b>
<b>Transportation</b>						
Street Transportation	64,571	–	64,571	25,638	–	38,933
Aviation	186,469	10,113	196,582	–	196,582	–
Public Transit	182,705	3,458	186,163	26,146	–	160,017
<b>Total Transportation</b>	<b>\$433,745</b>	<b>\$13,571</b>	<b>\$447,316</b>	<b>\$51,784</b>	<b>\$196,582</b>	<b>\$198,950</b>

**SCHEDULE 4: EXPENDITURES BY DEPARTMENT  
BY SOURCE OF FUNDS INCLUDING BUDGET CHANGES (Continued)  
(In Thousands of Dollars)**

Program	Base	Budget Changes	Total	General Funds	Enterprise Funds	Special Revenue Funds*
<b>Community Development</b>		<b>\$1,344</b>				
Development Services	\$54,974	-	\$56,318	-	-	\$56,318
Planning	7,591	-	7,591	6,795	-	796
Business Customer Service Center	728	-	728	338	390	-
Housing	88,929	-	88,929	181	-	88,748
Community and Economic Development	22,222	-	22,222	3,660	728	17,834
Neighborhood Services	49,949	-	49,949	15,926	-	34,023
HOPE VI Project	-	-	-	-	-	-
Downtown Development	4,338	-	4,338	3,815	417	106
		<b>\$1,344</b>				
<b>Total Community Development</b>	<b>\$228,731</b>		<b>\$230,075</b>	<b>\$30,715</b>	<b>\$1,535</b>	<b>\$197,825</b>
<b>Community Enrichment</b>		<b>4,359</b>				
Parks and Recreation	111,528	992	115,887	108,000	429	7,458
Library	37,098	-	38,090	36,915	-	1,175
Golf	7,889	616	7,889	-	7,889	-
Phoenix Convention Center	37,938	231	38,554	1,995	34,493	2,066
Human Services	62,105	-	62,336	27,111	250	34,975
Education and Youth Programs	1,135	-	1,135	897	-	238
Rio Salado	150	-	150	150	-	-
Historic Preservation	572	-	572	572	-	-
Office of Arts and Culture	2,376	-	2,376	1,305	-	1,071
International and Sister Cities Program	608	-	608	608	-	-
		<b>\$6,198</b>				
<b>Total Community Enrichment</b>	<b>\$261,399</b>		<b>\$267,597</b>	<b>\$177,553</b>	<b>\$43,061</b>	<b>\$46,983</b>
<b>Environmental Services</b>		<b>275</b>				
Water Services	231,762	49	232,037	-	231,930	107
Solid Waste Management	103,025	155	103,074	1,026	102,048	-
Public Works	29,037	-	29,192	21,222	-	7,970
Environmental Programs	1,911	-	1,911	1,474	237	200
		<b>\$479</b>				
<b>Total Environmental Services</b>	<b>\$365,735</b>		<b>\$366,214</b>	<b>\$23,722</b>	<b>\$334,215</b>	<b>\$8,277</b>
<b>Contingencies</b>	<b>\$115,964</b>		<b>\$115,964</b>	<b>\$28,860</b>	<b>\$65,871</b>	<b>\$21,233</b>
		<b>\$30,154</b>				
<b>GRAND TOTAL*</b>	<b>\$2,275,788</b>		<b>\$2,305,942</b>	<b>\$1,083,304</b>	<b>\$644,470</b>	<b>\$578,168</b>

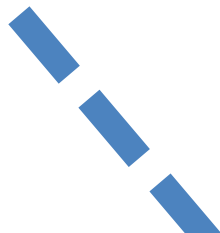
\*Includes Grants and City Improvement debt service funds.





**SCHEDULE 5: DEBT SERVICE EXPENDITURES  
BY PROGRAM AND SOURCE OF FUNDS  
(In Thousands of Dollars)**

<b>Program</b>	2004-05 Actual	2005-06 Estimate	2006-07 Budget
Aviation	\$75,441	\$74,574	\$250,627
Cultural Facilities	4,897	6,626	7,115
Downtown Development	9,136	7,020	9,842
Environmental Programs	23	146	333
Fire Protection	3,742	3,918	5,330
Freeway Mitigation	1,506	1,093	1,235
Golf	394	579	849
Historic Preservation	1,599	2,316	2,769
Information Systems	1,450	1,322	1,900
Libraries	4,106	5,077	6,316
Local Streets/Street Improvements/Lighting	1,192	2,750	3,830
Maintenance Service Centers	597	864	905
Major Streets and Freeways	29,206	31,247	31,242
Municipal Administration Building	2,413	2,379	3,353
Neighborhood Preservation & Senior Services Centers	1,486	5,242	5,793
Parks & Recreation/Open Space	16,243	18,023	17,282
Phoenix Convention Center	9,638	20,424	18,590
Police, Fire, and Computer Tech	4,053	5,320	5,686
Police Protection	3,136	3,728	4,871
Public Housing	5,580	12,235	13,461
Public Transit	16,729	29,276	40,045
Solid Waste Disposal	17,226	17,797	22,533
Storm Sewer	21,956	24,202	22,773
Street Lighting Refinancing	68	68	68
Wastewater	47,186	58,899	70,776
Water	54,251	83,168	94,195
Early Redemption	28,027	14,888	18,554
General Government Non-Profit Corporation Bonds	20,828	23,809	29,514
Bond Issuance Costs	3,124	4,803	15,698
<b>Total Program</b>	<b>\$385,233</b>	<b>\$461,793</b>	<b>\$705,485</b>



