

**The Phoenix
Summary Budget
2009-10**



City of Phoenix



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360

June 2009

City of Phoenix Council Members and District Boundaries



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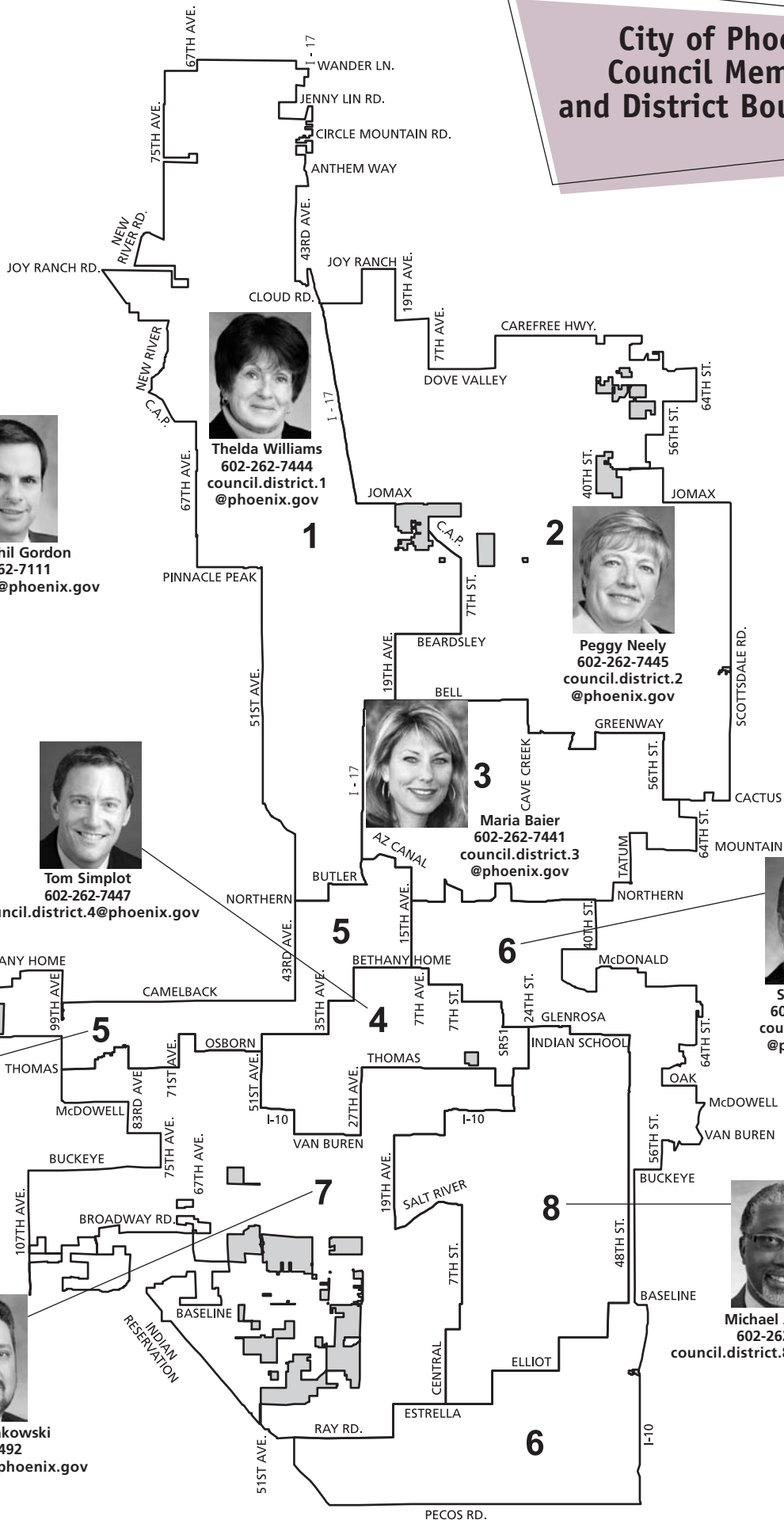
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City of Phoenix

Mayor and City Council

Phil Gordon
Mayor

Tom Simplot
Vice Mayor
District 4

Thelda Williams
District 1

Peggy Neely
District 2

Maria Baier
District 3

Claude Mattox
District 5

Sal DiCiccio
District 6

Michael Nowakowski
District 7

Michael Johnson
District 8

Mayor's Office

Toni Maccarone
Chief of Staff

City Council Office

Penny Parrella
Deputy Chief of Staff

Management Staff

Frank Fairbanks
City Manager

Alton Washington
Assistant City Manager

David Cavazos
Deputy City Manager

David Krietor
Deputy City Manager

Rick Naimark
Deputy City Manager

Ruth Osuna
Deputy City Manager

Ed Zuercher
Deputy City Manager

Jack F. Harris
Public Safety Manager

Tammy J. Perkins
Executive Assistant to the City Manager

Lisa Takata
Executive Assistant to the City Manager

Karen Peters
Government Relations Director

Department Heads

Wylie Bearup
Street Transportation Director

Carolyn Bristo
Acting Public Works Director

John Chan
Interim Phoenix Convention Center
Director

Debbie Cotton
Public Transit Director

Jeff DeWitt
Acting Finance Director

Kim Dorney
Housing Director

Toni Garvey
City Librarian

Cathleen Gleason
Budget and Research Director

Gloria Hurtado
Human Services Director

Robert Khan
Fire Chief

Dale Larsen
Parks and Recreation Director

Mark E. Leonard
Development Services Director

Lionel Lyons
Equal Opportunity Director

Donald Maxwell
Community and Economic Development
Director

Jerome S. Miller
Neighborhood Services Director

Danny Murphy
Aviation Director

David J. Ramirez
Acting Public Information Director

Mario Paniagua
City Clerk

Cynthia Seelhammer
Acting Water Services Director

Janet Smith
Personnel Director

Randy Spenla
City Auditor

Debra Stark
Planning Director

Charles T. Thompson, Sr.
Chief Information Officer

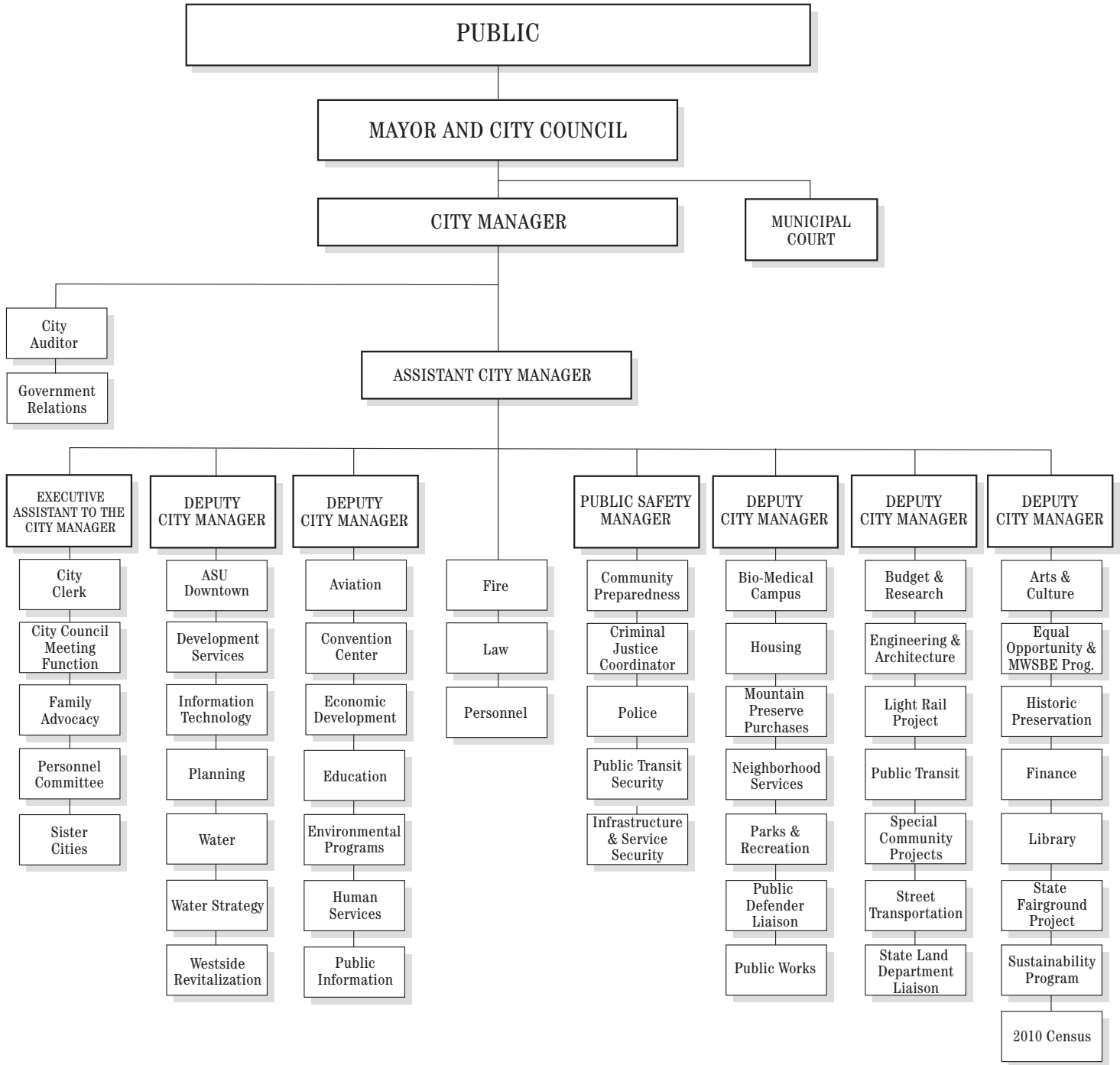
Gary Verburg
City Attorney

Tauny Woo
Acting City Engineer

Chief Presiding Judge

Roxanne K. Song Ong

City of Phoenix Organizational Chart



Budget Document Overview

This overview outlines the 2009-10 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 602-262-4800. 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 2009-14 Capital Improvement Program provides Phoenix's planned construction program by project and detailed sources of funds.

A more detailed description of the 2009-10 Phoenix Summary Budget follows.

CITY MANAGER'S BUDGET MESSAGE

The City Manager's Budget Message provides 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 a few awards and recognitions received by employees this year, 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 2008-09 and 2009-10 as well as actual results for recent and historical periods.

2009-10 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 2009-10 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.

2009-10 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 2009-14 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 numerical 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 this document, please contact the Budget and Research Department at 602-262-4800.

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, 2008

President

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, 2008.

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.

City Manager's Budget Message



TO THE HONORABLE MAYOR AND CITY COUNCIL:

This letter transmits a balanced budget for the upcoming 2009-10 fiscal year. On Feb. 3, the Mayor and City Council approved \$156.0 million in General Fund budget reductions including the elimination of 923.5 city jobs. Those reductions were implemented on March 2. This formal budget, which is required by the City Charter, reflects the already approved and implemented budget reductions.

The budget presented here includes all city funds and represents months of hard work and difficult decisions by the Mayor and City Council, our boards and commissions, our employees, city management and the community. I want to thank the more than 1,500 community members who spoke at one or more of our 14 budget hearings and shared their ideas for restoring important city programs. These ideas included paying higher fees for some city programs and volunteering their time. I also want to thank the many city boards and commissions who provided time on their already busy meeting agendas to review and discuss budget-balancing proposals.

It is important to note that this budget assumes the continuation of all current

state-shared revenues. These revenues have been shared with Arizona cities and towns as a result of three initiatives approved by Arizona voters beginning in the 1940s. The Legislature continues to struggle with the state's \$3 billion budget deficit. If cuts in state-shared revenue are part of the Legislature's budget solution, the impact to community services will be severe.

GENERAL FUND BUDGET SHORTFALL

The \$156.0 million in program and service reductions were made to address an overall General Fund shortfall of \$269.7 million. This shortfall is due to the severe recession that began in December 2007. Growth of city revenue, especially sales tax, began to decline during the last few months of fiscal year 2006-07. Sales tax growth actually went negative in 2007-08, something only seen before for a short period after Sept. 11, 2001. Sales tax continued to decline at a precipitous rate throughout 2008-09. This budget assumes slowing in the rate of decline for the last few months of the 2008-09 fiscal year and slight improvement beginning in the fall of 2009 and continuing through the remainder of the 2009-10 fiscal year.

On the expenditure side, we will incur some unavoidable cost increases next year. These include employee compensation and benefit cost increases, expiring federal grants, critical upgrades to major technology systems, the cost to open new facilities and employee severance payments.

Other actions were taken to address the \$269.7 million revenue shortfall aside from the \$156.0 million in program and service reductions. General Fund vehicle replacements and other pay-as-you-go capital investments were shifted to lease-purchase financing, desktop technology replacements were suspended, debt service was restructured and a hiring freeze that began in January 2008 has been extended indefinitely. These actions reduced General Fund expenditures on a citywide basis and reduced service and program reductions in the community by \$113.7 million.

EARLY ACTION REDUCES SIZE OF PROGRAM AND SERVICE CUTS

We began discussing the 2009-10 budget situation with the Mayor and City Council in September 2008. At the same time, we asked departments to begin preparing proposed budget cuts equal to 30 percent of their General Fund budget. Since more than \$200 million in General Fund reductions have occurred over the past seven years, there was no ability to avoid service cuts.

In October, the Mayor and City Council provided guidance on an approach to reduce the 2009-10 budget that included allowing the Public Safety and Criminal Justice budgets (Police, Fire, Municipal Court, City Prosecutor and Public Defender) to grow slightly from their 2008-09 adopted budgets. This resulted in budget reductions of 7.5 percent for Public Safety and Criminal Justice departments and reductions of 27.3 percent on average for the remaining General Fund departments.

On Feb. 3, 2009, the Mayor and City Council unanimously approved budget reductions of \$156.0 million. These reductions were effective on March 2 wherever possible. In this way, we were able to achieve 16 months of savings rather than just 12 months. We were able to cut programs and services less by cutting them early.



OVERVIEW OF 2009-10 BUDGET

The total 2009-10 General Fund budget is \$1,111,799,000. This is a 6.1 percent decrease from the adopted 2008-09 budget.

Public Safety/Criminal Justice

The Police, Fire, Municipal Court, City Prosecutor and Public Defender departments' 2009-10 budget growth was reduced by 7.5 percent. A large portion of these reductions, particularly in Police and Fire, were achieved by holding authorized sworn positions vacant. Civilian support positions, contractual and commodity spending, and overtime were reduced in Police and Fire, and one new fire station will be opened with existing staff. The reductions in Police and Fire are intended to have little or no impact on emergency response times. Instead, some specialty functions that utilize sworn officers and firefighters will be reduced or suspended.

Municipal Court, City Prosecutor and Public Defender will be operating with two fewer courtrooms. In addition, various support staff were reduced and a number of process efficiencies in Court were implemented.

All Other General Fund Departments

Reductions have been made in all other General Fund departments and at all levels of the organization. As mentioned earlier, we have cut 923.5 city jobs. Executive jobs have been reduced by the greatest proportion. The vast majority of services enjoyed by the community will remain intact. However, given the severity of our budget deficit, many services were reduced or suspended.

Parks and street landscaping maintenance has been further reduced, which will mean less watering, a delay in landscape maintenance and in cleaning the parks each day. The swimming pool season has again been shortened, eliminating the last week in July, reducing daily swim hours and closing pools on Fridays. Eight pools will be closed for major renovations funded through the capital program. These renovations are critical in keeping up with health and safety standards. Several small recreation centers will close during the school year, but will remain open during the summer. After-school and summer recreation programs, known as PAC, were reduced. Softball leagues were suspended from 12 park sites, but remain at three major recreation complexes. The Urban Forestry, Work Alternative and Project SCRUB programs have been suspended. Fees for the majority of park facilities and programs have been increased, with many now having a non-resident rate.

Summer youth work programs were suspended and two small senior centers were consolidated with other nearby centers. Hours were reduced at libraries from 72 hours per week to 48 or 52 hours per week. About half of the branches will remain open for four hours on Sundays. Other special library programs were suspended. Neighborhood code enforcement staff was reduced. Transit reduced neighborhood circulator service based on average ridership. Staff that assists with neighborhood traffic issues was reduced, along with preventative maintenance of traffic signal lamps. Street maintenance crews responsible for maintaining traffic signal loops, street signs, grading and striping have all been reduced. Maintenance at city facilities has been further reduced.

We regret any reductions in community services. Restoring these services will be a high priority when the economy improves.

Non-General Fund Budgets

This budget provides recommendations for all city departments and all city funds. The Development Services Department also has been severely impacted by the deep economic recession. After making cuts of 187 positions and \$15.9 million in 2008-09, additional cuts of 67 positions and \$7.7 million were made for 2009-10. Since Development Services is 100 percent funded through user fees, these reductions were necessary to keep expenditure levels in line with current revenues. Further sizeable reductions are under study as this letter is being written.

Reductions in Aviation, Phoenix Convention Center and Public Transit also were made to keep expenditures in line with projected revenues. The Aviation Department reduced their budget by \$15.6 million and 45.0 positions to offset revenue declines that are a result of reductions in passenger traffic and ancillary revenues such as parking and rental cars. The Phoenix Convention Center relies heavily on construction sales tax, which has been hit especially hard by the economic recession. The Convention Center cut \$6.8 million and 37.3 positions from their budget. Finally, Public Transit relies heavily on sales tax, which has seen unprecedented declines as described earlier. In order to balance their budget, they have increased fares, and reduced funding for installation of bus pullouts, bike lanes and left turn signals. In total, Public Transit reduced their budget by \$24.7 million.



FEDERAL ECONOMIC STIMULUS

The American Recovery and Reinvestment Act was passed by Congress and signed by the president in February 2009. The majority of these funds are for capital projects that will create jobs in the local economy. In the short time since this act was passed, the city has received notice of tens of millions in formula grants that will be received. Hundreds of millions more will be available to cities as competitive grants. City staff is working aggressively to ensure a strong effort is made to apply for all grants that will positively impact our community. While these federal funds will not allow us to restore the programs and services we have had to cut, they will create jobs in the local economy that will reduce hardship in the community and will result in additional revenue for the city over the long run as the economy improves.

CONCLUSION

The 2009-10 budget process has been one of the most challenging in the city's history. The unprecedented decline in sales tax revenue resulting from the long and broad economic recession resulted in revenue shortfalls that were much worse than predicted. Many economists are forecasting an end to the recession by late 2009; however, the local economy may take longer due to the overabundance of housing stock. Our goal was to make enough reductions in the budget to get us through 2009-10 with no further cuts.

We will continue to carefully monitor our revenues and report quickly to the Mayor and City Council any significant changes. We will also continue to carefully monitor the state's budget deliberations and to vigorously defend state-shared revenues. To date, no formal proposal to reduce state-shared revenues has been introduced. If the state were to reduce revenues shared with cities and towns, we will return with additional budget cuts. Given the level of cuts we have already implemented, severe service reductions will be brought forward for consideration.

I want to thank the Mayor and City Council for their leadership and guidance in balancing the city budget. I also want to thank city departments for carefully preparing budget reductions for consideration. Finally, I want to thank all city employees for their continued dedication to delivering high-quality services to the community. Their efforts are especially appreciated during these difficult economic times.



Frank Fairbanks
City Manager

May 12, 2009



PUTTING PHOENIX
TO WORK



Glenrosa Service Center was awarded LEED Gold certification by the U.S. Green Building Council for its use of sustainable materials. The center houses multiple city departmental operations for the city's west side.

Our Commitment To Excellence

Due to the extended economic recession, this is the season of change. All around us are signs that change has happened, or is on its way. The city of Phoenix works diligently to manage change in our organization, and more importantly in our community. We have built a reputation as a solid, well-run and efficient organization. Although we have to do more with less, we must maintain our ethics and integrity along with our commitment to excellence.

As an organization, we are fortunate to have innovative and dedicated employees who know our residents count on us to provide high-quality programs and services. In addition to the standard services provided by municipal government, we know we must do our part to create and maintain a sustainable community. Below are a few of the awards we have received for our environmentally conscious efforts over the past year:

- Valley Forward recognized the city with four Crescordia Environmental Excellence Awards. This is an annual award given for significant contributions to the environment. The city was recognized for the following city projects – Memorial Hall at Steele Indian School Park, the Neighborhood Resource Center, the Rio Salado Equestrian Trailhead, and the Rio Salado Habitat Restoration Area. The city also received awards of merit for the Camelback East Village Core Pedestrian Streetscape and Underpass, Recycling Changes Everything – On the Weekend program, the Henson Village HOPE VI Development, and the Arts, Culture and Small Business Overlay District.

- The Glenrosa Service Center received the U.S. Green Building Council LEED Gold Certification for its use of sustainable materials. The service center, which houses multiple department operations for the city's west side, is owned and maintained by the Public Works Department.
- Phoenix tops the "Unexpected" Green City on the MSN.com list of 12 "unexpected green cities." The article highlighted the city's partnership with Arizona State University's Global Institute of Sustainability.
- The Phoenix Chapter of the International Association of Business Communicators awarded the Public Works Department with the Copper Quill Award for its "Recycling Changes Everything" program.

Commitment to Quality Service

Our residents expect quality service, and we continuously challenge ourselves to raise the standards of customer service without compromising our organization's integrity. We work hard to provide programs that enhance our residents' quality of life while maintaining public safety.

The following lists a few of the awards received over the last year demonstrating this commitment.

- The Arizona Chapter of the National Association of Housing and Redevelopment Officials (NAHRO) recently presented the city's Housing Department with three awards recognizing the city's commitment to providing important services and a better living environment for residents of public and affordable housing.
- The Phoenix Public Library received an award for exceptional leadership and excellence in delivering digital media to the community at the Digipalooza OverDrive's International User Group conference in Cleveland, Ohio.
- Silver State Bank/Arizona Small Business Association (ASBA)/O'Neil Association Arizona Economic Indicators Monitor named Phoenix as the Most Business Friendly City. Twenty-seven percent of the ASBA's 3,000 members were polled and selected the city of Phoenix as the most business friendly government entity.

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 Vision and Values statements by going above and beyond to improve the quality of life for Phoenix residents.

- Former City Councilman Greg Stanton, District 6, received the Jacque Steiner Public Leadership Award for Children from the Children's Action Alliance, a nonprofit organization that advocates for Arizona children. He was recognized for his contributions that include pushing for educational after-school programs, creating the KidsCare Task Force, and promoting health care in the Creighton School District.

- Phoenix Police Commander Chris Crockett received the "Healthcare Heroes" award from Blue Cross Blue Shield of Arizona. Commander Crockett was recognized in the "First Responder" category for his coordination of the statewide "Crystal Darkness" TV broadcast educating the public about the dangers of crystal methamphetamines.



Jocelyn Hanson, director of art education for the Phoenix Office of Arts and Culture, secured grants and partnered with arts groups to offer arts education in after-school programs.

- Phoenix Planning Department's Dean Brennan was inducted as a fellow in the American Institute of Certified Planners. This is the highest honor given to professional planners for exemplary service and commitment to the planning profession.
- Phoenix Aviation Department's Johnnie Funderburg was recognized as the Minority Business Advocate of the Year. The Arizona Minority Business Enterprise Center also awarded the Aviation Department its corporate award for supporting and advancing the growth of local minority businesses.

City of Phoenix Excellence Awards

Each year, the city honors city employees and employee teams for excellence. Their efforts help to make Phoenix a more livable city.

The individual winners include Director of Arts Education Jocelyn Hanson, Senior Tax Auditor Gisela Pittman, Parks Foreman Ed Miller and Parks Supervisor Ted Koester.

- Jocelyn Hanson, director of art education for the Phoenix Office of Arts and Culture, founded the Phoenix Arts Collaborative. The partnership included the Arts Office, Valley arts organizations and the Phoenix Elementary School District. Under the auspices of the partnership, Jocelyn secured a five-year, \$3.5 million state grant to offer arts education in inner-city schools. Although the grant program ended in 2008, it was so successful that Jocelyn was encouraged to develop a similar program to serve more schools. She created another partnership to develop art space in Phoenix schools. Her partners are ASU's Herberger College of the Arts, Arizona State Library and the Arizona Department of Education, which has committed \$2.7 million for the program.



Ed Miller, parks foreman with the Parks and Recreation Department, provided park users with commercial plastic bags for pet waste.

 PUTTING PHOENIX TO WORK

- Gisela Pittman is a senior tax auditor with the Finance Department's Tax Division. The Tax Division is charged with auditing, assessing and collecting sales tax revenues owed to the city. Despite the challenges brought on by the weak economy, Gisela is one of the division's top performers. In 2008, she completed 41 audit assignments compared to a staff average of 16. Gisela's audits added \$2 million to city coffers. In order to work effectively with the business community, auditors must be diplomatic and tactful. Gisela demonstrates those traits in her daily work. She consistently earns high ratings in formal evaluations completed by taxpayers. They often comment on her professionalism, courtesy and helpfulness.
- Ed Miller, parks foreman with the Parks and Recreation Department, provided park users with commercial plastic bags for pet waste. Each bag costs 7 cents, and the dispensers cost \$63. On average, a 100-count dispenser is refilled every three days. Ed made a dispenser out of plastic pipe and filled it with recycled grocery bags. Ed's dispenser costs \$22 to make, and the recycled bags are free. In 2008, the Northeast Parks District began replacing the commercial products with Ed's version. He has manufactured more than 50 dispensers and has shared the design with other divisions. Ed's idea is a money-saver and good for the environment.
- A dining hall without tables and benches. That was the case at Camp Colley, the city's outdoor adventure camp. The city built the dining hall in 2006, but did not have the money to furnish it. Parks Supervisor Ted Koester decided to design and build the benches and tables himself. Ted spent countless hours of his own time cutting the wood and assembling the furniture so that it not only matched the unique decor of the dining hall, but that it also met the ADA standards for disabled individuals. With the occasional help of some volunteers, he finished the project – 13 tables and 26 benches – in time for the opening of camp last year.



The Lake Pleasant Water Treatment Plant project team played a key role in the design and construction of the water treatment plant, the largest "design-build-operate" project in North America.

The winning employee teams included four groups whose efforts make Phoenix a better place for its residents.

- The Inventory Management Division of the Finance Department was tasked with converting 79 diesel storage tanks from dyed fuel to clear fuel to comply with a new state policy. The team got the job done without interrupting the fuel supply at any of the city fueling facilities. Failure to comply was not an option as fines of \$104,890 (\$10 per gallon based on average daily fuel), civil penalties of \$1,000 per day, and the possibility of imprisonment were the penalty. The well-timed plan developed by the team allowed each tank to be drawn down to a minimal amount and having clear fuel immediately available to refill it.

- The Water Services Department worked closely with the private contractor hired to build and operate the recently completed Lake Pleasant Water Treatment Plant. It was the largest “design/build/operate” project in North America. Team members played key roles in all aspects of the project, including a year-long design process that helped eliminate time between construction phases and reduced completion of the project from six to four years. In 2008, this project received eight major awards, including an international honor, and was featured in numerous national publications.

- Staff from several different departments – Community and Economic Development, Development Services, Fire, Neighborhood Services, Planning and Water Services – pitched in to create the “Adaptive Reuse” program. This program eases the way for entrepreneurs to convert abandoned gas stations, empty stores and other vacant buildings into active coffee shops, art galleries and other businesses. A key part of the program included making policy changes and revising building ordinances that would reduce expenses for the new owners and cut the time needed to open their businesses. This team is helping give old buildings new life and helping entrepreneurs at the same time.



The Adaptive Reuse project team helped small investors convert abandoned buildings into viable businesses, such as restaurants and shops.



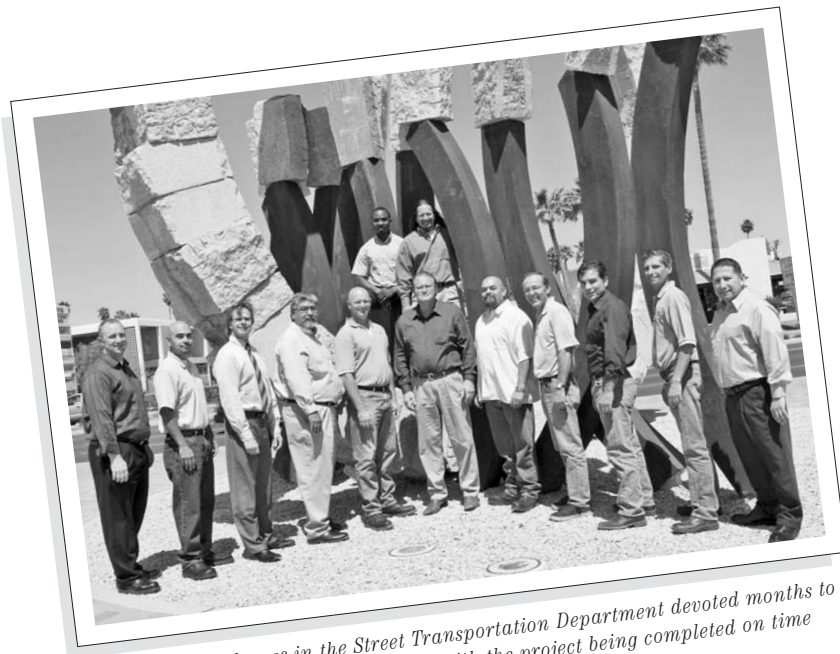
PUTTING PHOENIX TO WORK

- Street Transportation employees made sure the construction of the METRO Light Rail starter line was a smooth process. It was the single largest building project in the history of the city. It took a highly dedicated team of Street Transportation employees to ensure it all went smoothly. This 14-member team worked long hours for months on end, responding to hundreds of complaints from residents and emergency requests from contractors. Because of this team's efforts, METRO is a resounding success, with average monthly boarding exceeding 900,000.


Employee Suggestions Streamline Operations and Cut Costs

The Employee Suggestion Program, which began in the mid-1950s, has saved millions of dollars 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 2008-09 fiscal year:

- Detective/Bomb Technician Richard Hopkins suggested that the Phoenix Police Bomb Squad dispose of all impounded fireworks along with other impounded explosives. In the past, the Police Department contracted with Environmental Response Inc. to dispose of impounded fireworks. However, the company would only dispose of fireworks contained in marked boxes and it cost \$3,000 per disposal. By implementing Detective Hopkins suggestion, the city saved money and ensured the fireworks were disposed of properly.



A team of employees in the Street Transportation Department devoted months to the light rail project, which paid off with the project being completed on time and under budget.



- Ennis Bogardus, aviation building maintenance worker, suggested an adjustment to the airport's toilet paper dispensers. The locking mechanism was not secured and was striking patrons, causing an increase in insurance injury claims. There were 210 dispensers distributed throughout Sky Harbor and ordering replacements would not be cost effective. Ennis developed a low maintenance and cost effective solution. His solution required a screwdriver and a bottle of lock tite applied to the thread of the screw that held the locking mechanism in place.

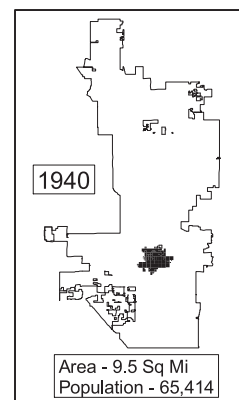
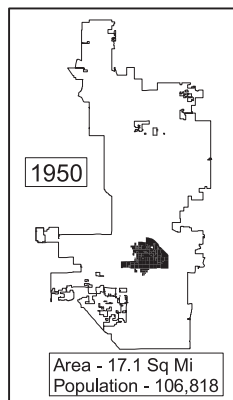
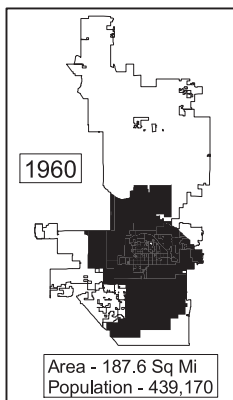
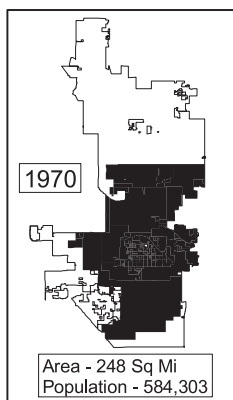
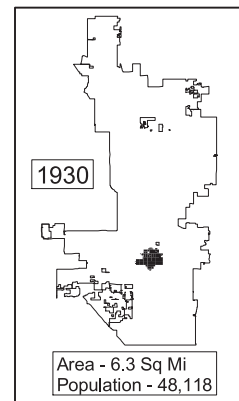
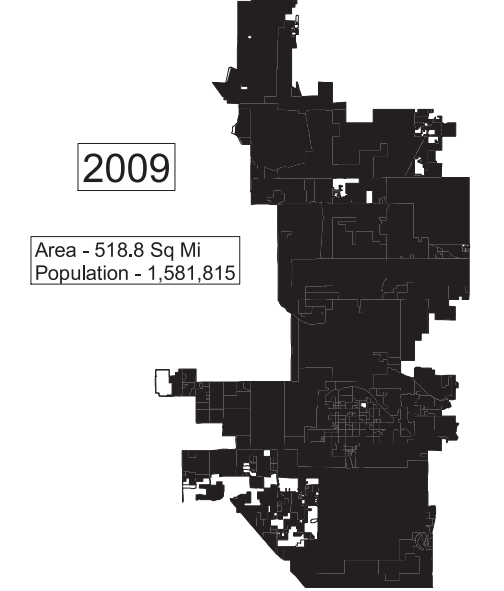
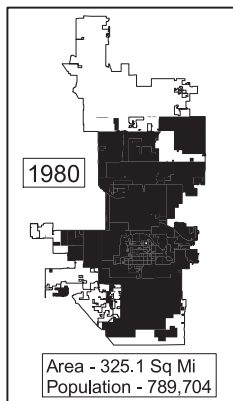
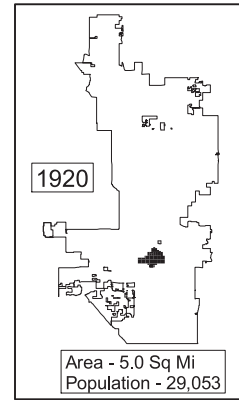
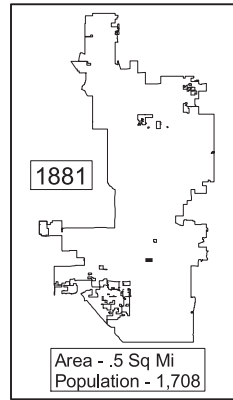
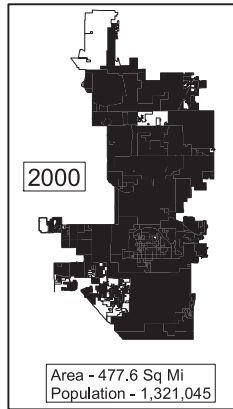
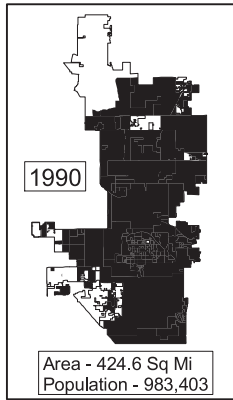
- Police Officer Walter Olsen developed a process for filing a claim for stolen city property. Occasionally, Police Department equipment is stolen from the homes of police employees. This equipment is the sole responsibility of those to whom it is assigned. If the equipment is stolen, the employee may be financially responsible for its replacement. Officer Olsen's suggestion created a formal process that assisted employees in making a claim to their own insurance company to reimburse the city or the employee for the stolen property.

- Vicki Szasvari, building equipment operator I, suggested the city discourage the use of Styrofoam cups. She proposed a simple campaign to encourage employees to bring in their own reusable cups from home. This program supports the Environmentally Preferable Purchasing (EPP) program coordinated through the Office of Environmental Programs. This suggestion reduces the number of Styrofoam cup orders and eventually the disposal of said cups in the city's landfills.

As you can see, we work very hard to earn our reputation as a well-run city. We strive to be leaders in our professions. 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.

Planning Department
May 2009

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 privilege license 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.

Economic Diversity

Phoenix 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 2005 Census recorded Phoenix population at 1,475,834. Over the next fiscal year, the city is projected to encompass 518.8 square miles, with a projected population of 1,581,815.

Today, 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; and the town of Gilbert. 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.

The Phoenix metropolitan area employment mix is well diversified and fairly similar to that of the United States as a whole. An exception is construction and financial employment, which comprise more of Phoenix's employment mix than the United States average due to rapid population and employment growth. Additionally, the Phoenix area's manufacturing mix is much more concentrated in high technology than the United States. The high technology manufacturing sectors are cyclical in nature and may be more impacted during periods of economic slowing than other

manufacturing sectors. The primary employment sectors and their share of total employment in the Phoenix metropolitan area consist of service industry (42%); trade (17%); government (13%); construction (8%); financial activities (8%); and manufacturing (7%). Major employers of the Phoenix metropolitan area include the state of Arizona, Wal-Mart Stores, Inc., Banner Health Systems, City of Phoenix, Maricopa County, Wells Fargo and Company, Arizona State University, Honeywell Aerospace, U.S. Postal Service, Bashes' Inc., Apollo Group, Inc., and the Intel Corporation. The top two property taxpayers, based on secondary assessed valuation - Arizona Public Service Company and Qwest Communications - make up just over six percent of total assessed valuation.

Demographics and Economic Statistics

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



**PUTTING PHOENIX
TO WORK**

	1970-71	1980-81	1990-91	2000-01	Actual 2007-08	Estimated 2008-09	Projected 2009-10
Demographic Profile							
Population ¹	584,303	789,704	995,896	1,350,435	1,544,575	1,563,058	1,581,815
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 ¹							
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 ²	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) ³	N/A	14.8	20.0	34.1			

	1970-71	1980-81	1990-91	2000-01	Actual 2007-08	Estimated 2008-09	Projected 2009-10
City Economic Profile							
Median Household Income ⁴	\$27,601	\$29,706	\$30,797	\$40,856	\$67,390	\$70,490	\$72,394
Personal Income Growth (Metro Phoenix)	13.6%	14.8%	4.6%	6.5%	2.8%	0.7%	1.3%
Assessed Valuation ('000s) ⁵	N/A	N/A	\$5,700,825	\$7,573,211	\$16,068,817	\$18,856,072	\$18,861,238
Employment Growth Rate ⁶	N/A	N/A	(3.0)%	3.7%	1.3%	(1.4)%	(0.4)%
Unemployment Rate	N/A	N/A	4.9%	2.7%	4.4%	6.4%	6.4%
Value of Residential Construction ⁷ (Billions)	N/A	N/A	\$0.42	\$1.16	\$0.67	\$0.39	\$0.36
Value of Commercial Construction ⁷ (Billions)	N/A	N/A	\$0.46	\$1.33	\$2.80	\$3.00	\$2.00
City Financial Profile							
Total Budget ('000s)	\$95,835	\$392,780	\$1,026,545	\$1,946,013	\$3,074,632	\$3,220,267	\$3,673,457
Total GF Budget ('000s) ⁸	\$62,343	\$221,106	\$591,021	\$953,324	\$1,093,009	\$1,072,135	\$1,111,799
Total Employees	5,670	9,435	11,388	14,352.0	17,068.5	16,155.1	16,186.4
Total Employees per 1,000 Population	9.7	11.1	11.2	10.6	11.1	10.3	10.2
Non-Enterprise Employees per 1,000 Population	N/A	N/A	N/A	8.6	9.0	8.2	8.1
Enterprise Employees ⁹ per 1,000 Population	N/A	N/A	N/A	2.0	2.1	2.1	2.2
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/AAA	Aa1/AAA	Aa1/AAA
Number of PLT Licenses	N/A	37,943	43,756	51,000	57,666	58,000	58,000
City Retail Sales Tax Rate ¹⁰	1%	1%	1.2%	1.8%	2.0%	2.0%	2.0%
Infrastructure Profile							
Area (Square Miles)	247.9	329.1	427.1	483.5	517.6	518.8	518.8
Police							
Major Crimes	50,747	86,287	110,961	97,666	97,130	91,800	95,600
Dispatched Calls for Service	374,003	452,350	895,117	862,769	722,854	708,000	726,000
Authorized Sworn Police Officers	1,054	1,694	2,047	2,810	3,637	3,642	3,642
Fire							
Fire Stations	30	35	45	45	57	57	58
Fire Calls and All Other Calls ¹¹	14,437	25,162	26,281	28,369	21,681	21,000	22,000
Emergency Medical Calls ¹¹	—	46,122	75,112	101,396	123,705	123,000	123,000
Authorized Sworn Firefighters	572	838	1,042	1,315	1,742	1,740	1,740
Building Inspections							
Total Number of Inspections ¹²	236,000	196,356	176,909	261,184	299,032	230,300	179,000
Streets							
Total Miles	2,270	3,084	3,800	4,299	4,799	4,945	4,945
Miles Resurfaced and Sealed	378	216	250	220	99	93	106
Total Miles of Bikeway ¹³	N/A	N/A	250	472	565	575	575



	1970-71	1980-81	1990-91	2000-01	Actual 2007-08	Estimated 2008-09	Projected 2009-10
Traffic Control and Lighting							
Signalized Intersections	423	555	761	906	1,007	1,066	1,074
Street Lights	23,097	39,097	50,825	70,750	89,354	90,100	91,500
Traffic Accidents	22,765	28,129	28,414	36,500	34,530	32,900	31,254
Aviation							
Passengers Arriving and Departing	2,925,700	6,500,000	22,175,000	35,900,000	41,600,000	36,500,000	36,500,000
Solid Waste Collection							
Residences Served	204,800	281,900	281,392	327,953	386,389	391,000	395,000
Tons Disposed at City Landfills	325,300	379,000	513,643	1,051,935	1,028,113	1,050,000	1,050,000
Municipal Parks							
Number of Municipal Parks ¹⁴	121	137	181	199	217	220	220
Developed Park Acres	N/A	1,303	2,206	3,332	4,765	4,810	4,810
Libraries							
Book Circulation	2,368,232	3,691,745	5,962,411	9,151,000	15,835,088	14,000,000	13,100,000
Total Book Stock	704,940	1,182,606	1,732,410	2,016,000	1,738,205	1,900,000	1,900,000
Equipment Management							
Number of Equipment Units in Fleet	2,637	4,497	4,776	6,080	7,449	7,695	7,736
Water							
Connections	172,100	282,048	321,996	350,967	403,752	402,349	402,349
Production (billions of gallons) ¹⁵	52.7	88.5	84.7	109.4	106.6	100.0	98.1
Wastewater							
Connections	169,255	250,199	311,980	327,051	374,559	373,378	373,378
Miles of Line	2,090	3,040	3,661	4,174	4,497	4,881	4,883

- 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. Personal income estimates for 2005-07 were revised by the U.S. Bureau of Economic Analysis (BEA) in March 2009. Median household incomes for 2007-08 and 2008-09 were adjusted to reflect revised personal income estimates.
- 5 The formula for assessing valuation was changed significantly in 1980 making comparisons to prior years not meaningful.
- 6 Employment growth rate figures (total non-farm employment) are calendar year and not fiscal year. Calendar 2007 is shown under 2007-08, and calendar 2008 is shown under 2008-09, and projected calendar 2009 is shown under 2009-10. Estimates are for the Phoenix metro area and are obtained from the Arizona Workforce Informer-Arizona Department of Economic Security.
- 7 Beginning with 2006-07, multi-family projects are included in the commercial valuation total. Prior to 2006-07, multi-family projects were included in the residential valuation total.
- 8 As of 1998-99, Arizona Highway User Revenue funds are no longer included in the General Fund total.
- 9 Enterprise departments include Water, Wastewater, Aviation, Phoenix Convention Center, Golf and Solid Waste Management.
- 10 Voters approved a 0.1 percent increase in most city sales tax categories effective Dec. 1, 1993, for increased fire and police protection services. Voters approved a 0.1 percent increase in most city sales tax categories effective Nov. 1, 1999, for 10 years and reapproved it on May 30, 2008, for 30 years to provide funds for parks enhancements and improvements, and to acquire land for a Sonoran preserve. Voters approved a 0.4 percent increase in most city sales tax categories effective June 1, 2000, for 20 years to provide funding for public transit improvements and light rail. Voters approved a 0.2 percent increase in most city sales tax categories to provide funds for additional police officers and firefighters effective Dec. 1, 2007.
- 11 Prior to 1980-81, emergency medical, fire and all other calls were combined into one figure.
- 12 Includes building, electrical, mechanical, plumbing and general inspections. The lower numbers for recent years, as compared to 1970-71, are the result of the implementation of the general inspection program that combined several residential inspections, performed by one inspector, into a single permit.
- 13 The bikeway program was approved by the City Council in 1987. Figures include on-street bike lanes, bike routes, and paved and unpaved paths.
- 14 This number includes parks and areas maintained by the Parks and Recreation Department. For example, retention basins, canal projects and trails.
- 15 Includes water produced for city of Phoenix only.

2009-10 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2009-10 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 2009-10 budget, financed by operating funds, totals \$3,673,457,000. As shown in the pie chart on page 23, the General Fund portion of \$1,111,799,000 is approximately 30 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste, Convention Center and Golf, make up another 34 percent of the total. Special Revenue funds such as Arizona Highway User Revenues, Local Transportation Assistance, and grant funds such as Community Development Block Grants,

Human Services grants and Housing grants represent the remaining 36 percent of the total budget.

In addition to presenting the budget by funding source, the budget also is described in terms of the major types of activities or expenditures funded. Included in the operating budget are operating and maintenance expenses that provide for ongoing costs of delivering city services; capital expenditures for pay-as-you-go projects for major additions, improvements or renovations to city facilities; and debt service payments to retire outstanding 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 2009-10 General Fund budget includes ongoing operating and maintenance and pay-as-you-go capital expenses. No debt service is paid from the General Fund. Instead, debt service associated with General-funded activities is paid for with earmarked property taxes or with the City Improvement Fund. Due to the restrictions on using these funds both

are appropriately 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 2009-10 budget to the 2008-09 adopted budget. Actual expenditures for the 2007-08 fiscal year also are included.

Citywide operating and maintenance expenditures are expected to decline as a result of budget cuts both in the General Fund and the Enterprise funds. Pay-as-you-go capital also is expected to decline due to flat and declining revenue growth in Water, Wastewater and Aviation, and Sonoran Preserve land purchases in 2008-09 that will not occur in 2009-10.

2009-10 Budget Compared to 2008-09 Adopted Budget (In Millions of Dollars)

	2007-08 Actual Expenditures	2008-09 Adopted Budget	2009-10		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$2,169.2	\$2,531.9	\$2,517.1	(\$14.8)	(0.6%)
Capital Expenditures	378.9	584.4	533.2	(51.2)	(8.8)
Debt Service	526.5	619.5	623.2	3.7	0.6
Total	\$3,074.6	\$3,735.8	\$3,673.5	(\$62.3)	(1.7%)



2009-10 GENERAL FUND BUDGET OVERVIEW

The 2009-10 General Fund budget of \$1,111,799,000 provides for ongoing operating and maintenance and a small amount of pay-as-you-go capital expenditures. The table below compares the 2009-10 General Fund budget with the adopted 2008-09 budget.