**SCHEDULE 5: DEBT SERVICE EXPENDITURES  
BY PROGRAM AND SOURCE OF FUNDS (Continued)  
(In Thousands of Dollars)**

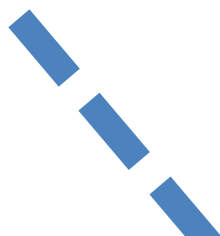
Program	2004-05 Actual	2005-06 Estimate	2006-07 Budget
<b>SOURCE OF FUNDS</b>			
<b>Operating Funds:</b>			
Secondary Property Tax	\$101,466	\$109,653	\$121,017
Transit 2000	326	327	326
Sports Facilities	9,136	7,020	9,842
Arizona Highway User Revenue	29,206	31,247	31,242
City Improvement			
General	20,999	23,856	29,514
Housing	63	-	-
Transit 2000	14,811	27,356	38,126
Water	-	34	-
Wastewater	19	51	-
Grant Funds	2,142	2,139	2,148
Aviation	63,468	62,272	77,172
Water	54,249	83,168	94,195
Wastewater	47,185	58,899	70,776
Solid Waste	17,226	17,797	22,533
Convention Center	9,638	20,424	18,590
Golf	394	579	849
<b>Subtotal Operating Funds</b>	<b>\$370,328</b>	<b>\$444,822</b>	<b>\$516,330</b>
<b>Capital Funds:</b>			
Aviation Bonds	12,816	439	11,940
Passenger Facility Charge	-	11,860	161,515
Convention Center Bonds	45	1,031	-
Non-Profit Corporation Bonds	263	3,143	745
2001 Bonds	59	-	2,075
Public Transit Bonds	395	108	-
Wastewater CIC Bonds	925	113	5,626
Water CIC Bonds	402	277	7,254
<b>Subtotal Capital Funds</b>	<b>\$14,905</b>	<b>\$16,971</b>	<b>\$189,155</b>
<b>Total Source of Funds</b>	<b>\$385,233</b>	<b>\$461,793</b>	<b>\$705,485</b>





**SCHEDULE 6: CAPITAL IMPROVEMENT PROGRAM**  
**FINANCED FROM OPERATING FUNDS**  
**(In Thousands of Dollars)**

<b>Program</b>	2004-05 Actual	2005-06 Estimate	2006-07 Budget
Arts and Cultural Facilities	\$8,521	\$419	\$3,545
Aviation	15,581	32,558	35,663
Economic Development	949	3,548	1,170
Energy Conservation	946	2,533	1,500
Facilities Management	936	2,483	9,534
Finance	1	—	—
Fire Protection	355	—	—
Historic Preservation	—	10	139
HOPE VI	7,958	14,707	6,956
Housing	342	139	—
Information Technology	5,172	4,466	2,860
Libraries	(2)	101	299
Neighborhood Services	1,728	1,395	1,698
Parks, Recreation and Mountain Preserves	8,765	24,035	68,289
Phoenix Convention Center	1,058	14,250	42,080
Public Transit	30,367	51,487	66,200
Solid Waste Disposal	2,975	2,225	3,836
Storm Sewers	2,013	2,668	2,216
Streets - Major Streets	31,693	36,282	52,269
Streets - Other Streets	31,041	26,234	30,622
Streets - Traffic Improvements	9,256	13,355	12,329
Wastewater	22,891	25,090	34,208
Water	51,177	34,304	57,520
<b>Total</b>	<b>\$233,723</b>	<b>\$292,289</b>	<b>\$432,933</b>