The operating and maintenance expenditures for 2009-10 are decreased 5.7 percent compared to the 2008-09 adopted budget. These decreases are primarily the result of budget reductions made in mid-2008-09 and continuing through 2009-10 as a result of declining economic conditions. The pay-as-you-go capital expenditures are decreased 83.6 percent compared to the 2008-09 adopted budget. The capital expenditures are down due to shifting some pay-as-you-go capital projects to lease-purchase financing. Budget reductions are described in detail in the Department Program Summary section of this document.

The following pie charts show the 2009-10 General Fund budget summarized by major programs and major resources.

RESOURCES

Resources include beginning fund balances, fund transfers, revenues and recoveries. 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.

2009-10 Estimated Beginning Fund Balances

As explained in a later section, a General Fund balance may not be budgeted. However, a contingency fund, also known as 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 2009-10 beginning fund balances of \$867.3 million include \$35.8 million in General funds, \$471.9 million in Special Revenue funds and \$359.6 million in Enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$247.1 million; Water - \$128.3 million; Aviation - \$81.1 million; Wastewater - \$100.4 million; Convention Center - \$27.3 million; Parks and Preserves - \$48.4 million; Solid Waste - \$31.1 million; Grant funds - \$34.1 million; Arizona Highway User Revenue - \$13.4 million; Development Services - \$11.1 million; Sports Facilities - \$33.9 million and \$75.3 million in various other restricted funds.

2008-09 General Fund Estimated Ending Balance

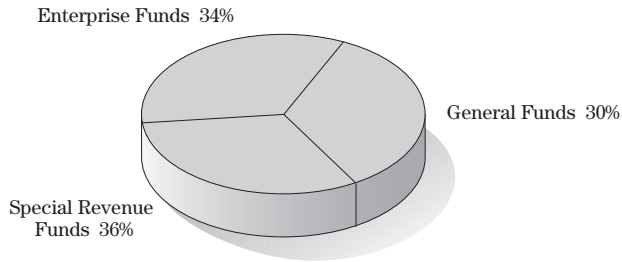
As shown in the table on page 25, the estimated 2008-09 ending General Fund balance is \$35.8 million. The balance results primarily from a \$106.5 million decrease in operating expenditures, a \$5.3 million decrease in pay-as-you-go capital expenditures and a \$32.2 million increase in transfers, which were offset by a \$104.6 million decrease in operating revenues and a \$3.9 million lower beginning balance. The decrease in estimated 2008-09 General Fund expenditures is largely due to unused contingency funds and mid-year budget cuts made as a result of the extended economic recession.

2009-10 General Fund Budget Compared to 2008-09 Adopted Budget (In Millions of Dollars)

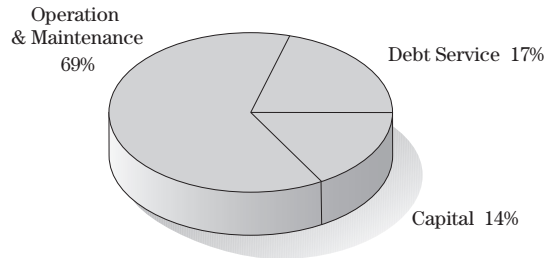
	2007-08 Actual Expenditures	2008-09 Adopted Budget	2009-10		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,086.9	\$1,177.8	\$1,110.8	(\$67.0)	(5.7%)
Capital	6.1	6.1	1.0	(5.1)	(83.6%)
Debt Service	—	—	—	—	0%
Total	\$1,093.0	\$1,183.9	\$1,111.8	(\$72.1)	(6.1%)



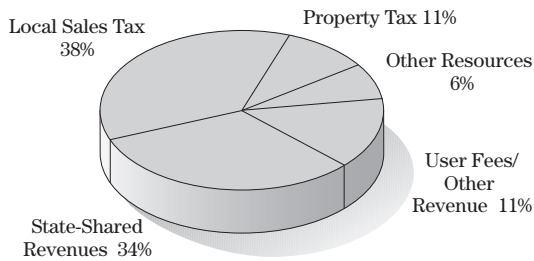
ALL SOURCES OF FUNDS
Total Resources – \$3.7 Billion



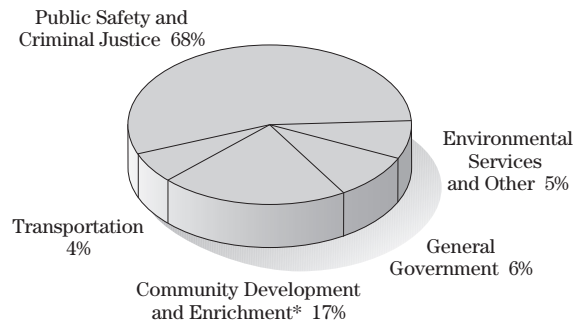
ALL SOURCES OF FUNDS
Total Expenditures – \$3.7 Billion



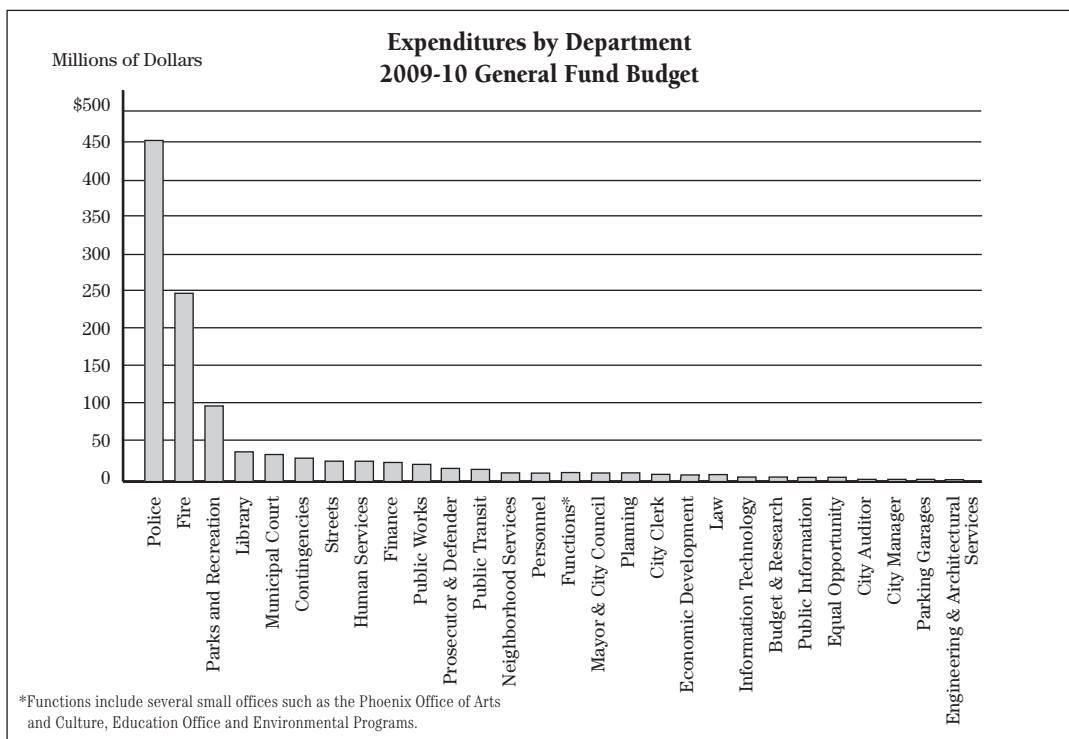
GENERAL FUNDS
Total Resources – \$1,112 Million



GENERAL FUNDS
Total Expenditures – \$1,112 Million



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





2009-10 Estimated Revenues

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2009-10 are estimated at \$3,366,415,000. This is \$267,470,000, or 8.6 percent above the 2008-09 estimate of \$3,098,945,000. General Fund revenues are estimated at \$1,047,279,000, which is \$28,564,000 or 2.8 percent more than the 2008-09 estimates. The following table provides a comparison of the 2009-10 estimated revenues to 2008-09 estimates and 2007-08 actual collections. Detailed explanations by category are provided in the 2009-10 Revenue Estimates section of this document.

State and local economic growth declined in 2007-08 from prior years due to a variety of factors including weakness in the residential and commercial real estate markets, increased unemployment, declines in personal income growth, and increased oil and food prices. The state and local economy has continued to decline due to these factors in 2008-09. It is assumed that growth rates will begin to improve in 2009-10. As a result, local and state sales tax collections are expected to grow at a higher rate than in 2008-09.

Included in 2009-10 estimates for the Enterprise funds are full-year impacts of rate increases for Solid Waste and Water and Wastewater services effective March 2009. The 2009-10 estimate for Special Revenue funds includes a \$20.8 million increase in Transit 2000 funds, an \$18.7 million decrease for Regional Transit funds, a \$4.1 million increase in 2007 Public Safety Expansion funds, and a \$162.0 million increase in Federal funds.

2009-10 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 2009-10 total \$64.2 million. This amount reflects \$44.7 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.

Transfers to the General Fund also reflect \$17.2 million in GO Bond Debt from Water, Wastewater and Solid Waste. The Enterprise transfers include \$279,000 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 \$2.0 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 \$64.2 million. A transfer of \$749.1 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.

2009-10 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 2009-10, \$29.8 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, at least 95 percent of the General Fund contingency remains unused each year.

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, insure bondholders of future debt service payments and to

accumulate funds for annual pay-as-you-go capital improvements. In addition, Enterprise Fund balances are intentionally permitted to grow over time in order to fund large capital projects.

The estimated 2009-10 ending balance of \$549.9 million includes: Transit 2000 - \$235.1 million; Water - \$47.5 million; Convention Center - \$3.4 million; Wastewater - \$58.8 million; Solid Waste - \$10.8 million; Aviation - \$74.2 million; 2007 Public Safety Expansion - Police - \$9.6 million; Arizona Highway User Revenue - \$24.3 million; Sports Facilities - \$39.2 million and \$47.0 million in various other Special Revenue and Enterprise funds. Beginning and ending fund balances are provided in more detail in Schedule 1.

In 2009-10, the Enterprise funds in the aggregate are programmed to decline from \$359.6 million at the beginning of 2009-10 to \$182.2 million at year end. The Aviation balance is declining slightly due to slower anticipated growth in operating revenues as a result of reduced passenger activity combined with increased operating expenditures. Solid Waste funds are decreasing due to increased equipment maintenance and replacement costs, and planned maintenance and repairs associated with aging infrastructure. Water funds are decreasing primarily due to increased costs for raw water, budget additions such as staff and equipment to provide maintenance and support for a new booster station, and increased costs for debt service. Wastewater funds are decreasing primarily due to increased costs for wastewater treatment such as electricity and chemical costs, along with the addition of staff to operate the new Unified Plant expansion at the 91st Avenue Wastewater Treatment Plant. The Convention Center Fund balance is declining due to planned increases in operating costs associated with the facility expansion and reduced resources due to large declines in construction sales tax.

Special Revenue Fund balances in the aggregate are expected to decrease from \$471.8 million to \$367.7 million, primarily due to the decrease in the Regional Transit Fund, the Transit 2000 Fund, the Parks and Preserves Fund, the Development Services Fund and the Capital Construction Fund.

The Regional Transit Fund balance is decreasing due to increasing pay-as-you-go capital expenditures for the acquisition of buses and vehicles. The Transit 2000 Fund balance is decreasing due to increasing debt service and contractual services costs due to a full year of Light Rail operations. The Parks and Preserves Fund balance is decreasing due to increased pay-as-you-go capital expenditures including park land acquisition and aquatics renovations. The Capital Construction Fund balance is decreasing due to increasing pay-as-you-go capital expenditures for street improvements.

The Development Services Fund balance largely represents permit revenues received for which inspection services

have not yet been performed. New permitting activities have significantly declined and the fund balance will be drawn down to support inspection services still due.

Negative Fund Balance

Golf Fund expenditures have exceeded revenues for several years. The Parks Department is exploring various ideas, including alternative operating structures, to correct this issue. An example of an alternative operating structure is Papago Golf Course, where operations were recently turned over to a private enterprise in exchange for fixed revenue payments.

The three dedicated public safety funds, Neighborhood Protection, Public Safety Enhancement, and 2007 Public Safety Expansion, have been severely impacted by declines in sales tax revenues. The Police and Fire Departments plan to bring the fund balances positive through sworn employee attrition followed by holding positions vacant to realize salary savings.

General Fund Balance Analysis (In Thousands of Dollars)

	2007-08	2008-09		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
Resources					
Beginning Balances	\$ 68,689	\$ 43,012	\$ 39,130	\$ (3,882)	(9.0)%
Revenue	1,037,114	1,123,286	1,018,715	(104,571)	(9.3)%
Recoveries	1,515	850	1,100	250	29.4%
Transfers	24,821	16,740	48,985	32,245	192.6%
Total Resources	\$1,132,139	\$1,183,888	\$1,107,930	\$(75,958)	(6.4)%
Expenditures					
Operating Expenditures	1,086,941	1,177,763	1,071,270	(106,493)	(9.0)%
Capital	6,068	6,125	865	(5,260)	(85.9)%
Total Expenditures	\$1,093,009	\$1,183,888	\$1,072,135	\$(111,753)	(9.4)%
Ending Fund Balance	\$ 39,130	\$ —	\$ 35,795	\$ 35,795	100.0+%

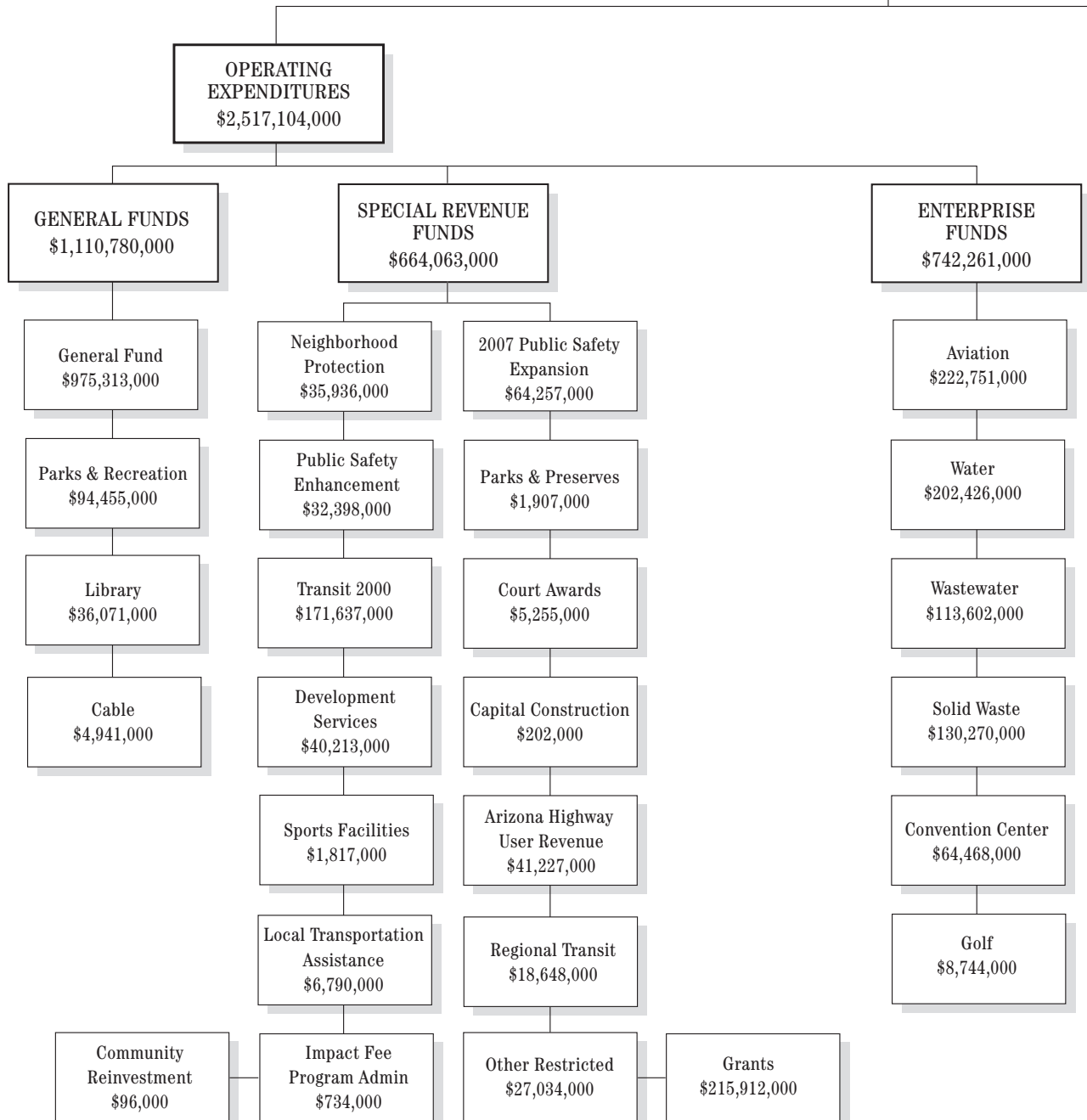
2009-10 Estimated Revenues Compared to 2008-09 Estimates (In Thousands of Dollars)

Fund Types	2007-08 Actuals	2008-09 Estimate	2009-10 Estimate	2009-10	
				Amount Change	Percent Change
General	\$1,037,114	\$1,018,715	\$1,047,279	\$ 28,564	2.8%
Special Revenue Funds	944,699	1,019,251	1,196,463	177,212	17.4%
Enterprise Funds	1,095,433	1,060,979	1,122,673	61,694	5.8%
Total	\$3,077,246	\$3,098,945	\$3,366,415	\$267,470	8.6%

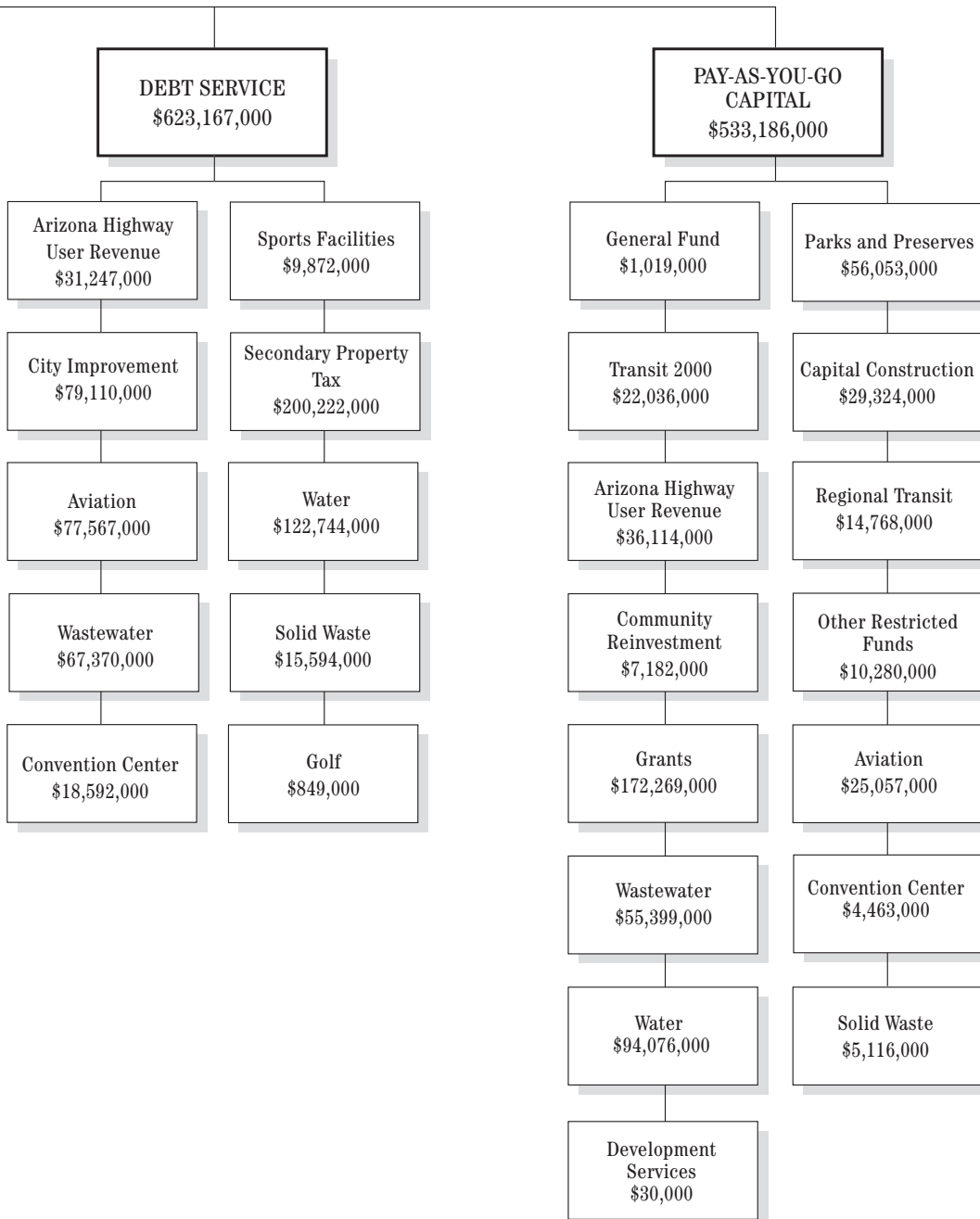


**PUTTING PHOENIX
TO WORK**

**2009-10 Operating Budget
\$3,673,457,000**



City of Phoenix Financial Organizational Chart



Services to the Community

Phoenix is the core of Maricopa County and the state's population and economic center. With its attractive climate, recreational opportunities, and affordable costs of living and doing business, the city has experienced sustained growth. The Phoenix area has been one of the most rapidly growing metropolitan regions in the country in recent decades in terms of population, employment and personal income growth. The city's area, just under 520 square miles, increases periodically with annexations.

Population has risen 20 percent since 2000 to 1.58 million, making Phoenix the nation's fifth-largest city. The city's employment base is the foundation of a deep and diverse metropolitan area economy. The primary employment sectors in the Phoenix metropolitan area consist of professional and business services, trade, government, education and health services, financial activities, leisure and hospitality, and construction. Historically, the unemployment rate in greater Phoenix has been well below that of the United States as a whole.

The city has recently experienced an unprecedented decline in revenues, primarily in sales tax, because of the downturn in the local and national economy. The downturn is not unique to Phoenix and most government entities in the country are seeing similar revenue declines. Program and service reductions of \$156 million in all General Fund departments are necessary to balance the 2008-09 and 2009-10 budgets and include the suspension of 923.5 positions. Several non-General Fund departments have also been hit particularly hard by the current economic downturn. In total, \$56.1 million in reductions including the suspension of

168.3 positions have been made in Aviation, Development Services, Convention Center, Public Transit and other smaller functions to offset the decline in revenues.

This budget limits public safety departments' spending growth to a combined \$6.7 million which recognizes their importance to the health and safety of our community. In order to prevent any impact to first responders and other critical public safety functions, public safety departments were reduced by 7.5 percent which is significantly less than all other departments.

Necessary cost increases are included for 2009-10 including employee compensation and benefits; police officers moving to the General Fund from expiring grants; estimated costs to open new facilities and a 2009-10 election.

Local and national economists are predicting that the broad economic recession will last until late 2009 or early 2010, meaning future reductions with more severe impacts to community services may become necessary. Furthermore, the current budget reductions do not reflect a decline in state-shared revenues. Any change in the formula that would decrease state-shared revenues would require deeper cuts to balance the budget.

In the non-General Fund areas of the budget, limited funding is available in Water and Wastewater funds to accommodate increased growth in water distribution systems and electrical maintenance services.

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 2007 International City/County Management Association's (ICMA) Center for Performance Measurement report.



**PUTTING PHOENIX
TO WORK**

PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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PUBLIC SAFETY

POLICE

Personnel Resources:

In 1998-99, the Police Department had 2,616 sworn officers and 832 civilian employees.

The 2008-09 budget included \$13.7 million in budget reductions. The budget cuts reduced staffing within the department by one sworn and 72 civilian positions. The reduction also included cuts to contractual, capital and commodity line items.

The budget also included the addition of one police sergeant that was be assigned to the Public Transit Safety Bureau. This position is funded by Public Transit. Funding was also provided to replace expiring grant funds for the Commercial Narcotics Interdiction Squad.

Finally, the budget reflected the transfer of 10 civilian positions to the Family Advocacy Center to improve service to victims of crime and domestic violence.

During 2008-09, 389 of the 575 Police Department positions planned to be added with Proposition 1 funding were hired.

The 2009-10 budget includes \$30.1 million in budget reductions. The reductions reflect the suspension of two sworn and 33 civilian positions. The budget also reflects the delayed hiring of 250 sworn police officer positions and 16 sworn supervisory positions to achieve salary savings. In addition, the following reductions were instituted: a reduction of flight hours for the Air Support Unit, reduced recruitment advertising and travel, and cuts in contractual and commodities line items.

The 2009-10 budget includes the conversion of a temporary management services administrator to regular status and the continued hiring of Proposition 1 sworn and civilian positions to reach the goal of 575 new Police Department positions by June 2010.

In 2009-10, the Police Department will have 3,642 sworn positions or 2.3 for every 1,000 residents, and 1,305 civilian employees.

Response Time Average:

Response time for 1998-99 Priority 1 emergency calls was 4 minutes 48 seconds.

Because of increased service demand, budgeted response times for Priority 1 emergency calls have gradually increased to 5 minutes 18 seconds in 2008-09. During this same time period, the percentage of 911 calls answered within 10 seconds has remained consistent at 87 percent.

The 2009-10 budget provides for a continued 5 minutes 30 seconds average response time for Priority 1 calls.

Based on 2007 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:**

- Dallas – 9 min 6 sec
- Oklahoma City – 8 min 49 sec
- Austin – 8 min 9 sec
- Portland – 7 min 30 sec
- PHOENIX – 5 min 54 sec**
- San Antonio – 5 min 11 sec



**PROGRAM SERVICE LEVEL
IN 1998-99**

**SERVICE CHANGES
THROUGH 2008-09**

**SERVICE CHANGES
FOR 2009-10**

PUBLIC SAFETY

FIRE

Response Time Average:

In 1998-99, the Fire Department maintained an average response time of 4 minutes 38 seconds for all fire and emergency medical calls.

Since 1998-99, response times have increased 13 percent to 5 minutes 13 seconds for all fire and emergency medical calls. This 35-second increase is primarily due to increased population growth and calls for service. The overall emergency call activity level increased 18 percent (since 1998-99) during this period.

The 2009-10 budget includes a \$19.2 million reduction. The budget cuts resulted in the suspension of 24.5 General-funded civilian positions, one assistant fire chief, one deputy chief and one firefighter. The budget also reflects the delayed hiring of 51 sworn positions to achieve salary savings.

The 2008-09 budget included \$7.3 million in budget reductions. The budget cuts reduced staffing within the department by two battalion chiefs responsible for managing alarm room staff and five civilian support positions. The reductions also included cuts to overtime, contractual, commodity and capital line items, and the delayed opening of fire stations 60 and 62.

Additionally, the department made significant budget reductions in fire and civilian overtime, and for contractual services and commodities.

The 2008-09 budget also reflected costs for 64 positions and related equipment funded by Proposition 1, a 0.2 percent sales tax increase that was approved by voters in 2007.

Based on 2007 ICMA data, city of Phoenix response times compare very favorably to those of other benchmark cities as noted below:

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

- PHOENIX – 96 percent**
- Long Beach – 91 percent
- Oklahoma City – 87 percent
- Austin – 79 percent
- San Antonio – 78 percent





PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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PUBLIC SAFETY

FIRE

Emergency Transportation:

In 1998-99, 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 included funding for four paramedic engines and one additional ambulance to be located at Station 57 (15th Avenue and Dobbins Road), Station 60 (19th Avenue and Dunlap Avenue); Station 61 (19th Street and Indian School Road); and Station 62 (99th Avenue and Lower Buckeye Road).

No changes were included in the 2008-09 budget.

The 2009-10 budget includes reductions in the total number of part-time rescues (2). In addition, the total hours worked each day for the remaining part-time rescues will be reduced from 15 hours per day to 12 hours per day.



**PROGRAM SERVICE LEVEL
IN 1998-99**

**SERVICE CHANGES
THROUGH 2008-09**

**SERVICE CHANGES
FOR 2009-10**

TRANSPORTATION

PUBLIC TRANSIT

Service Miles/Hours:

In 1998-99, 10,708,930 annual bus service miles were provided on weekdays and weekends in the city of Phoenix.

The 2008-09 budget funds the commencement of light rail operations (LRT) in December 2008. To ensure the proper coordination between bus and rail, the following changes in bus service were made when LRT service was implemented: eliminate the Red Line; eliminate Blue Line service on Central Avenue (Blue Line service north of Camelback Road will be renamed Route 39 (40th Street)); replace frequency of service on Central Avenue by increasing Route 0 (Central Avenue); extend Route 15 (15th Avenue) from the rail station at Montebello to Metrocenter along current Red Line routing; and divert Route 60 (Bethany Home Road) one-quarter mile to connect to the Montebello rail station.

Service before 5 a.m. and after 10 p.m. was suspended on weekdays, along with Sunday service hours implemented on Saturdays.

Annual 2008-09 bus miles are estimated at 19,755,962 and Dial-a-Ride service hours are estimated at 357,050.

Average Weekday Bus Ridership:

In 1998-99, the average weekday bus ridership was 118,000.

In the 2008-09 budget, average weekday ridership is estimated to be 161,000.

The 2009-10 budget will suspend the Phoenix portion of Route 156 serving Chandler Boulevard; reduce Neighborhood Circulator service for Deer Valley, Desert Ridge, Maryvale and ALEX to equally distribute mileage throughout the communities; and suspend the Seventh Street Limited route.

Annual 2009-10 bus miles are estimated at 18,760,708 and Dial-a-Ride service hours are estimated at 357,050.

In the 2009-10 budget, weekday ridership is estimated to rise to 163,400.





PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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TRANSPORTATION

STREET TRANSPORTATION

Major and Collector Street Sweeping and Maintenance:

In 1998-99, sweeping major and collector streets was scheduled for every 21 days.

The 2000-01 budget increased frequency of street sweeping service to every 14 days to improve air quality. The budget also added capital funding to improve maintenance, pave dirt alleys, and install additional sidewalks and curbs. In 2003 04, budget constraints reduced funding for making quick concrete repairs to infrastructure throughout the city. Funding for paving dirt alleys also was reduced as was funding for retrofitting sidewalk ramps. An asphalt crew responsible for repairing asphalt pavement on major, collector and local streets was eliminated.

Continued budget constraints in 2004-05 reduced funding for retrofitting sidewalk ramps and neighborhood concrete repairs.

Dust proofing of dirt alleys continued to see reduced funding in both 2004-05 and 2005-06.

The 2007-08 budget added funding to improve the general maintenance of streets.

No changes were included in the 2008-09 budget and street sweeping frequency will continue to be scheduled every 14 days.

The 2009-10 budget reduces funding for coordination of maintenance projects, suspends all heater panel crews responsible for repairing failed street cuts and would shift work to the asphalt crews, and suspends 25 percent of the downtown hand crews that pick up trash, sweep sidewalks, and hand sweep portions of the street that cannot be reached by the motor broom equipment. The downtown hand crews address all streets and sidewalks within the boundaries from Third Avenue to Seventh Street and Van Buren to Jefferson streets. In addition, the budget will suspend one of three equipment operator positions responsible for operating equipment used on large paving repairs, resulting in a 33 percent reduction in repairs. Reductions did not impact street sweeping which will continue to be scheduled every 14 days.

Residential Street Sweeping:

In 1998-99, the city of Phoenix provided street sweeping service four times a year.

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

No changes were included in the 2008-09 budget.

No changes are included in the 2009-10 budget.



**PROGRAM SERVICE LEVEL
IN 1998-99**

**SERVICE CHANGES
THROUGH 2008-09**

**SERVICE CHANGES
FOR 2009-10**

TRANSPORTATION

STREET TRANSPORTATION

Sealcoat:

In 1998-99, the city of Phoenix provided 100 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.

In 2006-07, 35 miles of city streets were sealcoated. This decrease was due to continued increases in material costs.

In 2007-08, 37 miles of city streets were sealcoated.

In 2008-09, it is estimated that 33 miles of city streets will be sealcoated. The reduction is due to the elimination of the micro-seal program resulting from reduced Arizona Highway User Revenue funds.

Based on 2007 ICMA data, city of Phoenix paved road rehabilitation expenditures per capita compare favorably to those of other benchmark cities as noted below:

Paved Road Rehabilitation

Expenditures per Capita:

- San Antonio – \$36.73
- Oklahoma City – \$28.02
- Portland – \$26.19
- Austin – \$20.86
- Las Vegas – \$17.89
- PHOENIX – \$15.93**
- San Jose – \$4.42

The 2009-10 budget provides for 32 miles of city streets to be sealcoated annually.

Asphalt Overlay:

In 1998-99, 140 miles of overlay were performed.

Between fiscal years 1998-99 and 2003-04, an average of 131 miles of overlay was performed annually.

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

In 2005-06, 89 miles were overlaid and in 2006-07, 76 miles overlaid. These decreases were primarily due to continued increases in cost of materials.

In 2007-08, due to continued increases in cost, 62 miles of asphalt overlay were completed.

For 2008-09, due to continued cost increases and budget reductions impacting the installation of ADA sidewalk ramps, which also impact street overlay projects, 60 miles of asphalt overlay were estimated to be completed.

The 2009-10 budget provides for 74 miles of overlay. This increase is due to a diversion of \$1 million in Capital Improvement Project (CIP) funds from other CIP projects to the overlay and sidewalk ramp contracts. These additional funds will cover the increased material costs.





PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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COMMUNITY DEVELOPMENT

HOUSING

Scattered Sites Housing Program:
In 1998-99, the Housing Department had 470 units.

This homeownership program allows eligible tenants the opportunity to purchase their home. Between 1998-99 and 2007-08, the program's total inventory expanded to 480 units. The 2008-09 inventory of 433 units reflects the sale of 47 homes to eligible tenants over the past decade.

In 2009-10, the program is expected to sell 13 Scattered Sites homes, bringing the inventory down to 420 homes.

Affordable Housing Program:
In 1998-99, this program had 998 units for families and individuals.

By the end of 2008-09, the Affordable Housing Program was expanded to a total of 1,409 city-owned units for families and individuals with the addition of 10 units at the Columbus property and 18 units at the Reflections on Portland property.

For 2009-10, the program is expected to maintain its inventory of 1,409 affordable housing units for families and individuals.

Conventional Housing Program:
This program has been in effect since 1951-52. In 1998-99, there were 2,176 units.

The program's beginning inventory before the Matthew Henson HOPE VI project was initiated was 2,176 units. Due to the reconstruction activities funded by 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. The conventional housing inventory at the end of 2004-05 was 1,895 units.

The McCarty on Monroe project is anticipated to be completed in 2009-10, adding back 34 units. The projected inventory of conventional housing units will be 2,047 at the end of 2009-10.

In 2005-06, the department demolished the remaining 78 Matthew Henson HOPE VI units and leased 99 units from Phase I for a gain of 21 units and a year-end total of 1,916 units.

In 2006-07, Phase II of the Matthew Henson HOPE VI project was completed, which added 100 senior housing units to the inventory. Also during this period, 14 original units at Matthew Henson were removed from the inventory and are being maintained for historical preservation. The total inventory at the end of 2006-07 was 2,002.

Phase III of the Matthew Henson HOPE VI project was completed during 2007-08, adding 68 units, bringing the total inventory of conventional housing units to 2,070. Finally in 2008-09, Phase IV of the Matthew Henson project added 43 units, bring the total inventory to 2,113.

In addition, a new HOPE VI (Krohn West) project was awarded in 2008-09, which involved the demolition of 76 units. The project is anticipated to add 83 new units in 2012-13. Also in 2008-09, the McCarty on Monroe project was initiated which demolished 24 existing units for reconstruction. The project is anticipated to be completed in 2009-10 and add 34 units. The removal of 76 units from the Krohn West HOPE VI project and the 24 units from McCarty on Monroe reduces the total conventional housing inventory to 2,013.



**PROGRAM SERVICE LEVEL
IN 1998-99**

**SERVICE CHANGES
THROUGH 2008-09**

**SERVICE CHANGES
FOR 2009-10**

COMMUNITY DEVELOPMENT

NEIGHBORHOOD SERVICES

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

With the implementation of neighborhood initiative areas in 1998-99, cases were resolved in an average of 101.5 days.

Over time, the scope and volume of caseloads increased, positions fluctuated, and technology improvements and quality control measures were implemented, resulting in the overall average case cycle time improving from 83 days in 2001-02 to 53 days in 2004-05.

With a 19 percent reduction in staff in the 2009-10 budget, case cycle times are projected to increase to 72 days.

Case cycle times increased to 61 days in 2005-06 due to reduced staff and abatement funding, but improved to 56 days in 2006-07 and was 51 days at the close of 2007-08, with the continued application of technology, training and quality control measures.

With March staff and budget reductions, 2008-09 case cycle times were projected to increase to 60 days.

Based on 2007 ICMA data, city of Phoenix code enforcement expenditures per capita compares favorably to those of other benchmark cities as noted below:

**Code Enforcement Expenditures
per Capita:**

Long Beach – \$7.54

Austin – \$6.42

PHOENIX – \$5.32

San Antonio – \$5.20

Portland – \$5.09

ECONOMIC DEVELOPMENT

**Employment Growth Rate
Compared to Other Cities**

Beginning with 2000-01, this is a new measure.

In 2008, Phoenix's employment growth rate was significantly lower than some of the other benchmark cities due to the declining housing market. Phoenix has one of the highest foreclosure rates in the country and is experiencing a significant downturn in the construction industry.

It is anticipated employment will continue to decline in 2009-10 although the decline will be at a more modest rate.

Employment Growth Rate:

Austin – 1.2%

Dallas – 1.3%

Ft. Worth-Arlington – 1.8%

San Antonio – 1.8%

San Jose – (1.3)%

PHOENIX – (4.5)%

San Diego – (1.4)%

Kansas City – (1.2)%

Los Angeles/Long Beach – (1.5)%





**PUTTING PHOENIX
TO WORK**

PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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COMMUNITY ENRICHMENT

HUMAN SERVICES

Head Start Program:

In 1998-99, the Human Services Department served 3,155 children.

The program was expected to serve 2,990 children during 2008-09.

The program is expected to serve 2,990 children in 2009-10.

School-Based/School-Linked Program:

In 1998-99, this program provided services at 25 school sites and served 9,000 youth.

The program ran for 8 months during 2008-09 serving 1,200 youth at 11 sites.

The program was suspended as part of the 2009-10 budget reductions. This change was effective in March 2009.

Senior Nutrition Program:

In 1998-99, the Human Services Department served 499,000 congregate and home-delivered meals.

For 2008-09, the program was expected to serve 660,000 congregate and home-delivered meals.

It is anticipated that the number of congregate and home-delivered meals will continue to increase to 670,000 in the 2009-10 budget.



**PROGRAM SERVICE LEVEL
IN 1998-99**

**SERVICE CHANGES
THROUGH 2008-09**

**SERVICE CHANGES
FOR 2009-10**

COMMUNITY ENRICHMENT

PARKS AND RECREATION

Swimming Pools:

In 1998-99, the city of Phoenix had 28 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.

In 2009-10, 21 of 29 pools will continue to provide open swim. Eight pools will be closed for infrastructure repairs.

No changes were included in the 2008-09 budget.

Swimming Pool Season:

In 1998-99, 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 2009-10 budget reduces the swimming season by eliminating open swim hours during the last week in July. The 2009-10 budget also reduces daily open swim hours, and closes all city pools on Friday. Pools will be open to the public from 1 to 7 p.m. instead of noon to 8 p.m.

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

Changes included in the original 2007-08 budget added funding to increase the pool season at all 29 pools. These funds added weekend hours beginning in August and continuing through Labor Day.

The 2008-09 budget eliminated weekend pool hours in May and August except for the Memorial Day weekend.

**Children's Summer
Recreation Programs:**

In 1998-99, the city of Phoenix provided recreation programs at 121 schools for 24-30 hours of programming for 6-8 weeks during the summer months.

In 2007, the Parks and Recreation Department conducted a comprehensive evaluation of this programming. Changes were implemented including re-defining what constituted an after-school program versus an after-school site. Based on this new definition, the 2007-08 summer program had 32 sites and 50 program units (some sites have more than one program).

The 2009-10 budget reduced all but 16 summer PAC sites and increased fees to \$30 per week to fund an additional six sites for a total of 22 program sites.

No changes were included in the 2008-09 budget.

**School Recreation Program
During School Year:**

In 1998-99, funding was provided for 76 sites. Also at these four sites, Saturday programming was provided from 10 a.m. to 4 p.m.

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.

The 2009-10 budget reduces the number of after school program sites to 42 (the department no longer uses program units in their definition of program sites). Fees increased from \$30 per year to \$30 per month. This fee increase will add 11 more program sites for a total of 53. These sites will be selected based on Council-approved criteria and school interest. Additionally, the program will consider adding full-cost recovery sites by charging an \$81 fee at locations where participants are willing to pay this fee.

In 2007-08, additional funding was provided to improve after-school programming.

In 2007, the Parks and Recreation Department conducted a comprehensive evaluation of this programming. Changes were implemented including re-defining what constituted an after-school program versus an after-school site. Based on this new definition, the 2007-08 school year had 83 sites and 166 program units (some sites have more than one program).

Budget reductions in 2008-09 reduced the number of after-school program units to 104, which included reducing the number of sites to 81.



**PUTTING PHOENIX
TO WORK**

PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
---------------------------------------------	--------------------------------------------	----------------------------------------

COMMUNITY ENRICHMENT

LIBRARY

Central Library:

The new Burton Barr Central Library opened in May 1995. In 1998-99, the hours of operation per week were 70.

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

The 2007-08 budget included opening the Central Library at 9 a.m. Monday through Saturday, increasing hours of service from 66 to 72 hours per week.

In 2008-09, the budget for books and other circulating materials for Central Library was reduced and the printed version of the calendar of events was eliminated.

The 2009-10 budget reduces hours at Central Library from 72 hours per week to 52 hours per week, effective March 2009. The new hours are as follows: 11 a.m. to 7 p.m. Monday, Wednesday and Friday; 9 a.m. to 5 p.m. Tuesday, Thursday and Saturday; 1 to 5 p.m. on Sunday.

The budget for books and other circulating materials for Central Library will be reduced, facilities maintenance projects will be delayed, and reduced programming for children, teens and adults will be available.

Branch Libraries:

In 1998-99, the city had 12 branch libraries. Five branches increased hours to 9 a.m. to 9 p.m. Monday through Thursday and 9 a.m. to 6 p.m. Fridays. This provided consistent hours at all branch libraries across the city.

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, increasing total branch library service hours to 900 per week.

In April 2003, as a result of budget reductions, branch library hours were reduced to 66 hours per week, decreasing total branch library service hours to 792 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.

The new 25,000-square-foot Cesar Chavez Library, serving the western South Mountain Village, opened in January 2007 for 66 hours per week, increasing total branch library service hours to 924 per week.

The 2007-08 budget included opening all branch libraries at 9 a.m. Monday through Saturday, increasing total branch library service hours to 1,008 per week.

The renovation of Saguaro Library was completed during spring 2008, with a grand re-opening to the public on June 6, 2008.

Due to budget reductions in 2008-09, staffing was reorganized to create regional managers and reduce a supervisory layer at the branches; facilities maintenance projects were deferred; the opening of the new Agave library was delayed; the printed calendar of events was eliminated, and the budget for books and other circulating material was reduced by 18.9 percent.

The new Agave Library, located at 33rd Avenue and Pinnacle Peak Road, is expected to open in June 2009.

No changes to hours of service are included in the 2008-09 budget.

The new 12,300-square-foot replacement for Harmon Library is scheduled to open in April 2009.

Due to budget reductions, a number of changes will be implemented: staffing will be reorganized to reduce a supervisory layer at the branches, creating regional managers responsible for several branch libraries; facilities maintenance projects will be deferred; the opening of the new Agave Library, located at 33rd Avenue and Pinnacle Peak Road, will be delayed until July 2009. It had originally been scheduled to open in December 2008; the printed calendar of events will be eliminated; and the budget for books and other circulating materials for Central Library and the branches will be reduced by 18.9 percent.



PROGRAM SERVICE LEVEL IN 1998-99	SERVICE CHANGES THROUGH 2008-09	SERVICE CHANGES FOR 2009-10
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COMMUNITY ENRICHMENT

LIBRARY

Comparisons with Other Library Systems:

This is a new measure.

Based on 2007 ICMA data, the Phoenix library system compared very favorably to other benchmark cities as noted below:

This trend is expected to continue in 2009-10.

Cost per Item Circulated:

Long Beach – \$6.89

Austin – \$4.74

San Antonio – \$4.30

Dallas – \$3.01

PHOENIX – \$2.10

ENVIRONMENTAL SERVICES

WATER SERVICES

Water Bill Comparison for Single-Family Homes

Beginning with 2002-03, this is a new measure.

In a March 2009 survey, Phoenix's average monthly water bill compared favorably to the following benchmark cities:

It is anticipated Phoenix water rates will continue this trend during 2009-10.

San Jose – \$47.72

Kansas City – \$41.64

Austin – \$39.82

Dallas – \$39.21

Tucson – \$32.52

PHOENIX – \$31.38

Albuquerque – \$28.84

San Antonio – \$19.77

Wastewater Bill Comparison for Single-Family Homes

Beginning with 2002-03, this is a new measure.

In a March 2009 survey, Phoenix's average monthly wastewater bill compared favorably to the following benchmark cities:

It is anticipated Phoenix wastewater rates will continue this trend during 2009-10.

Austin – \$53.50

Dallas – \$31.74

Kansas City – \$28.42

San Jose – \$27.09

Tucson – \$23.18

PHOENIX – \$21.52

San Antonio – \$19.92

Albuquerque – \$14.99



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 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 typically 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 also are asked to provide any requests for new or expanded programs. These are called supplemental budget requests.

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.

Base reductions and supplemental

requests include all operating and maintenance 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.

The City Council then provides input to the city manager for the preparation of the Trial Budget, which is reviewed with the 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 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 reviewed.

2009-10 BUDGET PROCESS

Early Discussions

In September 2008, Budget and Research staff presented an early review and discussion of the budget to the City Council. At that time, staff focused on the General Fund, providing financial results for the previous fiscal year, the latest available information on revenues for the current year, and the limited information available about the upcoming 2009-10 fiscal year. The Mayor and City Council were advised that, as was the case last fiscal year, current year General Fund revenues were significantly reduced due to continued declines in local and state sales tax collections for the first few months of the fiscal year. Staff also noted that based on preliminary information, state-shared income tax for 2009-10 would be reduced by \$30 million from the 2008-09 amount. The Mayor and City Council were advised that based on these declining revenues, significant budget cuts were going to be needed in the 2008-09 fiscal year, however, with limited data it was too early to

determine an accurate estimate of the deficit. Staff recommended taking early action and proposed moving up the 2009-10 budget balancing process with proposed budget cuts to take effect March 2, 2009.