**SCHEDULE 6: CAPITAL IMPROVEMENT PROGRAM  
FINANCED FROM OPERATING FUNDS (Continued)  
(In Thousands of Dollars)**

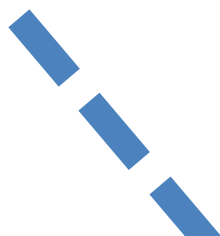
Program	2004-05 Actual	2005-06 Estimate	2006-07 Budget
<b>SOURCE OF FUNDS</b>			
<b>General Funds:</b>			
General	\$1,297	\$3,205	\$9,409
Library	(2)	101	299
<b>Total General Funds</b>	<b>\$1,295</b>	<b>\$3,306</b>	<b>\$9,708</b>
<b>Special Revenue Funds:</b>			
Parks and Preserves	7,916	21,486	67,942
Transit 2000	21,734	35,642	40,889
Court Awards	50	—	—
Development Services	—	—	75
Capital Construction	25,166	19,736	25,083
Arizona Highway Users	55,089	65,153	72,201
Public Transit	—	13,402	25,662
Community Reinvestment	1,879	3,030	1,469
Community Development Block Grants (CDBG)	3,719	2,016	2,476
HOPE Grant	7,547	14,345	5,956
Other Restricted	9,191	386	3,873
Grant Funds	3,987	846	1,289
<b>Total Special Revenue Funds</b>	<b>\$136,278</b>	<b>\$176,042</b>	<b>\$246,915</b>
<b>Enterprise Funds:</b>			
Aviation	16,473	32,385	35,572
Water	51,439	36,139	58,481
Wastewater	23,115	26,368	34,901
Solid Waste	4,209	2,350	4,507
Convention Center	914	15,699	42,849
<b>Total Enterprise Funds</b>	<b>\$96,150</b>	<b>\$112,941</b>	<b>\$176,310</b>
<b>Total</b>	<b>\$233,723</b>	<b>\$292,289</b>	<b>\$432,933</b>





**SCHEDULE 7: NET INTERFUND TRANSFERS TO THE GENERAL FUND**  
**(In Thousands of Dollars)**

	2004-05 Actual	2005-06 Estimate	2006-07	
			Budget	Increase/ (Decrease)
<b>TRANSFERS TO THE GENERAL FUND</b>				
<b>Enterprise Funds</b>				
Aviation				
Central Service Cost Allocation	\$5,233	\$6,121	\$6,274	\$153
Water Funds				
Central Service Cost Allocation	7,017	7,069	7,246	177
In-Lieu Property Taxes	8,110	8,689	8,993	304
Total	15,127	15,758	16,239	481
Wastewater Funds				
Central Service Cost Allocation	2,242	2,238	2,294	56
In-Lieu Property Taxes	6,321	6,655	6,888	233
Total	8,563	8,893	9,182	289
Solid Waste				
Central Service Cost Allocation	3,946	4,136	4,240	104
In-Lieu Property Taxes	719	961	995	34
Total	4,665	5,097	5,235	138
Convention Center				
Central Service Cost Allocation	2,000	2,095	2,147	52
Golf Courses				
Parks Administration	337	342	351	9
<b>Total from Enterprise Funds</b>	<b>\$35,925</b>	<b>\$38,306</b>	<b>\$39,428</b>	<b>\$1,122</b>



**SCHEDULE 7: NET INTERFUND TRANSFERS TO THE GENERAL FUND (Continued)**  
**(In Thousands of Dollars)**

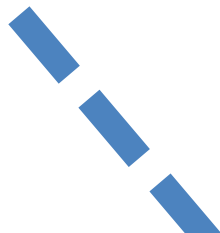
	2004-05 Actual	2005-06 Estimate	2006-07	
			Budget	Increase/ (Decrease)
<b>Special Revenue Funds</b>				
Excise				
Transfer to General Fund	\$606,652	\$686,490	\$756,366	\$69,876
Development Services				
Central Service Cost Allocation	3,566	3,664	3,756	92
Sports Facilities - Central Service Costs				
Central Service Cost Allocation	116	155	159	4
Phoenix Union Parking Maintenance	75	75	77	2
Total	191	230	236	6
Public Housing				
In-Lieu Property Taxes	260	293	303	10
<b>Total from Special Revenue Funds</b>	<b>\$610,669</b>	<b>\$690,677</b>	<b>\$760,661</b>	<b>\$69,984</b>
<b>Total Transfers to the General Fund</b>	<b>\$646,594</b>	<b>\$728,983</b>	<b>\$800,089</b>	<b>\$71,106</b>
<b>Transfers from the General Fund</b>				
Transfer to Parking Trust Fund	–	121	121	–
Transfer to Special Risk Fund	–	–	781	781
Transfer to Capital Projects Fund	1,000	3,575	4,150	575
Transfer to City Improvement	20,766	23,856	29,514	5,658
<b>Total Transfers from the General Fund</b>	<b>\$21,766</b>	<b>\$27,552</b>	<b>\$34,566</b>	<b>\$7,014</b>
<b>Net Transfers to the General Fund</b>	<b>\$624,828</b>	<b>\$701,431</b>	<b>\$765,523</b>	<b>\$64,092</b>





**SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT**  
**Number of Full-Time Equivalent Positions**

Program	June 30, 2005 Authorized	July 1, 2006 Authorized	Changes	June 30, 2007 Authorized
<b>General Government</b>				
Mayor	20.0	21.0	–	21.0
City Council	55.0	55.0	–	55.0
City Manager	8.0	6.0	–	6.0
Deputy City Managers	21.0	22.0	–	22.0
Intergovernmental Programs	6.3	6.3	–	6.3
Public Information	32.0	31.0	–	31.0
City Auditor	37.5	38.5	–	38.5
Equal Opportunity	38.0	40.0	–	40.0
Personnel	112.4	113.4	–	113.4
Phoenix Employment Relations Board	2.0	2.0	–	2.0
Retirement Systems	15.0	15.0	–	15.0
Law	242.0	246.0	–	246.0
Information Technology	210.0	213.0	1.0	214.0
City Clerk and Elections	129.2	129.2	–	129.2
Finance	310.5	313.5	–	313.5
Budget and Research	32.0	33.0	–	33.0
Engineering and Architectural Services	110.1	112.1	–	112.1
<b>Total General Government</b>	<b>1,381.0</b>	<b>1,397.0</b>	<b>1.0</b>	<b>1,398.0</b>
<b>Public Safety</b>				
Police	4,161.7	4,168.7	144.0	4,312.7
Fire	1,873.2	1,886.2	83.0	1,969.2
Emergency Management	6.5	6.5	–	6.5
Family Advocacy Center	5.0	7.0	–	7.0
<b>Total Public Safety</b>	<b>6,046.4</b>	<b>6,068.4</b>	<b>227.0</b>	<b>6,295.4</b>
<b>Criminal Justice</b>				
Municipal Court	374.9	384.9	–	384.9
Public Defender	7.6	9.0	–	9.0
<b>Total Criminal Justice</b>	<b>382.5</b>	<b>393.9</b>	<b>–</b>	<b>393.9</b>
<b>Transportation</b>				
Street Transportation	764.7	776.7	5.3	782.0
Aviation	769.7	803.7	21.0	824.7
Public Transit	86.0	92.0	5.0	97.0
<b>Total Transportation</b>	<b>1,620.4</b>	<b>1,672.4</b>	<b>31.3</b>	<b>1,703.7</b>



**SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT**  
**Number of Full-Time Equivalent Positions (Continued)**

Program	June 30, 2005 Authorized	July 1, 2006 Authorized	Changes	June 30, 2007 Authorized
<b>Community Development</b>				
Development Services	459.0	523.0	9.0	532.0
Planning	75.9	74.9	1.0	75.9
Business Customer Service Center	4.0	4.0	–	4.0
Housing	137.7	145.7	–	145.7
Community and Economic Development	36.0	114.0	–	114.0
Downtown Development Office	16.0	16.0	–	16.0
Neighborhood Services	232.0	237.0	–	237.0
HOPE VI Project	9.5	10.5	1.0	11.5
<b>Total Community Development</b>	<b>970.1</b>	<b>1,125.1</b>	<b>11.0</b>	<b>1,136.1</b>
<b>Community Enrichment</b>				
Parks and Recreation	1,513.2	1,530.4	81.5	1,611.9
Library	420.0	420.0	16.5	436.5
Golf	115.5	140.0	–	140.0
Phoenix Convention Center	205.4	209.4	5.0	214.4
Human Services	566.4	493.0	7.8	500.8
Education and Youth	5.8	5.8	–	5.8
Rio Salado	1.0	1.0	–	1.0
Historic Preservation	6.0	6.0	–	6.0
Office of Arts and Culture	12.5	12.5	–	12.5
International and Sister Cities Program	5.0	5.0	–	5.0
<b>Total Community Enrichment</b>	<b>2,850.8</b>	<b>2,823.1</b>	<b>110.8</b>	<b>2,933.9</b>
<b>Environmental Services</b>				
Water Services	1,355.1	1,416.1	1.0	1,417.1
Solid Waste Management	498.0	519.0	1.0	520.0
Public Works	501.0	498.0	7.0	505.0
Environmental Programs	15.0	15.0	–	15.0
<b>Total Environmental Services</b>	<b>2,369.1</b>	<b>2,448.1</b>	<b>9.0</b>	<b>2,457.1</b>
<b>GRAND TOTAL</b>	<b>15,620.3</b>	<b>15,928.0</b>	<b>390.1</b>	<b>16,318.1</b>



# 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 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 Phoenix Convention Center 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

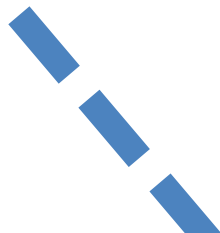
**Goal** – A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

**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 equal 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** – Desired output-oriented accomplishments 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.