Initial Budget Status

In October 2008, the Mayor and City Council were informed that revenue collections continued to decline and, in fact, worsened. Collections in several major revenue categories indicated significant downward trends impacting both the current year and the projected 2009-10 budget. Staff projected a \$200-250 million revenue shortfall through the 2009-10 fiscal year, which represented 17-22 percent of the General Fund. However, the final deficit could not be determined until after expenditure estimates were completed, additional revenue data was available, and staff had the opportunity to look for other deficit reducing financial transactions. In addition, staff sought guidance on allocating the shortfall among public safety departments (Police, Fire, Municipal Court, Prosecutor and Public Defender), and non-public safety departments. Staff provided three alternatives with regard to allocating the budget shortfalls among city departments. The first alternative was to fully fund public safety budget growth, but make severe non-public safety department cuts, the second was to reduce public safety growth and make most cuts in non-public safety departments, and the third alternative was to treat all General Fund departments the same. The Mayor and City Council indicated their approval for the second alternative.

At this time, staff also provided the Mayor and Council a zero-based budget review of General Fund programs and services, as requested by City Council members, and asked for guidance on which programs and services should be considered for reduction or elimination.



Also, in October 2008, as directed by the Mayor and City Council, non-public safety departments submitted proposed reductions equal to 30 percent of their current budget for management review, and public safety departments submitted proposed reductions of 15 percent. Because of the more than \$200 million in General Fund reductions experienced since fiscal year 2002-03, departments had few options that wouldn't result in reduced services to the community. Departments were also asked to carefully consider the funding needed for capital facilities opening in 2009-10.

In November 2008, the Mayor and City Council approved a severance program and retirement incentives to minimize layoffs. This plan called for the use of voluntary retirements and voluntary severance to be paid only if a layoff was avoided.

Trial Budget

On Jan. 6, 2009, the Mayor and City Council were alerted that the economy was steeply declining and that the revenue outlook was poor. They were informed that the city's sales tax collections continued to worsen, with November collections 20 percent less than November 2007.

Staff also indicated they had completed a comprehensive review of departments' expenditure estimates for 2008-09 and 2009-10 in December. Several unavoidable expenditure increases were identified in this review including police officers moving to the General Fund from grant funds, new capital facilities costs, employee compensation and benefit cost increases, and a 2009-10 election. After updating revenues and incorporating the unavoidable cost increases, a budget deficit of \$269.7 million was projected for the combined 2008-09 and 2009-10 fiscal years.


At this time, the Mayor and City Council were provided a proposed set of actions to balance the 2008-09 and 2009-10 budgets. They were informed that staff had been working closely with the Finance Department to reduce the proposed deficit of \$269.7 million and had developed a variety of financial transactions that totaled \$91.9 million. These transactions

included debt restructuring and lease-purchase financing of capital equipment. In addition to the financial transactions, several other initiatives were identified including establishing a Special Revenue Task Force that reviewed more than 300 proposals to increase revenues without a tax increase. The Task Force expected an additional \$7.5 million in revenue to be generated from the final list of 10 proposals. Also, the city would take advantage of state law that allowed an increase to the primary property tax levy by the amount of involuntary torts or claims that were paid in 2007-08 and would reduce the secondary levy by the same amount so there would be no impact to the property taxpayer. Finally, two additional initiatives which included increasing fees in line with Council policy and eliminating cost-of-living increases for management staff would result in a combined savings of \$2.1 million. The financial transactions and other initiatives totaled \$107.4 million, reducing the \$269.7 million deficit to \$162.3 million.

The Mayor and City Council were presented with a budget reduction proposal totaling \$162.3 million in cuts and the elimination of 1,070 positions. It was noted that because the hiring freeze that had begun a year ago had not been lifted, and only critical positions had been filled, there were more than 1,100 vacant full-time positions. Many of these would be cut with the remainder to be used in an effort to place employees whose jobs would be eliminated. All departments and all levels of the organization were affected by the proposed reductions. To minimize the impact to public safety and criminal justice activities, a 7.5 percent reduction in these programs was recommended by the city manager, requiring remaining General Fund department reductions of 27.3 percent to achieve the \$162.3 million in savings. The City Council concurred with this reduction strategy and had already approved an expedited budget calendar back in September 2008 that would allow reductions to be implemented on March 2, 2009.

Among the recommended reductions were opening Fire Station 72 (located at Cave Creek and Dove Valley roads) with existing staff; eliminating the Safe Schools and School-Based programs; eliminating Summer Youth Work Experience and Student Work Study programs; suspending operation and services at several senior centers; reducing hours at Central Library and all branches; eliminating funding for one trial courtroom in the Criminal Division; eliminating funding for the Fight Back program; increasing admission fees for several recreational programs; reducing park maintenance; eliminating all Phoenix Afterschool Center (PAC) programs; reducing hours of operation at small recreation centers; eliminating the aquatic team programs; reducing open swim hours; closing the Shemer Art Center; reducing flight hours in the Police Department's Air Support Unit; delaying the filling of more than 300 vacant police and fire sworn positions; eliminating non-ADA Dial-a-Ride service; eliminating the Phoenix portion of bus Route 156 serving Chandler Boulevard; reducing landscape maintenance and cleaning at park-and-rides, bus stops, transit centers and transit operating facilities; and reducing street maintenance and repairs. In addition, reductions would further erode the city's administrative capacity, resulting in less internal control and affecting the ability to innovate and adopt new technologies.

In addition to the proposed budget cuts, and at Mayor and Council request, the City Manager's Office quickly conducted more than 15 organizational studies to determine whether various departments and functions could be consolidated resulting in budget savings, program efficiencies or both. Four consolidations were recommended resulting in savings of \$572,000 and a reduction of 3.0 positions. The savings were reflected in the receiving department and included consolidating the Business Customer Service Center and Downtown Development Office with Community and Economic Development, Rio Salado with Parks and Recreation, and HOPE VI with Housing.



Budget and Research also completed its review of new capital facilities under construction and their associated 2009-10 operating costs. The proposed budget added \$2.8 million to fund the operating costs of several new capital facilities including a paramedic engine company to open Fire Station 72; partial-year funding for operating costs for the expanded Chrysalis Shelter; adding contractual services, commodities and park landscape maintenance staff required to operate the new Agave Library; adding additional staff for the newly expanded Harmon Library; adding staff and operating costs for the maintenance of new landscaping and art features along the upper bank of the Laveen Area Conveyance Channel; and adding staff and operating costs for the new northeast police precinct at Cave Creek and Smokehouse Trail.

Also presented on Jan. 6 were budget proposals for non-General funds. The Development Services Department continued to see significant reductions in workload requiring further budget cuts. The budget proposal recommended budget cuts totaling \$7.7 million and 67.0 positions. This was the fourth reduction in force since November 2007.

Aviation and Phoenix Convention Center also were seeing revenue declines. Aviation's reduction in revenue was the result of less passenger traffic, while reduced revenue in the Convention Center was primarily due to reduced construction sales tax collections. Both departments proposed eliminating vacant positions to reduce their budgets.

Public Transit proposed increasing bus and light rail fares and the Dial-a-Ride ADA fare. In addition, reducing the scope of planned restorations of the Central Station transit center and funding for installation of new bus pullouts, bike lanes and left-turn signals was proposed.

Solid Waste also proposed staffing reductions that depended on whether and how much of a rate increase the Council would approve in early 2009.

Recommended additional costs for non-General-funded new capital facilities and other budget additions also were included in the proposed budget. For Water and Wastewater this included limited new funding for new capital facilities coming on line in 2009-10; funding for the distributed control system annual maintenance agreement at the Deer Valley Water Treatment Plant; staff and equipment to provide in-house technical support for security systems, and to develop engineering and treatment process solutions to ensure cost effective processes implemented meet federal, state and county standards.

Additional funding was recommended for Aviation to support the Greenhouse Gas Emissions Program for Phoenix Sky Harbor International Airport and for Solid Waste to support the growth and resumption of collection service in Service Area 6.

Community Input

The proposed budget was presented at 14 budget hearings conducted throughout the community from Jan. 13 through 27, including a special hearing for seniors. Following a presentation describing the proposed budget, residents were invited to comment. In addition to the budget hearings, the city communicated the budget to the community through the "Phoenix Budget for Community Review" that outlined the proposed service changes as well as a calendar of budget hearing dates. As a money-saving measure, this information was not published as an insert to local newspapers as in past years, but was made available electronically in addition to hard copies provided at libraries, community centers and at budget hearings. The city did publish where to find the electronic version in *The Arizona Republic*, the *Arizona Informant* and *La Voz*. Residents also were invited to send comments and questions through the city's Web site. The publicity of the Trial Budget allowed the City Council and the community to comment on the proposed balanced budget.

On Feb. 3, a revised budget package was presented to the Mayor and City Council recommending General Fund budget reductions totaling \$156.0 million including the reduction of 923.5 jobs. In addition, reductions to non-General Fund budgets totaling \$56 million and 168.3 jobs were included. This was a change to the Trial Budget proposed on Jan. 6, based on extensive community input and some newly available resources.

At that time, it was reported that after continued review of revenues and expenditures staff found additional expenditure savings of \$7.5 million. These savings included voluntary furloughs taken by employees throughout the organization since December, and savings from a health care premium holiday. The health care premium savings resulted from a review of the last actuarial valuation which indicated that this trust fund was over funded. In cooperation with the city's unions and employee associations, a health care premium holiday would occur in the current fiscal year. This holiday meant that employees, retirees and the city would all take one month off from paying premiums into the trust fund. The trust fund would continue to make payments for health care costs. Employee and retiree benefits would not be affected and the trust fund would remain actuarially sound. This holiday would result in reduced costs for the General Fund, Enterprise funds and Special Revenue funds. The savings to the General Fund would be \$7.1 million. In addition, the city auditor finalized a review of various user fees not currently at full cost recovery. Increasing these fees as recommended by the auditor would result in \$1.7 million in additional revenue. City departments also continued to look for opportunities to leverage grant funds and found an additional \$0.4 million in CDBG funding that would be used to restore services. These amounts together totaled \$9.6 million.



**PUTTING PHOENIX
TO WORK**

Due to the worsening economy, December sales tax revenues for both the city and the state were below what was previously estimated by a combined \$1.6 million. Reducing the \$9.6 million in new resources by this sales tax shortfall left \$8.0 million available to respond to community concerns and suggestions.

More than 1,500 citizens spoke at the 14 community budget hearings to provide input on the city's budget. In addition, more than 500 e-mails and voice mails were sent by concerned residents. Support for several programs was very high and residents provided ideas on how the city could both increase efficiency and city revenues in order to support important programs. These ideas were included in the proposed changes to the Trial Budget.

Based on the input received and additional funds available, staff recommended that several programs be partially restored. Some restorations were supplemented with increased user fees and non-resident fees. Three new programs were recommended to implement citizen ideas related to volunteers, obtaining new federal funding, and a simplified process for accepting financial donations from residents. With the help of grant funds, other city revenues and donations from community partners, some programs were proposed to be partially restored without using General funds.

With the additional \$8.0 million in General Fund resources available, staff recommended the following changes in response to community input:

Proposed Restorations	General Funds
Restore 36 of 81 After School PAC Sites*	\$2,000,000
Restore 16 of 32 Summer PAC Sites*	600,000
Restore Marcos, Beuf and Sunnyslope Senior Centers	454,000
Restore Dial-a-Ride for Seniors and Non-ADA Disabled	623,000
Restore Four Library Hours on Sundays at Eight Branches	767,000
Restore Six Small Recreation / Teen Centers	1,356,000
Partially Restore Graffiti Reduction	100,000
Partially Restore Recreation for those with Disabilities Reduction	70,000
Partially Restore CASS Funding Reduction	42,000
Partially Restore Swim/Dive Teams	208,000
Partially Restore Funding for Phoenix Center for the Arts / Shemer	65,000
Partially Restore Horse Lovers Park Reduction	20,000
*These restorations do not reflect increased fees. The Parks and Recreation Department was tasked with developing a new fee schedule that would allow more sites to be restored.	
New Programs to Implement Citizen Ideas	
Volunteer Program	50,000
Expand Federal and Other Funding	140,000
Create Simplified Process to Accept Citizen Donations to the City	—
Restorations Requiring No New General Funds	
Partially Restore Code Inspectors with CDBG Funding	—
Partially Restore Hermoso Teen Recreation with PPPI Funding	—
Restore Camp Colley with Camp Colley Foundation Donations	—
Additional Costs	
Increased Severance Costs	1,535,000
Total Costs	\$8,030,000

These restorations saved almost 150 city jobs.

No changes were recommended to the original proposals for Development Services and the Phoenix Convention Center. There were small restorations and adjustments in Aviation, Public Transit and other Special Revenue funds. The biggest change was in Solid Waste due to preliminary Council action taken on customer rates. It was expected that no reductions in Solid Waste would be required.

In addition, the Council was asked to approve a small severance program for a number of valued employees who have worked for many years in a part-time capacity. The cost for the existing severance program and the new limited part-time severance program was expected to be an additional \$1.5 million.

At this meeting, the Mayor and City Council approved the \$156.0 million General Fund budget reduction package that included recommended restorations, a part-time severance package, and new programs to implement citizen ideas.

Tentative Budget Adoption – June 3

A public hearing and tentative budget adoption was held on June 3 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 that 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 17

A public hearing and final adoption were conducted on June 17. Adoption of the property tax levy was scheduled no less than 14 days later on July 1 in accordance with state law.

The following chart is an overview of the 2009-10 budget calendar.

2009-10 Budget Calendar

September 2	2007-08 Year-end Results and 2009-10 Budget Process Calendar
October 14	Zero-Based Budget Review and Early Budget Estimate
January 6	Proposed Reductions to Balance General Fund Budget
January 11	Publish Trial Budget Tabloid
January 13 – 27	Community Budget Hearings
February 3	Final Budget Recommendations and City Council Action to Balance the General Fund Budget – Trial Budget for Other Funds.
March 2	Budget Balancing Cuts go into Effect for 2008-09 and 2009-10
April 7	2009-14 Preliminary Capital Improvement Program
April 16	2006 Bond Committee Meeting
May 12	City Manager's Recommended 2009-10 Budget
June 3	Tentative Adoption of 2009-10 Budget and 2009-14 Capital Improvement Program
June 17	Final Budget Adoption
July 1	Property Tax Adoption

General Budget and Financial Policies

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

The city's budget policies are extensions of these basic laws and follow generally accepted governmental budgeting and accounting 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 2009-10 budget development process are as follows:

Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2009-10 Budget Dates
City manager's recommended five-year Capital Improvement Program submitted to the City Council.	At least three months prior to final date for submitting the budget or a date designated by the City Council.	Capital Improvement Program not required.	April 7
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 12
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 20
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 20



Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2009-10 Budget Dates
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 weeks of May 29 and June 8
Public hearing immediately followed by tentative budget adoption with or without amendment.	On or before the last day of June.	On or before the third Monday of July.	June 3
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 8 and 15
Public hearing plus truth-in-taxation hearing immediately followed by final budget adoption.	No requirement.	No later than second Monday in August.	June 17
Property Tax Levy Adoption.	No later than the last regularly scheduled Council meeting in July.	No sooner than seven days following final budget adoption and no later than the third Monday in August.	July 1

Amendments to the Budget After Final Adoption

Generally, by Arizona state statute, no expenditure may be made nor liability incurred for a purpose not included in the budget even if additional funds become available. 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 property tax law 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, lighting, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, and street and transportation 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 seven local home rule options in 1981, 1985, 1991, 1995, 1999, 2003 and 2007. Before 1999, the home rule options generally excluded enterprise operations such as Aviation, Water, Wastewater and Solid Waste from the expenditure limitation. Beginning in 1999, the voters approved establishing the city's annual budget as the spending limit. The current home rule option is in effect for four fiscal years beginning with 2008-09 and continuing through 2011-12, and will allow Phoenix residents to continue to control local expenditures. 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.

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 the 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 help close a budget deficit. The 2004-05 and 2005-06 budgets maintained the General Fund contingency at 2.6 percent, while 2006-07 was increased to 2.7 percent. In the 2007-08 budget, the contingency was increased to 2.9 percent of operating expenditures. As part of the plan to balance the 2008-09 budget, the General Fund contingency was reduced to 2.7 percent and will remain at that level in the 2009-10 budget. 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 can result in the adoption of mid-year

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 a 20-year period.

7. Self-Insurance Costs - With a few exceptions, the city is fully self-insured for general and automotive liability exposures. The major exceptions to self-insurance include airport operations, police aircraft operations and excess general and automotive liability for losses in excess of



\$5 million. An independent actuary determines the self-insurance costs, which are combined with purchased policy costs and allocated to department budgets based on the previous five years' loss experience of each department.

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

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

Revenue Management

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

Given our reliance on sales taxes, developing personal income is an important step in managing our revenue base. In recent years, considerable effort has been devoted to attracting employers that will provide our residents with quality jobs and to developing a local workforce that will support the needs of quality

employers. We 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 levied against the sales of electricity, natural gas, telecommunications, water and sewer make up about 23 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. Privilege License and Use Taxes (Sales 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 2.0 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. 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 and Solid Waste 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, Fire and Block Watch

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 sales tax on utilities with franchise agreements in March 2005. The Police Department, including the Office of Emergency Management, is allocated 62 percent and the Fire Department 38 percent of revenues with the interest earnings going to the General Fund.

2007 Public Safety Expansion – These funds are used to account for the 0.2 percent increase in the sales tax approved by voters in 2007. The funds are designated for hiring additional police personnel and firefighters; hiring crime scene investigator teams to improve evidence collection; improving fire protection services, to improve response times; and increasing paramedic and other emergency medical services. The Police Department is allocated 80 percent of this fund and the Fire Department is allocated 20 percent.

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 for a 10-year period. In 2008, voters approved a 30-year extension to July 1, 2038. The funds are used to purchase 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 debt 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 used for pay-as-you-go capital projects.

Transit 2000 – This fund is used to account for the 20-year, 0.4 percent sales tax dedicated to transit improvements approved by voters on March 14, 2000. Fare box collections are also included in this fund.

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 – 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

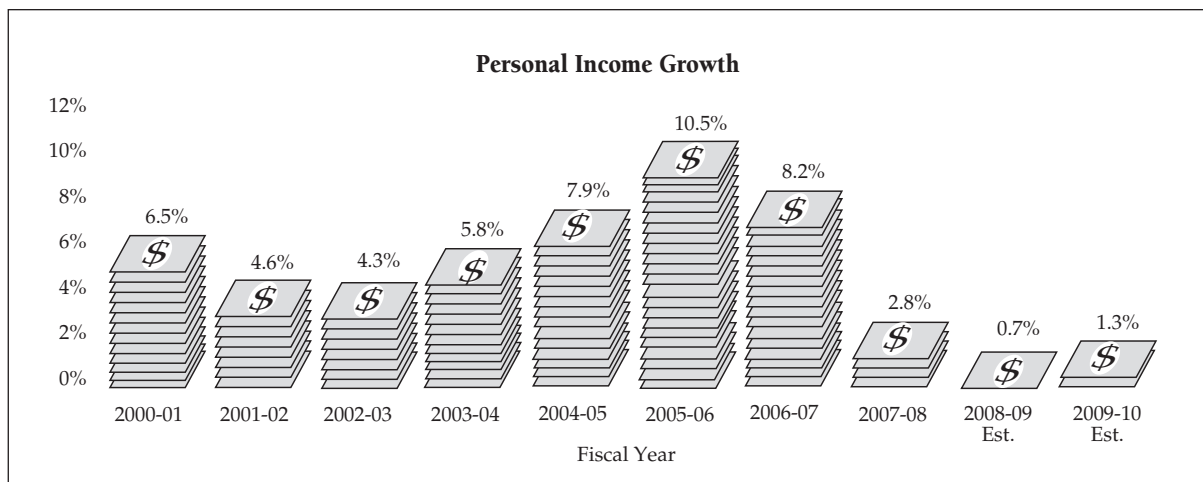
Revenue estimates for 2009-10 are based on assumptions about the local economy and population changes, on underlying cost estimates for cost-recovery rates and fees, and on the continuation of current state revenue collection and sharing practices. Adjustments to fees, such as those for water, sewer and solid waste services, 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, consistent with recommendations of the 2006 Bond Committee, the primary property tax levy remains at the maximum allowable amount. The current combined primary and secondary property tax rate remains the same at \$1.82.

State and local economic growth declined in 2007-08 from prior years due to a variety of factors including weakness in the residential and commercial real estate markets, increased unemployment, declines in personal income growth, and increased oil and food prices. The state and local economy has continued to decline due to most of these same factors

in 2008-09. It is assumed that growth rates will begin to improve in 2009-10. 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 1.3 percent in 2009-10, which is up from the 0.7 percent estimated for 2008-09.

In non-General Fund revenues, the proposed 2009-10 estimates for Water, Wastewater and Solid Waste systems reflect full-year impacts of 2008-09 fee increases.





GENERAL REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2007-08 Actuals	% of Total	2008-09 Estimate	% of Total	2009-10 Budget	% of Total	Increase/(Decrease) from 2008-09 Est.	
							Amount	Percent
Local Taxes								
Sales Tax	\$408,515	39.4%	376,067	36.9%	404,283	38.6%	28,216	7.5%
Privilege License Fees	2,402	0.2%	2,473	0.2%	2,473	0.2%	—	0.0%
Other General Fund Excise Taxes	8,193	0.8%	15,070	1.5%	15,410	1.5%	340	2.3%
Subtotal	\$419,110	40.4%	\$393,610	38.6%	\$422,166	40.3%	\$28,556	7.3%
State-Shared Revenues								
Sales Tax	135,134	13.0%	124,291	12.2%	133,428	12.7%	9,137	7.4%
State Income Tax	207,694	20.0%	220,806	21.7%	190,540	18.2%	(30,266)	-13.7%
Vehicle License Tax	59,244	5.7%	54,703	5.4%	57,407	5.5%	2,704	4.9%
Subtotal	\$402,072	38.8%	\$399,800	39.2%	\$381,375	36.4%	\$(18,425)	-4.6%
Primary Property Tax	103,033	9.9%	109,671	10.8%	121,015	11.6%	11,344	10.3%
User Fees/Other Revenues								
Licenses & Permits	2,723	0.3%	2,930	0.3%	2,930	0.3%	—	0.0%
Cable Communications	10,387	1.0%	12,332	1.2%	9,624	0.9%	(2,708)	-22.0%
Fines and Forfeitures	20,266	2.0%	19,607	1.9%	19,255	1.8%	(352)	-1.8%
Court Default Fee	643	0.1%	684	0.1%	954	0.1%	270	39.5%
Engineering and Architectural Services	2,379	0.2%	2,716	0.3%	2,660	0.3%	(56)	-2.1%
Fire	33,572	3.2%	36,357	3.6%	39,875	3.8%	3,518	9.7%
Hazardous Materials Inspection Fee	1,478	0.1%	1,400	0.1%	1,800	0.2%	400	28.6%
Library Fees	1,552	0.1%	1,382	0.1%	1,420	0.1%	38	2.7%
Parks and Recreation	5,550	0.5%	6,147	0.6%	6,463	0.6%	316	5.1%
Planning	1,541	0.1%	1,305	0.1%	1,305	0.1%	—	0.0%
Police	14,059	1.4%	13,855	1.4%	15,891	1.5%	2,036	14.7%
Street Transportation	2,067	0.2%	2,026	0.2%	2,727	0.3%	701	34.6%
Other Service Charges	14,540	1.4%	11,575	1.1%	12,764	1.2%	1,189	10.3%
Other	2,142	0.2%	3,318	0.3%	5,055	0.5%	1,737	52.4%
Subtotal	\$112,899	10.9%	\$115,634	11.4%	\$122,723	11.7%	\$7,089	6.1%
TOTAL GENERAL FUND	\$1,037,114	100.0%	\$1,018,715	100.0%	\$1,047,279	100.0%	\$28,564	2.8%

GENERAL FUNDS

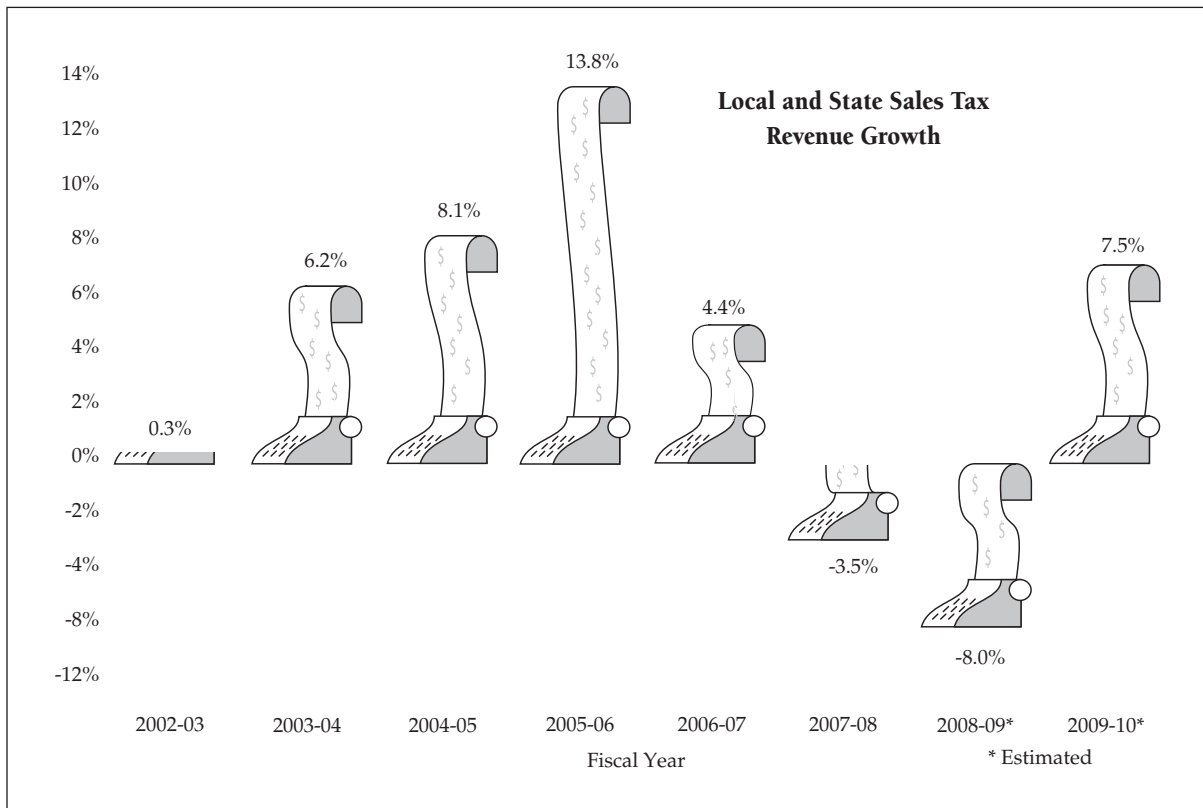
Total 2009-10 General Fund revenues are estimated to be \$1,047.3 million or 2.8 percent more than 2008-09 estimates of \$1,018.7 million. General Fund revenues consist of four major categories: local taxes, state-shared revenues, primary property taxes and user fees. Following are descriptions of the revenue sources within these four categories and explanations of 2009-10 revenue estimates.

Local and state sales tax collections represent approximately 51 percent of General Fund revenues. Local sales taxes for 2009-10 are expected to grow by 7.5 percent over 2008-09 estimates. This is an increase from the (7.9) percent negative growth rate in local sales taxes anticipated in 2008-09.

Phoenix's share of state sales taxes for 2009-10 is expected to grow by 7.4 percent over 2008-09 estimates. This is increased from the (8.0) percent negative growth in Phoenix's share anticipated in 2008-09.

Combined local and state sales tax revenues for 2009-10 are expected to grow by 7.5 percent over 2008-09 estimates. Combined rates of growth since 2002-03 are provided in the chart below.

The table on the previous 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 2009-10 estimate is \$422.2 million, which is \$28.6 million or 7.3 percent greater than the 2008-09 estimate of \$393.6 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.

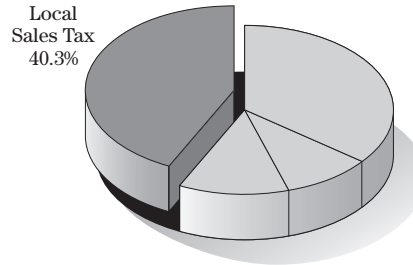
Of the 15 categories collected as a percentage of income, all except advertising provide General Fund resources and contribute to voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising category are restricted to the Convention Center Fund and/or the Sports Facilities Fund. Beginning in May 2005,

2 percent of utilities sales tax collections paid by those utilities with a franchise agreement 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 \$404,283,000 for 2009-10. This is an increase of \$28,216,000 or 7.5 percent from the 2008-09 estimate of \$376,067,000. The increase in local sales tax revenue is based on estimated growth of 7.7 percent in the retail sales category. Projected increases in other categories include 6.3 percent for utility and franchise; 6.5 percent for commercial

GENERAL FUNDS
Total Revenues – \$1,047.3 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

	2007									
	General Fund	Neighborhood Protection	Public Safety Expansion	Public Safety Enhancement	Parks & Preserves	Transit 2000	Convention Center	Sports Facilities	Capital Construction	Total
Advertising	–	–	–	–	–	–	0.5%	–	–	0.5%
Contracting	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Job Printing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Publishing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Transportation/Towing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Restaurants/Bars	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Leases/Rentals/ Personal Property	0.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Short-Term Motor Vehicle Rental	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	2.0%	–	4.0%
Commercial Rentals	1.3%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.1%
Lodging Rentals Under 30 Days	1.2%	0.1%	0.2%	–	0.1%	0.4%	2.0%	1.0%	–	5.0%
Lodging Rentals 30 Days and Over	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Retail	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Amusements	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
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.

rentals; 2.7 percent for restaurants and bars; and 3.9 percent for hotel/motel room rentals.

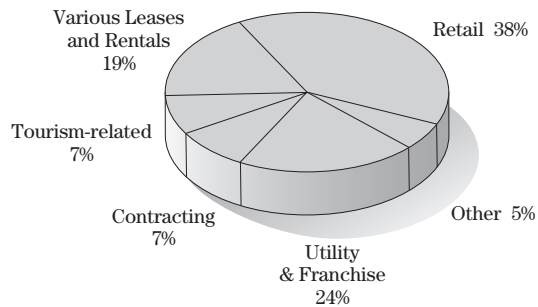
As shown in the pie chart on the right, the retail category represents approximately 38 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 1.3 percent for 2009-10.

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 2009-10, these categories are expected to increase 3.3 percent, 6.5 percent and 3.9 percent respectively. These three categories combined are approximately 19 percent of General Fund sales tax revenue.

The contracting category is expected to increase by 1.0 percent in 2009-10. Due to the significant slowdown in the housing market, contracting sales tax is expected to decline by 25.0 percent in 2008-09. For 2009-10, indicators for job creation and population growth predict that residential and commercial construction activity will continue to slow. This slowing, however, will be offset by significant public sector commercial construction projects such as the continuation of light rail and the Phoenix Sky Harbor International Airport's PHX Sky Train system. This category represents approximately 7 percent of the General Fund sales tax revenue.

The restaurants and bars category is expected to increase 2.7 percent and the hotel/motel category is expected to increase 3.9 percent in 2009-10. These two categories, combined with revenue from short-term motor vehicle rentals, are closely related to tourism activity. The expected growth rate for these categories for 2008-09 are (4.1) percent and (4.9) percent respectively. Revenues from these tourism-related activities represent approximately 7 percent of General Fund sales tax revenue.

GENERAL FUNDS Local Sales Taxes



The utility tax category is approximately 24 percent of General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2009-10 estimate for utility sales and franchise tax revenue is \$97,726,000, which is an increase of 6.3 percent over the 2008-09 estimate. The increase is partly due to recent and expected future rate increases for water, wastewater and electricity.

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 2009-10 estimate of \$16,005,000 for use tax is 5.2 percent or \$791,000 more than the 2008-09 estimate. This category is subject to fluctuations 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 2005-06. The amounts shown exclude the two additional utility tax items that are collected based on water service accounts.

GENERAL FUND SALES TAXES (In Thousands of Dollars)

Fiscal Year	Revenues	% Change From Previous Year
2005-06	\$398,319	14.1%
2006-07	422,130	6.0
2007-08	408,515	(3.2)
2008-09 (Est.)	376,067	(7.9)
2009-10 (Est.)	404,283	7.5



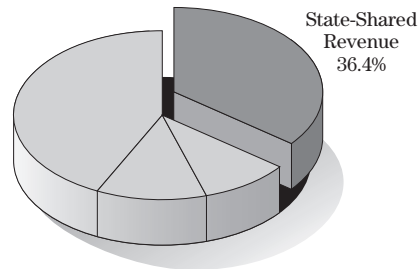
Privilege License Fees

The city charges a \$20 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 \$2 per unit (\$50 maximum) annual fee on each apartment complex for non-transient lodging. The 2009-10 estimate for privilege license fee revenue of \$2,473,000 represents no change from the 2008-09 estimate. Historically, the net change in the number of licensed businesses is small.

Other General Fund Excise Taxes

The first of the two additional utility tax items collected on water service accounts was implemented on Oct. 1, 1990, and provides resources to help offset jail costs paid to Maricopa County for misdemeanor defendants. The 2009-10 estimate of \$13,800,000 for this category is 2.2 percent higher than the 2008-09 estimate of \$13,500,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2009-10 estimate of \$1,405,000 for this tax is 2.6 percent greater than the 2008-09 estimate of \$1,370,000. This increase provides for modest growth in the number of accounts.

GENERAL FUNDS
Total Revenues – \$1,047.3 Million



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 2009-10 estimate for this category is \$381.4 million, which is \$18.4 million or 4.6 percent less than the 2008-09 estimate of \$399.8 million. The decrease is mainly due to a projected decline of 13.7 percent in state-shared income taxes. The decrease in the income tax collections reflects personal and corporate negative income growth in 2007-08. State-shared vehicle license tax revenue for 2009-10 is estimated to grow at 4.9 percent over the 2008-09 estimate.

State Sales Tax

The state sales tax rate on most taxable activities is 5.6 percent with several relatively minor categories having tax rates ranging from 2.5 percent to 5.5 percent. The revenues are split between a “distribution base,” of which Phoenix receives a share, and a “combined nonshared” 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

STATE SALES TAXES
(In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix's Share		
	Total	% Change	Percent	Amount	% Change
2005-06	\$435,568	15.8%	32.5%	\$141,194	14.1%
2006-07	462,037	6.1	30.4*	141,466	0.2
2007-08	447,061	3.2	30.3	135,134	(4.5)
2008-09 (Est.)	413,473	(7.5)	30.3	124,291	(8.0)
2009-10 (Est.)	437,657	5.8	30.3	133,428	7.4

*Impact of 2005 census population changes.

formula, incorporated cities receive 25 percent of the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2009-10 is estimated at 30.3 percent.

The city's share of the state sales tax for 2009-10 is expected to be \$133,428,000, which is \$9,137,000 or 7.4 percent more than the 2008-09 estimate of \$124,291,000. This estimate is based on the assumption that, similar to the local economy, the state economy will improve somewhat. At the state level, retail sales are anticipated to increase about 7.8 percent over the current fiscal year. The table on the previous page shows the cities' share of state sales taxes, Phoenix's allocation and annual increases since 2005-06. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year.

State Income Tax

Since 1973, cities in Arizona have shared 15 percent of the actual state personal and corporate income tax collected two years earlier. Individual cities receive their portion based on the cities' share of the state population.

The 15 percent portion of the state income tax, which will be distributed to cities and towns in 2009-10, is expected to be \$628.6 million. The distribution represents actual individual and corporate income tax collections by the state in the 2007-08 fiscal year. The anticipated \$628.6 million is a 13.6 percent decline from the

previous fiscal year. The decline is attributable to the Legislature attempting to hold cities harmless from personal income tax cuts implemented in the 2006 state legislative session by appropriating a set distribution amount to the cities of \$717.1 million in 2008-09. Phoenix's portion is estimated to be approximately 30.3 percent. The Legislature also appropriated a one-time distribution of \$10.5 million to cities in an effort to reimburse them for income tax sharing cuts in 2002-03 and 2003-04. Phoenix's portion of this in the 2008-09 fiscal year is

estimated to be approximately 33.7 percent. Phoenix's total distribution for 2009-10 is estimated at \$190,540,000 and is a decrease of \$30,266,000 or 13.7 percent from the 2008-09 estimate of \$220,806,000.

The following table shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2005-06. Similar to sales tax sharing, population is changed only on the basis of a census count with periodic corrections made throughout the year.

**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
2005-06	15.0%	\$425,229	13.9%	32.5%	\$138,313	14.0%
2006-07	15.0	551,231	29.6	30.4*	167,560	21.1
2007-08	15.0	684,519	24.2	30.3	207,694	24.0
2008-09 (Est.)	15.0	727,677**	6.3	30.3	220,806	6.3
2009-10 (Est.)	15.0	628,645	(13.6)	30.3	190,540	(13.7)

*Impact of 2005 Census population changes.

**Distribution set by the legislature of \$717.1 million, plus one-time distribution of \$10.5 million.



Vehicle License Tax

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

Currently, 37.61 percent of collections are allocated to the Arizona Highway User 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 2005 Census, Phoenix's percentage of population within Maricopa County is approximately 42.6 percent, down from 46.1 percent based on the 2000 Census.

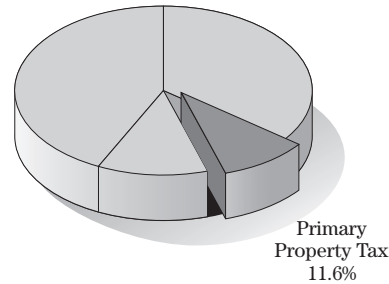
Phoenix's share of the vehicle license tax for 2009-10 is anticipated to be \$57,407,000, which is \$2,704,000 or 4.9 percent more than the 2008-09 estimate of \$54,703,000.

The following table shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2005-06.

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 voter-approved general obligation bond debt service.

GENERAL FUNDS
Total Revenues – \$1,047.3 Million

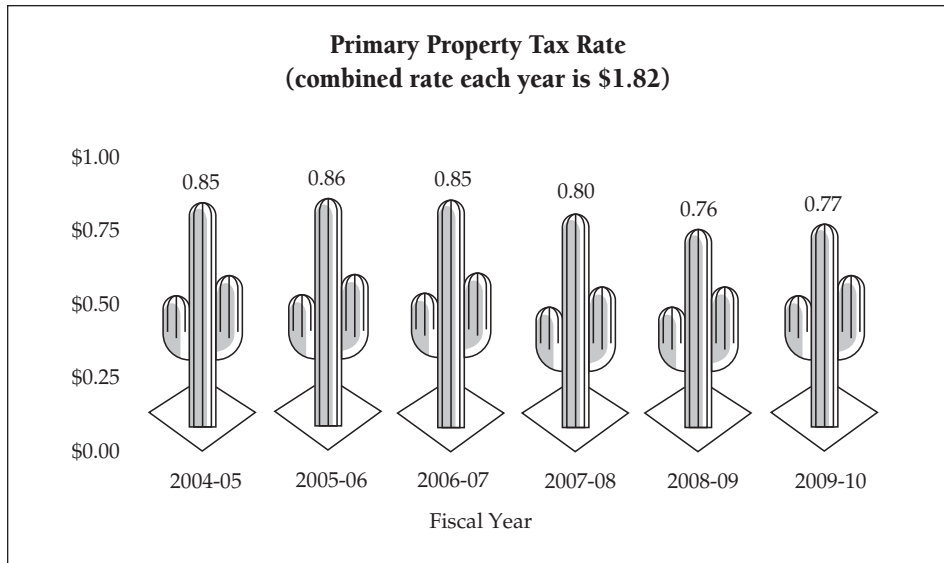


PRIMARY PROPERTY TAX

Fiscal Year	Primary Assessed		Primary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2005-06	\$10,637	8.5%	\$ 91,311	9.6%	\$.8584
2006-07	11,431	7.5	96,622	5.8	.8453
2007-08	12,890	12.8	103,664	7.3	.8042
2008-09 (Est.)	14,665	13.8	111,568	7.6	.7608
2009-10 (Est.)	16,062	9.5	123,095	10.3	.7664

VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2005-06	\$136,835	46.1%	\$63,108	\$6,556	11.6%
2006-07	143,530	42.6	61,158	(1,950)	(3.1)
2007-08	139,234	42.6	59,244	(1,914)	(3.1)
2008-09 (Est.)	132,281	42.6	54,703	(4,541)	(7.7)
2009-10 (Est.)	134,926	42.6	57,407	2,704	4.9



The annual increase in the primary property tax levy is limited by the Arizona Constitution to a 2 percent increase over the prior levy plus an estimated levy for previously unassessed property (primarily new construction), and allowable tort liability claims.

Before 1996-97, the maximum levy allowed by the Arizona Constitution had been levied each year. Leading up to 1996-97, due to a number of years of declining assessed valuations, deferral of the property tax-supported Capital Improvement Program was necessary. A new revenue policy 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. By Council policy, the \$1.82 rate remains in effect today. The 2006 Bond Committee

recommended that maximum allowable primary property taxes be levied in order to help support operating and maintenance costs resulting from 2006 bond-funded capital projects.

The chart above shows the changes in the primary property tax rate since 2004-05. The primary property tax rate begins trending down in 2007-08 because the levy is capped at 2 percent regardless of the growth in property values.

The estimated 2009-10 primary property tax levy is \$123,095,000, which is the maximum amount allowed by the Arizona Constitution. This is a 10.3 percent increase over the 2008-09 levy of \$111,568,000. The change in the primary levy reflects an estimated \$4,078,000 increase for collections associated with new properties entering the rolls, plus \$2,231,000 for the State Constitution allowed 2 percent increase on the prior year levy, and \$5,218,000 for allowable tort liability claims. The primary assessed valuation of \$16.06 billion is approximately 9.5 percent above the 2008-09 primary assessed valuation of \$14.66 billion. Of this increase about 40 percent is from new properties.

Historically, actual property tax collections are slightly lower than the amount levied. For 2009-10, actual collections for primary property tax are estimated to be \$121,015,000 or 98.3 percent of the levy amount.

The proposed 2009-10 levy results in an estimated primary property tax rate of \$0.7664 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$1.0536 to maintain a total property tax rate of \$1.82 per \$100 of assessed valuation.

The table on the previous page shows primary assessed valuation, primary property tax revenues and primary rates since 2005-06.





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 2009-10 estimate for this category is \$122.7 million, which is \$7.1 million or 6.1 percent higher than the 2008-09 estimate of \$115.6 million. Following are descriptions of the various categories and explanations of the revenue estimates.

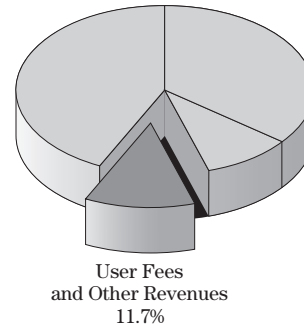
Licenses and Permits

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 2009-10 estimate of \$2,930,000 is the same as the 2008-09 estimate. Due to the slowdown in the economy, growth in this category is not anticipated.

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 2009-10 estimate of \$9,624,000 is \$2,708,000 less than the 2008-09 estimate of \$12,332,000. The decrease is attributable to a one time settlement in the amount of \$2,300,000 in 2008-09 from one of the cable providers as a result of a compliance audit. One of two local companies is also in the process of exiting the cable business. The 2009-10 estimate assumes no change in the customer base for the other cable provider. Revenue payments for both providers are offset by annual payments to the Educational Access Account, which are adjusted annually by the consumer price index.

GENERAL FUNDS
Total Revenues – \$1,047.3 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 2009-10 estimate of \$19,255,000 is \$352,000 or 1.8 percent less than the 2008-09 estimate of \$19,607,000. The decrease in 2009-10 is due to an anticipated decline in moving traffic violations.

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 2009-10 estimate for this revenue category is \$954,000, which is 39.5 percent higher than the 2008-09 estimate. The increase is due to a fee increase from \$25 to \$40 effective May 2009.

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 2009-10 estimate of \$2,660,000 is \$56,000 or 2.1 percent less than the 2008-09 estimate of \$2,716,000. The decrease is attributable to anticipated reductions in fiber optic construction in the public rights of way and in private development project fee revenues.



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 2009-10 estimate for ETS is \$28,500,000, which is \$1,700,000 or 6.3 percent greater than the 2008-09 estimate of \$26,800,000. The projected increase is due to an assumed rate increase of 3 percent and modest growth in the number of transports.

Other Fire revenue sources include fire prevention inspection fees, computer-aided dispatch (CAD) and various other services provided to the community. The 2009-10 estimate for other fire services is \$11,375,000 which is \$1,818,000 or 19.0 percent above the 2008-09 estimate of \$9,557,000. Increased fees for fire prevention services, CAD and false alarms contribute to the increased revenues.

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 2009-10 estimate is \$1,800,000, which is \$400,000 or 28.6 percent more than the 2008-09 estimate. The increase is attributable to a proposed increase in fees.

Library Fees

Library fee and fine revenue for 2009-10 is expected to be \$1,420,000, which is \$38,000 or 2.7 percent above the 2008-09 estimate. The increase is due to an increase in library fines and fees due to the new Agave branch opening in summer 2009.

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 2009-10 estimate of \$6,463,000 is \$316,000 or 5.1 percent above the 2008-09 estimate. The increase in 2009-10 is primarily due to implementing and increasing a variety of fees to help lessen the impact to the community of budget reductions. This included fees for non-resident class registration and recreation center cards.

Planning

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances. The 2009-10 estimate of \$1,305,000 reflects no change from the 2008-09 estimate.

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 2009-10, the estimate of \$15,891,000 is 14.7 percent more than the 2008-09 estimate of \$13,855,000. The increase is due to a projected increase in revenue from reimbursements for school resource officers, traffic control at special events and intergovernmental agreements with other law enforcement agencies.

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 2009-10 estimate of \$2,727,000 is \$701,000 more than the 2008-09 estimate of \$2,026,000.

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 2009-10 estimate of \$12,764,000 is \$1,189,000 or 10.3 percent more than the 2008-09 estimate of \$11,575,000. This is primarily due to a projected increase in parking meter revenue.

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 2009-10 estimate of \$5,055,000 is \$1,737,000 or 52.4 percent more than the 2008-09 estimate of \$3,318,000. The increase is attributable to an anticipated increase in revenue from treasury collection service fees, marketing agreements and cell tower revenues.



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 2009-10 revenue estimates. The table on the next page provides the 2008-09 and 2009-10 estimates and 2007-08 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, Public Safety Enhancement, and 2007 Public Safety Expansion. 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 2009-10 estimate of \$27,832,000 is \$1,924,000 or 7.4 percent greater than the 2008-09 estimate of \$25,908,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$189,000 is estimated for interest earnings in 2009-10 for Block Watch.

2007 Public Safety Expansion Tax

The 2007 Public Safety Expansion sales tax is a 0.2 percent sales tax approved by voters in September 2007 and implemented in December 2007. Revenues are allocated 80 percent to Police and 20 percent to Fire. The funds are used for hiring additional police personnel and firefighters; to hire crime scene investigation teams to improve evidence collection; and to improve fire protection services, improve response times, and increase paramedic and other emergency medical services. The 2009-10 estimate is \$54,505,000 and the 2008-09 estimate is \$50,386,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$518,000 is estimated for interest earnings in 2009-10.

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 2009-10 estimate of \$26,790,000 is \$1,080,000 or 4.2 percent greater than the 2008-09 estimate of \$25,710,000. These estimates are consistent with the utilities sales tax forecast for the General Fund.

Parks and Preserves Sales Tax

The Parks and Preserves sales tax is a 0.1 percent sales tax rate increase originally 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. This tax was renewed by voters for a 30-year period in May 2008. Sixty percent of the revenues are to be used for parks and recreation and 40 percent for desert preserves. The 2009-10 estimate of \$27,831,000 is \$1,922,000 or 7.4 percent more than the 2008-09 estimate of \$25,909,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. Also, \$1,962,000 is estimated for interest earnings in 2009-10.

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 2009-10 estimate of \$111,326,000 is \$7,691,000 or 7.4 percent greater than the 2008-09 estimate of \$103,635,000. 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 2009-10 fare box revenue estimate of \$57,959,000 is 57.3 percent greater than the 2008-09 estimate. The increase is primarily attributable to fares for a full year of the newly opened light rail and fare increases effective July 2009. The 2009-10 estimate also includes interest earnings and other miscellaneous revenue of \$11,970,000 which is a 40.0 percent decrease from 2008-09 estimate of \$19,952,000. The decrease in interest earnings and miscellaneous revenue is the result of the planned reduction in the Light Rail Fund balance and a reduction in LNG fuel tax credits.



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NON-GENERAL FUND REVENUES BY MAJOR SOURCE

(In Thousands of Dollars)

Revenue Source	2007-08 Actual	2008-09 Estimate	2009-10 Budget	Increase/(Decrease) from 2008-09 Est.	
				Amount	Percent
Special Revenue Funds					
Neighborhood Protection	\$29,280	\$26,097	\$28,021	\$1,924	7.4%
2007 Public Safety Expansion	32,321	50,929	55,023	4,094	8.0%
Public Safety Enhancement	24,653	25,710	26,790	1,080	4.2%
Parks and Preserves	32,287	28,064	29,793	1,729	6.2%
Transit 2000	158,733	160,444	181,255	20,811	13.0%
Court Awards	4,403	6,638	5,251	(1,387)	-20.9%
Development Services	49,193	34,000	36,000	2,000	5.9%
Capital Construction	21,580	21,074	22,054	980	4.7%
Sports Facilities	17,818	16,815	17,579	764	4.5%
Arizona Highway User Revenue	129,432	116,508	118,675	2,167	1.9%
Local Transportation Assistance	6,910	6,504	6,790	286	4.4%
Regional Transit Revenues	72,385	87,517	68,830	(18,687)	-21.4%
Community Reinvestment	2,605	4,036	3,521	(515)	-12.8%
Secondary Property Tax	163,155	201,024	200,222	(802)	-0.4%
Impact Fee Program Administration	681	200	125	(75)	-37.5%
Court Special Fees	1,721	1,604	1,494	(110)	-6.9%
Monopole Rental	131	133	133	-	0.0%
Tennis Center	22	20	20	-	0.0%
Vehicle Impound Program	3,071	4,045	4,045	-	0.0%
Heritage Square	20	21	21	-	0.0%
Affordable Housing Program	2,158	1,734	1,630	(104)	-6.0%
Other Restricted (gifts/trusts)	18,949	18,005	19,030	1,025	5.7%
Grants					
Public Housing Grants	64,233	88,766	73,035	(15,731)	-17.7%
Human Services Grants	34,672	38,632	38,651	19	0.0%
Community Development	20,058	21,507	37,361	15,854	73.7%
Criminal Justice	12,515	15,107	12,858	(2,249)	-14.9%
Public Transit Grants	13,329	10,827	11,582	755	7.0%
Other Grants	28,384	33,290	196,674	163,384	+ 100.0%
Subtotal - Grants	\$173,191	\$208,129	\$370,161	\$162,032	77.9%
Total Special Revenue Funds	\$944,699	\$1,019,251	\$1,196,463	\$177,212	17.4%
Enterprise Funds					
Aviation	336,071	311,287	324,076	12,789	4.1%
Water System	331,905	329,509	364,166	34,657	10.5%
Wastewater System	212,276	213,183	221,237	8,054	3.8%
Solid Waste	135,708	136,046	140,009	3,963	2.9%
Convention Center	72,447	64,924	67,063	2,139	3.3%
Golf Courses	7,026	6,030	6,122	92	1.5%
Total Enterprise Funds	\$1,095,433	\$1,060,979	\$1,122,673	\$61,694	5.8%
TOTAL NON-GENERAL FUND REVENUE	\$2,040,132	\$2,080,230	\$2,319,136	\$238,906	11.5%



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 police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2009-10 is \$5,251,000.

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 2009-10 estimate is \$36,000,000, which is \$2,000,000 or 5.9 percent more than the 2008-09 estimate of \$34,000,000. This increase assumes a slight improvement in construction activity for 2009-10 consistent with projections for construction-related sales tax revenue.

Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998 and is intended to reimburse Phoenix residents for the use of their public rights of way by the telecommunications industry. The 2009-10 estimate is \$21,454,000, or a 4.8 percent increase over the 2008-09 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program. The 2009-10 estimate also includes interest earnings of \$600,000.

Sports Facilities

Sports facilities revenues consist of a 1 percent portion of the 5.0 percent hotel/motel tax category, a 2 percent tax on short-term motor vehicle rentals, and interest revenue generated by the fund. The 2009-10 estimate is \$16,142,000, which is \$764,000 or 5.0 percent more than the

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

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2005-06	\$124,791	\$7,327	6.2%
2006-07	130,223*	5,432	4.4
2007-08	125,289	(4,934)	(3.8)
2008-09 (Est.)	113,108	(12,181)	(9.7)
2009-10 (Est.)	115,275	2,167	1.9

*2005 Census adjustment to population is reflected.

2008-09 estimate of \$15,378,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2009-10 estimate includes \$7.2 million for the hotel/motel portion and \$8.9 million for the short-term car rental portion. Also, \$1,437,000 is estimated in 2008-09 for interest revenue.

Arizona Highway User Revenue

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

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). As a result of the 2005 Census, Phoenix's share was adjusted. For 2009-10, it is anticipated that Phoenix will receive \$93.3 million from the 27.5 percent share and \$21.9 million from the 3 percent share.

The total 2009-10 AHUR estimate of \$118,675,000 is \$2,167,000 or 1.9 percent above the 2008-09 estimate of \$116,508,000. Included in the estimate are interest earnings of \$2,500,000 in 2009-10 and \$2,500,000 in 2008-09. The state-shared increase is based on average annual increases at the state level of 1.5 percent in gasoline tax collections, 0.5 percent in motor carrier tax collections (trucking), 2.0 percent in vehicle license tax collections and 2.0 percent in vehicle registrations including commercial carriers. The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2005-06.

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 2009-10 estimate for LTA revenue is \$6.8 million which assumes the \$23 million is reached. The city receives 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 2009-10 estimate of \$68,830,000 is \$18,687,000 or 21.4 percent below the 2008-09 estimate of \$87,517,000. The decrease is due to an anticipated reduction in reimbursable Regional Transportation Plan projects. The plan is funded by the Maricopa County transportation tax that was extended through December 2025 by Proposition 400.

SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2005-06	\$11,420	8.9%	\$109,811	7.9%	\$0.9616
2006-07	12,261	7.4	119,509	8.8	0.9747
2007-08	16,069	31.1	163,227	36.6	1.0158
2008-09 (Est.)	18,856	17.3	199,724	22.4	1.0592
2009-10 (Est.)	18,861	0.0	198,722	(0.5)	1.0536

Community Reinvestment

The 2009-10 estimate of \$3,521,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements in the downtown area.

Secondary Property Tax

By law, the secondary property tax is earmarked for debt service on voter-approved general obligation bonds. There is no statutory limitation on the property taxes levied for debt service purposes.

As discussed in the General Fund revenues section, the estimated 2009-10 primary property tax rate is \$0.7664. To maintain our current \$1.82 total rate, the resulting secondary rate is \$1.0536 per \$100 of assessed value for 2009-10. The 2009-10 secondary property tax levy of \$198,722,000 is based on this rate and secondary assessed valuation of \$18.86 billion. This resulting levy is \$1,002,000 or 0.5 percent less than the 2008-09 levy of \$199,724,000. The slight decrease is primarily due to a minor shift within the total rate from secondary property tax to primary property tax.

Also included in the 2009-10 estimate is \$1,500,000 in interest earnings, a 15.4 percent increase above 2008-09.

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2005-06. The total property tax rate of \$1.82 for 2009-10 has remained unchanged since 1995-96.

Impact Fee Program Administration

In 1987, the City Council established an Impact Fee Program. Impact fees are charged 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. Impact fees may only be used to pay for the identified public infrastructure. In conjunction with the Impact Fee Program, an administrative fee collected as a percentage of the gross impact fee 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 2008-09 and 2009-10 revenue estimates are \$200,000 and \$125,000 respectively. Due to the continued downturn in construction activity, the 2009-10 revenue estimate has decreased by \$556,000 when compared to the 2007-08 actual revenue amount of \$681,000.



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, Vehicle Impound fees, 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 2009-10 estimate of \$26,373,000 is \$811,000 above the 2008-09 estimate of \$25,562,000. The increase is primarily due to projected increases in Fire Technical Support revenues and facility rental income.

Public Housing Grants

The 2009-10 Public Housing grants revenue included in the annual operating budget is \$73,035,000, which is a 17.7 percent decrease from 2008-09. 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 2009-10 revenue estimate of \$38,651,000 is \$19,000 more than the 2008-09 estimate of \$38,632,000. This category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants, Head Start funds and American Recovery and Reinvestment Act (ARRA) 2009 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 CDBG entitlement available in 2009-10 is \$37,361,000.

Criminal Justice Grants

The 2009-10 grant revenue for criminal justice programs is estimated to be \$12,858,000. This includes Police, Court and Law department grants. Grants include funding for the Police Department training academy, drug trafficking prevention, other crime-related prevention programs and American Recovery and Reinvestment Act (ARRA) 2009 funds.

Public Transit Grants

The 2009-10 Federal Transit Administration Grant estimate is \$11,582,000 reflecting an increase of \$755,000 above the 2008-09 estimate of \$10,827,000.

Other Grants

The 2009-10 budget also includes \$196,674,000 for federal, state and other grants that provide funding for the neighborhood stabilization program, various parks and recreation and library activities, workforce development and American Recovery and Reinvestment Act (ARRA) 2009 funds.

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 2009-10 is anticipated to be \$324,076,000, which is \$12,789,000 or 4.1 percent greater than the 2008-09 estimate of \$311,287,000. The proposed 2009-10 estimate anticipates conservative growth in airline fees, landing fees, concessions and parking revenues.

The table on the next page shows shows Aviation revenue by major category and annual percent change since 2005-06.



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SUMMARY OF AVIATION REVENUES
(In Thousands of Dollars)

	2005-06	2006-07	2007-08	2008-09 (Est.)	2009-10 (Est.)
Airline Operation	\$ 89,005	\$ 92,056	\$ 95,741	\$ 95,142	\$ 97,376
Concessions and Rentals	153,814	176,579	182,420	170,649	179,064
Rental Car Facility	32,919	34,520	36,146	30,316	33,316
Interest	6,850	10,426	10,967	7,795	7,750
Other/Federal Grants	3,041	5,676	6,550	3,287	2,407
Goodyear	1,725	415	1,506	1,438	1,463
Deer Valley	2,773	3,198	2,741	2,660	2,700
Total Aviation Revenue	\$290,127	\$322,870	\$336,071	\$311,287	\$324,076
Change From Prior Year	26.7%	11.3%	4.1%	(7.4%)	4.1%

SUMMARY OF WATER SYSTEM REVENUES
(In Thousands of Dollars)

	2005-06	2006-07	2007-08	2008-09 (Est.)	2009-10 (Est.)
Water Sales	\$200,390	\$211,380	\$235,342	\$245,694	\$267,467
Environmental Consumption Charge	26,662	31,337	35,977	40,913	46,288
Raw Water Charge	16,563	16,080	15,957	15,900	18,990
Interest	16,602	15,963	13,976	5,818	5,685
Development Fees	9,901	8,712	4,772	2,500	2,500
Combined Service Fees	2,215	2,163	2,249	5,175	5,175
Val Vista	6,942	7,194	7,861	8,619	9,536
All Other	18,436	19,105	15,771	4,890	8,525
Total Water Revenue	\$297,711	\$311,934	\$331,905	\$329,509	\$364,166
Change From Prior Year	17.8%	4.8%	6.4%	(0.7%)	10.5%



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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 2009-10 is projected to be \$364,166,000, which is \$34,657,000 or 10.5 percent more than the \$329,509,000 estimate for 2008-09. The 2009-10 estimate reflects a full year's impact from the March 2009 rate increase for water sales. It also reflects zero account growth coupled with a slightly higher overall consumption per account.

The table on the previous page shows water system revenues by major category since 2005-06.

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 \$221,237,000 in 2009-10, which is \$8,054,000 or 3.8 percent greater than the 2008-09 estimate of \$213,183,000. The 2009-10 estimate is based on a full year's realization of the March 2009 rate increase on sewer services. The table below shows Wastewater revenue by major category and annual percent change since 2005-06.

Solid Waste

This category includes revenues from the monthly residential collection and landfill tipping fees. The 2009-10 estimate of \$140,009,000 is an increase of \$3,963,000 or 2.9 percent greater than the 2008-09 estimate of \$136,046,000. The increase includes a March 2009 rate increase and zero percent household unit growth.

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

	2005-06	2006-07	2007-08	2008-09 (Est.)	2009-10 (Est.)
Sewer Service Charge	\$110,902	\$122,103	\$135,378	\$146,850	\$152,440
Environmental Charges	24,939	31,429	33,752	32,730	34,627
Development Fees	9,335	8,187	4,117	1,500	1,800
Interest	9,471	13,373	14,370	5,083	4,296
Multi-City	17,261	19,242	18,562	21,426	22,495
Other	5,261	8,734	6,097	5,594	5,579
Total Wastewater Revenue	\$177,169	\$203,068	\$212,276	\$213,183	\$221,237
Change From Prior Year	11.4%	14.6%	4.5%	0.4%	3.8%

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 2.0 percent tax on restaurant and bar sales, construction, publishing, printing, and transportation and towing, plus a 2 percent portion of the 5.0 percent hotel/motel tax on rooms rented for 30 days or less.

Earmarked sales taxes are expected to produce \$50,701,000 in 2009-10, an increase of 4.6 percent above 2008-09. Convention Center operating revenues are expected to be \$11,232,000, parking revenue is expected to be \$3,630,000, and interest revenue is expected to be \$1,500,000, for total revenue estimates of \$67,063,000. This is \$2,139,000 or 3.3 percent more than the 2008-09 total estimated revenue of \$64,924,000. The increase is due to the estimated growth in earmarked sales tax categories and a slight improvement in operating revenues. Tax estimates are consistent with General Fund sales tax estimates for the categories included in Convention Center.

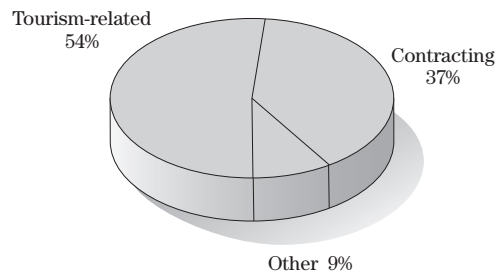
The following table shows the Convention Center excise tax collections since 2005-06.

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 following pie chart, contracting and tourism represent 91 percent of the sales tax revenue to this fund. Both industries are considered volatile; and both have experienced dramatic changes in the last several years. In the General Fund, however, contracting and tourism represent only 14 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.

CONVENTION CENTER SALES TAXES (In Thousands of Dollars)

Fiscal Year	Amount Collected	Increase/(Decrease)	
		Amount	Percent
2005-06	\$56,889	\$8,886	18.5%
2006-07	61,647	4,758	8.4
2007-08	58,126	(3,521)	(5.7)
2008-09 (Est.)	48,493	(9,633)	(16.6)
2009-10 (Est.)	50,701	2,208	4.6

2009-10 CONVENTION CENTER Earmarked Sales Taxes



The growth rate anticipated for 2008-09 reflects the current slowdown in the economy, while the growth rate for 2009-10 reflects some improvement.

Golf Courses

Revenue sources in the Golf Course category include greens fees, golf cart rentals and pro shop sales at city-run golf courses which include Aguila, Cave Creek, Encanto, Maryvale and Palo Verde. The city receives rental income from Papago Golf Course, which is operated by a concessionaire. The 2009-10 estimate of \$6,122,000 is \$92,000 or 1.5 percent above the 2008-09 estimate. This is due to an increase in facility rental income from the Papago Golf Course.



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The Phoenix City Council includes (seated from left) Peggy Neely, Mayor Phil Gordon and Vice Mayor Tom Simplot, and (standing from left) Maria Baier, Michael Johnson, Claude Mattox, Sal DiCiccio, Thelda Williams and Michael Nowakowski.

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 2012. 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 2009-10 operating budget allowance of \$2,104,000 is \$192,000 or 10.0 percent more than 2008-09 estimated expenditures. This is a result of budget reductions taken in 2008-09 and normal inflationary increases. The increase is offset with budget reductions including the suspension of a council aide position, charging the cost of a council aide to the Mayor's non-taxpayer supported Downtown Development Fund, work furloughs and reductions to various contractual expenditures.

Mayor Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Community Attitude Survey			
Percent of citizens regarding the quality of life in Phoenix as positive **	91%	91%	91%
Citizen Interaction			
Number of constituent cases (opened)	1,040	800	800
Number of constituent cases (completed)	1,030	750	750

*Based on 10 months of actual experience.

**Based on 2008 Community Attitude Survey which is administered in even-numbered years.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$2,322,000	\$1,912,000	\$2,104,000
Total Positions	20.5	17.5	17.5
Source of Funds:			
General	\$2,321,000	\$1,902,000	\$2,104,000
Other Restricted	1,000	10,000	—



CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from even-numbered districts expire in January 2010. Terms for council members from odd-numbered districts expire in January 2012. 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 City Council 2009-10 operating budget allowance of \$4,285,000 is \$184,000 or 4.5 percent more than 2008-09 estimated expenditures. This is a result of budget reductions taken in 2008-09 and normal inflationary increases. The increase is offset with budget reductions that include the suspension of a secretary II, the special assistant to the City Council and the City Council chief of staff. In addition, the budget reflects reductions in district funding and other contractual items.

City Council Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2008-09 budget allowance:

	2007-08	2008-09*	2009-10
Community Attitude Survey			
Percent of citizens regarding the quality of life in Phoenix as positive **	91%	91%	91%
Citizen Interaction			
Number of community outreach meetings	90	180	180
Number of citizen cases per <i>CitizenServe</i>	5,900	5,500	5,500

*Based on 10 months actual experience.

**Based on 2008 Community Attitude Survey which is administered even-numbered years.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$4,408,000	\$4,101,000	\$4,285,000
Total Positions	54.0	51.0	51.0
Source of Funds:			
General	\$4,408,000	\$4,101,000	\$4,285,000



City Manager Frank Fairbanks is responsible to the Mayor and City Council for the day-to-day management and operation of the city.

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 2009-10 operating budget allowance of \$1,097,000 is \$84,000 or 7.1 percent less than 2008-09 estimated expenditures. This is a result of budget reductions that suspends funding for contractual services and commodity purchases, and reallocates management support costs from the General Fund to the various enterprise funds. Reductions also eliminate the International Economic Development function. The task of enhancing the city's economic development activities on an international level will now be the responsibility of the Community and Economic Development Department.

DEPUTY CITY MANAGERS

Program Goal

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' 2009-10 operating budget allowance of \$1,753,000 is \$115,000 or 7.0 percent more than 2008-09 estimated expenditures. This is a result of an increase in the Water fund due to full staffing and is partially offset by budget reductions. The combined reductions suspend funding for contractual services and commodity purchases, a deputy city manager, and one of four management assistants.

City Manager's Office Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Public satisfaction with city services **	88%	90%	90%
Citizen calls/correspondence responded to within established timeframes	99%	99%	99%
Percent of employees agreeing that the city is a good place to work***	97%	97%	97%

*Based on 10 months actual experience.

**Based on 2008 Community Attitude Survey which is administered even-numbered years.

***Based on 2007 Employee Survey which is administered odd-numbered years.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,216,000	\$1,181,000	\$1,097,000
Total Positions	7.0	6.0	6.0
Source of Funds:			
General	\$1,216,000	\$1,181,000	\$1,097,000

Deputy City Manager's Office Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Items processed for City Council subcommittee action	147	160	160
Number of community and nonprofit meetings attended	382	350	325

*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,906,000	\$1,638,000	\$1,753,000
Total Positions	21.0	18.0	18.0
Source of Funds:			
General	\$1,562,000	\$1,362,000	\$1,376,000
Water	344,000	276,000	377,000



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GOVERNMENT RELATIONS

Program Goal

The Office of Government Relations represents the city, as appropriate, in contacts with federal, state, regional, county and other city governments. Government Relations also is charged with citywide grants coordination.

Budget Allowance Explanation

The Government Relations 2009-10 operating budget allowance of \$1,451,000 is \$105,000 or 7.8 percent more than 2008-09 estimated expenditures and reflects increased funding for lobbyists related to enhancing the city's ability to pursue federal, state, and local grant allocations. These increases were offset by budget reductions that include the suspension of a management assistant, legislative intern, and reduced funding for contractual and commodity expenditures.

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 2009-10 operating budget allowance of \$2,850,000 is \$103,000 or 3.5 percent less than 2008-09 estimated expenditures. The decrease is due to budget reductions that convert three full-time positions to part-time, suspends two full-time positions responsible for translation and photography services and city communication with the public-at-large, and reduces Phoenix 11 (PHX11) programming and staff that operate equipment at City Council meetings.

The budget also reduces the replacement of production sets, video capital equipment for PHX11, and various contractual services including community advertising, printing services, and closed captioning for non-network or non-broadcast stations.

Government Relations Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of governments, communities, regional and private sector agencies, neighborhood associations, commissions and organizations communicated with during the year.	508	400	500
Number of Arizona state legislative bill versions and amendments evaluated and prepared to support or oppose.	3,164	1,500	3,500

*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,438,000	\$1,346,000	\$1,451,000
Total Positions	6.3	5.0	5.0
Source of Funds:			
General	\$1,432,000	\$1,346,000	\$1,451,000
Other Restricted	6,000	—	—

Public Information Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08*	2008-09**	2009-10
Percent of news releases that generate media coverage	N/A	77%	70%
New PHX11 programs produced per month	N/A	30	26
Percent of news distributed to stakeholders by 5 p.m. daily	N/A	93%	90%
Percent of e-mail responses to public inquiries within one day	N/A	97%	90%
Average response time to public records requests (days)	N/A	5.4	10
City Connection Web site page reviews	N/A	4,531	4,000

*In 2008, the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

**Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$3,220,000	\$2,953,000	\$2,850,000
Total Positions	30.0	27.0	27.0
Source of Funds:			
General	\$3,203,000	\$2,946,000	\$2,847,000
Other Restricted	17,000	7,000	3,000

CITY AUDITOR

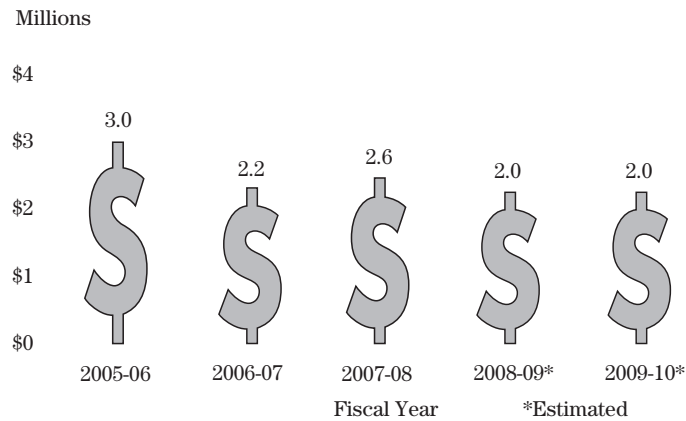
Program Goal

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 2009-10 operating budget allowance of \$2,679,000 is \$90,000 or 3.5 percent more than 2008-09 estimated expenditures. The increase is primarily due to a proportionally larger percentage of budget reductions being made in 2008-09. The reductions include the elimination of two administrative support positions, suspension of part-time audit staff, suspension of two internal audit positions and reduction in contractual services for technology audits. These reductions will result in fewer audits performed annually. In addition, the reductions allocate the cost of the Comprehensive Annual Financial Report (CAFR) audit to various enterprise funds and a portion of the City of Phoenix Retirement System (COPERS) audit to the pension fund.

City Auditor Impact of Recommendations



City Auditor Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Percent of audit plan completed	86%	90%	90%
Performance audit and management reports issued**	176	145	145
Average audit cycle time (calendar days)**	157	142	142
Economic impact of audits as a result of identified improvements or cost savings	\$2.6 M	\$2.0 M	\$2.0 M
Hearing rulings issued timely according to time frames listed in the City Code	100%	100%	100%

*Based on 10 months actual experience.

**Number of audit reports issued and average cycle time can vary due to the size and complexity of audits conducted. The number is lower in 2008-09 and 2009-10 due to staff reductions.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$3,123,000	\$2,589,000	\$2,679,000
Total Positions	35.2	30.5	30.5
Source of Funds:			
General	\$3,123,000	\$2,589,000	\$2,679,000



EQUAL OPPORTUNITY

Program Goal

The Equal Opportunity Department promotes and enforces equal opportunities for city employees and the public through 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 2009-10 budget allowance of \$3,208,000 is \$128,000 or 3.8 percent less than 2008-09 estimated expenditures. The decrease is a result of budget reductions that suspend a management assistant II, secretarial and equal opportunity specialist positions.

The budget also reduces various contractual services such as advertising, training, conferences, subscriptions and filming the Faces of Diversity Lecture Series. These reductions will reduce M/W/SBE compliance efforts and increase turnaround time for employment, public accommodation, Americans with Disabilities Act (ADA) and fair housing investigations. Support for the Human Relations, Phoenix Women's and Disability Issues commissions also will be reduced.

Equal Opportunity Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Discrimination complaints in employment, public accommodations, housing and Americans with Disabilities Act (ADA) accessibility, investigated and closed	237	220	220
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	20**	20
Number of M/W/D/SBEs certified based on goal of 850 firms	784	700***	700
Number of SBEs certified based on goal of 650 firms	752	736	736
Construction contracts monitored for use of M/W/D/SBE subcontractors	1,120	900****	900

*Based on 10 months actual experience.

**Outreach has been reduced due to Business Relations Division's position reductions.

***Certified M/W/DBEs have declined due to business closures.

****An anticipated decrease in construction contracts is due to alternative construction delivery methods.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$3,785,000	\$3,336,000	\$3,208,000
Total Positions	37.0	28.0	28.0
Source of Funds:			
General	\$3,394,000	\$2,935,000	\$2,802,000
Community Development			
Block Grant	208,000	212,000	240,000
Federal and State			
Grants	114,000	178,000	152,000
Other Restricted	69,000	11,000	14,000

PERSONNEL

Program Goal

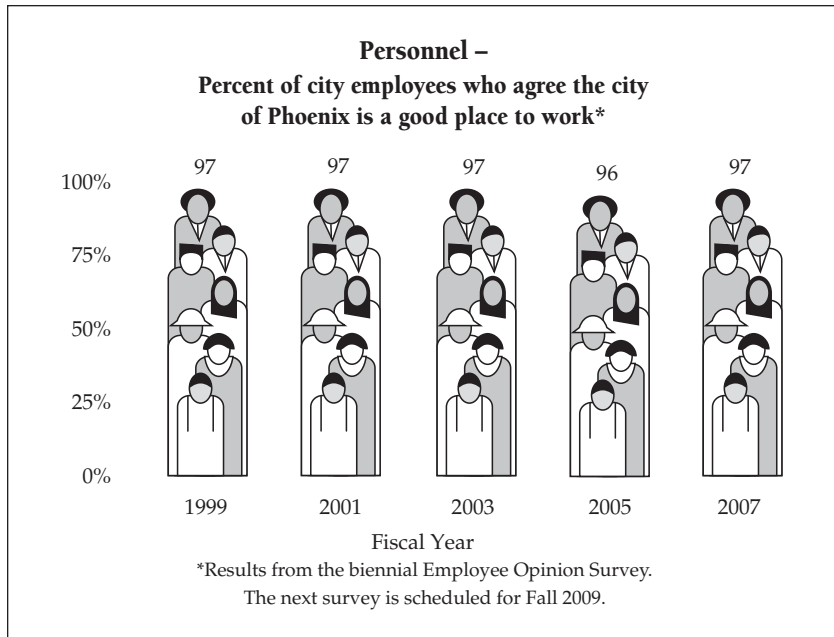
The Personnel Department partners with departments and employees to hire, compensate, support and develop a diverse workforce that is dedicated to delivering high-quality services to the community.

Budget Allowance Explanation

The Personnel Department 2009-10 operating budget allowance of \$13,480,000 is \$5,640,000 or 29.5 percent less than 2008-09 estimated expenditures. This decrease is the result of 2009-10 budget reductions in the General Fund and an increase to the 2008-09 estimated expenditures for severance payouts.

The 2009-10 budget reduces funding and staff for recruitment and testing to fill city positions including advertising and recruitment materials, overtime, use of testing facilities and use of executive search firms. The budget suspends three positions in the Safety Division and reduces funding for hazardous waste removal on city property; reduces staff support and funding of several employee benefit programs and services including the Employee Assistance Program; executive and middle manager health physicals; support of the Family Medical Leave Act; monitoring benefit eligibility; and overtime to manage multiple open enrollment processes. The budget also reduces staff responsible for maintaining personnel records, managing various vendor contracts and accounts, eliminates consulting services for compensation studies, and reduces staff responsible for classification and compensation studies and surveys.

The 2009-10 budget reduces staff responsible for employee training, reduces funding for core civil service training and related educational materials as well as funding for use of external trainers. The budget suspends a deputy personnel director in Labor Relations and converts a full-time municipal security guard to part-time. In addition, the 2009-10 budget reduces funding and staff for maintenance and upgrades of the CHRIS Human Resource System, eliminates funding for replacement of outdated computer equipment, reduces local area network support and reduces training to core e-CHRIS users.



Personnel Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08**	2008-09*	2009-10
Percentage of qualified applicants who are minorities (target is 28%)	47.2%	46.8%	46.8%
Percentage of qualified applicants who are female (target is 44%)	41.0%	36.5%	36.5%
Annualized employee turnover rate	5.5%	6.0%	6.0%
Percentage of worker's compensation claims per 1,000 employees	11.5%	10.9%	10.9%
Employee performance evaluations completed on time (target is 90%)	N/A	91%	91%

*Based on 10 months actual experience.

**In 2008, the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$15,873,000	\$19,120,000	\$13,480,000
Total Positions	111.4	83.6	83.6
Source of Funds:			
General	\$14,944,000	\$17,687,000	\$12,001,000
City Improvement	594,000	979,000	978,000
Other Restricted	335,000	454,000	501,000



**PUTTING PHOENIX
TO WORK**

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 one staff member.

Budget Allowance Explanation

The Phoenix Employment Relations Board 2009-10 operating budget allowance of \$96,000 is \$47,000 or 32.9 percent less than 2008-09 estimated expenditures. This decrease is due to budget reductions that suspend an administrative assistant II and transfers funding for expenses to various enterprise funds. The reductions leave a single clerical position to support the volunteer board.

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 2009-10 gross operating budget allowance of \$1,665,000 is \$163,000 or 10.9 percent more than 2008-09 estimated expenditures. The increase is primarily due to a proportionally larger percentage of budget reductions being made in 2008-09. Partially offsetting the increase are budget reductions that transfer funding for contractual actuarial, legal, medical and computer software maintenance services to the pension fund.

Phoenix Employment Relations Board Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of cases filed**	11	13	12

*Based on 10 months actual experience.

**Number of cases filed may vary yearly depending upon specific issues encountered.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$221,000	\$143,000	\$96,000
Total Positions	2.0	1.0	1.0
Source of Funds:			
General	\$221,000	\$143,000	\$96,000

Retirement Systems Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
General city retirements	332	457	306
Public safety retirements	223	170	138
General city and public safety member contacts			
Appointments	693	884	435
Walk-in service	1,842	1,791	950
Telephone calls	9,306	8,267	7,830
Overall member satisfaction survey as rated on a scale of 1 to 4.	3.94	3.92	3.91
Success of educational classes as rated on a scale of 1 to 4.	3.82	3.68	3.73

*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense (Gross*)	\$1,764,000	\$1,502,000	\$1,665,000
Total Positions	14.0	14.0	14.0
Source of Funds:			
General (Gross*)	\$1,764,000	\$1,502,000	\$1,665,000

*Gross costs are recovered through citywide assessments to all city departments.

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 2009-10 operating budget allowance of \$23,961,000 is \$2,352,000 or 10.9 percent more than 2008-09 estimated expenditures. The increase is primarily due to increases in federal and state grants and is partially offset with budget reductions including the suspension of 28 positions consisting of attorneys, legal and administrative support staff, and case management staff assigned to various trial courtrooms and civil litigation issues. In addition, funding was reduced for outside legal services, other commodities and educational material. These reductions will increase attorney caseloads and impact the department's ability to train staff and hire outside legal counsel for critical and complex cases.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$22,192,000	\$21,609,000	\$23,961,000
Total Positions	250.0	222.0	222.0
Source of Funds:			
General	\$21,324,000	\$20,632,000	\$21,295,000
Court Awards	217,000	242,000	253,000
Federal and State Grants	564,000	647,000	2,345,000
Other Restricted	87,000	87,000	68,000
Federal Transit Authority	—	1,000	—

Law Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Criminal cases sent to diversion	3,650	4,200	4,600**
Pre-trial disposition conferences set	56,000	55,000	55,000
New civil cases opened in the fields of condemnation, collection, taxes and civil litigation, excluding liability and other cases assigned to outside counsel	1,400	830	830
Number of defendants submitted for charging review	37,000	53,000	53,000
Number of civil cases closed, including those assigned to outside counsel and handled through the alternative dispute resolution process	1,200	1,600	1,600
Ordinances and resolutions for City Council adoption drafted and reviewed	1,400	1,300	1,300
Number of jury trials prosecuted	240	200	200

*Based on 10 months actual experience.

**The Prosecutor's Office is in the process of completing a Request for Proposal selection process for an Underage Drinking Diversion Program. It is anticipated that in 2009-10, 400 new cases will be sent to diversion upon implementation.



INFORMATION TECHNOLOGY

Program Goal

Information Technology Services 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 Services 2009-10 operating budget allowance of \$6,023,000 is \$57,000 or 1.0 percent more than 2008-09 estimated expenditures. The increase reflects the carryover of network infrastructure hardware. The increase is partially offset by budget reductions including the suspension of 11 positions that support centralized data entry and other business systems, and the suspension of a weekday shift and weekend operations in the Computer Center. The budget also eliminates outside legal services for the cable audit and reduces outside network infrastructure support which will result in longer timelines to design and implement new projects. Funding for telecommunication maintenance contracts also was reduced.

Information Technology Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Percentage of on-time operations center services	99.9%	99.9%	99.0%
Number of ITD-supported network devices	12,372	13,427	13,941
Critical systems availability percentage:			
Enterprise network	99.9%	99.9%	99.0%
Business systems	99.8%	99.8%	99.0%
Internet services	99.8%	99.9%	99.0%
Telephone network	99.9%	99.9%	99.9%
Microwave network	99.9%	100.0%	100%
Number of visits to phoenix.gov	15,795,746	16,500,000**	18,000,000**
Average cycle time of telephone service requests	2 weeks	1 week	1 week
Average number of CityCom phone calls processed daily	85,303	77,212	83,000
Average cycle time of wireless communication repairs	0.90 hours	0.88 hours	0.88 hours
Units of portable and mobile radio equipment	22,092	19,200	19,700

*Based on 10 months actual experience.

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

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense*	\$4,794,000	\$5,966,000	\$6,023,000
Total Positions	218.0	203.0	203.0
Source of Funds:			
General	\$2,661,000	\$3,874,000	\$3,565,000
City Improvement	1,029,000	1,017,000	1,169,000
Other Restricted	107,000	100,000	250,000
Aviation	224,000	181,000	193,000
Water	208,000	205,000	223,000
Cable Communications	565,000	589,000	623,000

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

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; preparing agendas and minutes for City Council formal meetings; providing for effective administration of city elections and annexations; administering liquor, bingo and regulatory license services; and providing printing, typesetting, microfilming, document imaging, office automation and mail delivery services to all city departments.

Budget Allowance Explanation

The City Clerk 2009-10 operating budget allowance of \$5,675,000 is \$415,000 or 7.9 percent more than 2008-09 estimated expenditures. The increase is due to a scheduled election. The increase is partially offset by budget reductions that suspend positions responsible for city elections, internal mail delivery, printing services, maintenance of official records, training classes, translation and technical support. Also included in the budget reductions are high-level maintenance and support for the city's Enterprise Messaging System, and reductions in funding for prepared legal descriptions for annexations and verification of property management.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$7,591,000	\$5,260,000	\$5,675,000
Total Positions	124.0	105.3	105.3
Source of Funds:			
General	\$7,426,000	\$5,085,000	\$5,498,000
City Improvement	165,000	165,000	164,000
Other Restricted	—	10,000	13,000

City Clerk Major Performance Measures and Service Levels

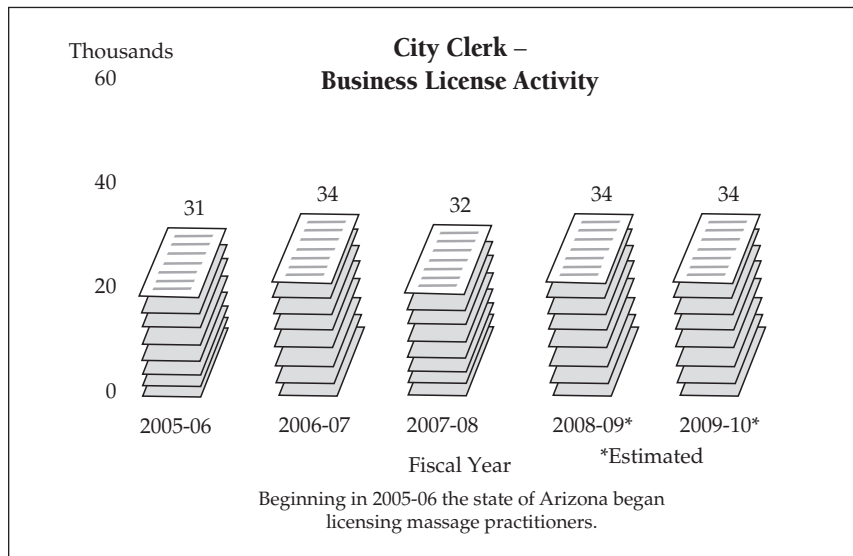
The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08**	2008-09*	2009-10
Number of Council formal and special meeting agenda items	3,323	3,400	3,400
Open meeting law notices posted***	4,716	5,000	4,500
Total printing and copy impressions (including rapid copy)	46.2M	30.0M	30.0M
City Council regular and special elections held	3	0	1
Business license data entry activity	32,447	33,800	33,800
Records imaged for public access	N/A	95%	95%
Effectiveness of anti-spam filter	97%	95%	95%
Customer satisfaction with department	96%	95%	95%

*Based on 10 months actual experience.

**In 2008 the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

***Includes meeting notices and meeting result postings as required by state law as of September 2008.





FINANCE

Program Goal

The Finance Department strives to maintain a fiscally sound governmental organization that conforms to legal requirements and 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 Finance Department 2009-10 operating budget allowance of \$25,090,000 is \$2,229,000 or 9.8 percent more than 2008-09 estimated expenditures. A significant portion of the Finance Department's contribution to balancing the budget was through new revenues not reflected here. In addition, the 2009-10 budget is increased for City Improvement payments to a benefit reserve fund. The increase is offset by budget reductions. The budget includes a reduction of 21.7 positions in Inventory Management, Banking and Cashiering, Tax, Accounting, Administration, Purchasing, Treasury and Debt Management, and Financial Application and Support divisions. These reductions will negatively impact administrative support within the Finance Department, decrease timely processing and customer service, and increase the workload of operations staff in each division.

The budget also includes reduced General Fund support of the Tax and Treasury divisions through appropriate staff time being charged out to Capital Construction, Parks and Preserves and Transit 2000 sales tax funds and the various enterprise funds. Additionally, the budget eliminates the centralized city inventory warehouse which results in city departments placing orders directly with various contract vendors and reduces contractual services for computer software licenses and support.

Finance Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Sales tax and franchise fees collected	\$743 mil.	\$700 mil.	\$700 mil.
Average real estate acquisition cycle time (months)	16.2	18.0	18.0
Average property damage claims cycle time (days)	47	37	60
Average invitation for bid (IFB) cycle time (days)	95	95	90

*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$24,931,000	\$22,861,000	\$25,090,000
Total Positions	303.5	281.8	281.8
Source of Funds:			
General	\$23,333,000	\$20,972,000	\$21,968,000
Water	718,000	744,000	929,000
Wastewater	714,000	774,000	759,000
Sports Facilities	109,000	129,000	129,000
Public Housing	—	(57,000)	(85,000)
City Improvement	57,000	55,000	1,080,000
Aviation	—	134,000	104,000
Other Restricted	—	110,000	206,000

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 2009-10 operating budget allowance of \$3,230,000 is \$222,000 or 7.4 percent more than 2008-09 estimated expenditures. The increase reflects a reduction in Impact Fee administration assessments and is offset by the suspension of one management intern and three management assistant II positions. The budget also reflects the department's ability to charge staff costs for the administration of the Capital Improvement Program to bonds and other capital funding sources.

Expenditure and Position Summary

	2007-08	2008-09*	2009-10
Operating Expense	\$3,994,000	\$3,008,000	\$3,230,000
Total Positions	31.0	28.0	28.0
Source of Funds:			
General	\$3,628,000	\$3,008,000	\$3,230,000
Other Restricted	366,000	—	—

Budget and Research Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Percent variance of actual versus estimated expenditures for each major fund (data for the General Fund is shown)	(2.2)%	0% -± .5%	0% -± .5%
Percent variance of actual versus estimated revenues for each major fund (data for the General Fund is shown)	(.8)%	0% -± .5%	0% -± .5%
Percent of Requests for Council Action processed within 24 hours	69%	75%	75%
Customer satisfaction with research reports and other analyses (scale of 1-10)	9.2	10.0	10.0
Capital Improvement Program expenditures as a percentage of estimate	64%	70%	70%

*Based on 10 months actual experience.



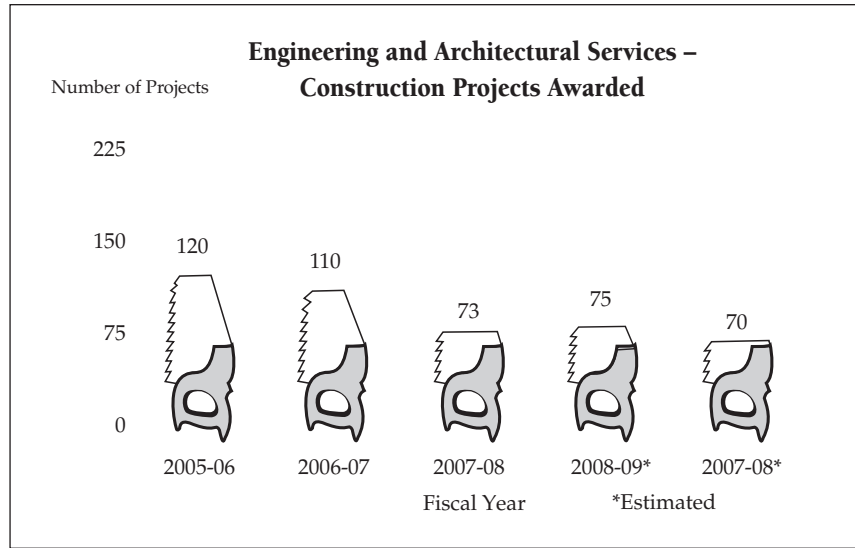
ENGINEERING AND ARCHITECTURAL SERVICES

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 Department 2009-10 gross operating budget allowance of \$13,357,000 is \$67,000 or 0.5 percent less than 2008-09 estimated expenditures. The budget reflects the suspension of nine positions that are responsible for managing and monitoring various capital improvement projects. The budget also reflects a reduction in funding for the Summer Intern Program, enhancements to the Central Records Imaging System and reduced overtime.



Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense (Gross*)	\$13,430,000	\$13,424,000	\$13,357,000
Total Positions	119.1	108.6	108.6
Source of Funds:			
General (Gross*)	\$12,734,000	\$12,749,000	\$12,672,000
Other Restricted	1,000	23,000	23,000
Cable Communications	695,000	652,000	662,000

*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 Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of construction contract bids awarded	73	75	70
Number of engineering and architectural consultant contracts awarded	237	185	200
Construction dollars as a percentage of total dollars awarded			
Minority-owned business enterprises	2.0%	1.0%	1.0%
Woman-owned business enterprises	2.0%	1.0%	1.0%
Small business enterprises	7.0%	6.4%	6.4%
Percentage of utility permits reviewed and approved by target date	86%	85%	85%

*Based on 10 months actual experience.



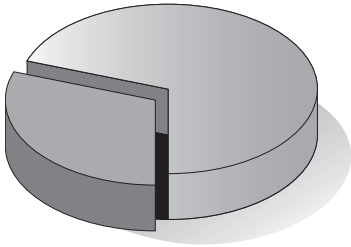
PUTTING PHOENIX
TO WORK



Public Safety Manager Jack Harris oversaw security operations for the 2009 NBA All-Star Game in Phoenix.

Public Safety

The Public Safety Program Represents 33.9% of the Total Budget.



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

OFFICE OF THE PUBLIC SAFETY MANAGER

Program Goal

The Office of the Public Safety Manager oversees and coordinates operations of the Phoenix Police Department; the security operations of the Aviation, Transit (including Light Rail) and Water Services departments; the city's Emergency Management Program and the Emergency Operations Center.

Budget Allowance Explanation

The Office of the Public Safety Manager's 2009-10 operating budget allowance of \$367,000 is \$20,000 or 5.8 percent more than 2008-09 estimated expenditures and is due to normal inflationary increases.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$336,000	\$347,000	\$367,000
Total Positions	2.0	2.0	2.0
Source of Funds:			
General	\$336,000	\$347,000	\$367,000

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 Police Department 2009-10 operating budget allowance of \$581,879,000 is \$20,027,000 or 3.6 percent more than 2008-09 estimated expenditures. This increase is primarily due to normal inflationary adjustments, carryover of unspent grand funds, partial-year funding

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Average Response Time (Minutes)			
Priority 1 - Emergency	5.5	5.3	5.5
Priority 2 - Non-Emergency	21.5	19.3	20.7
Priority 3 - All Others	52.5	46.1	51.8
Telephone Callbacks**	91.2	118.9	110.1
Percentage of phone calls to 9-1-1 and Crime Stop answered within 10 seconds***			
	81%	87%	84%
Cases accepted by the county attorney for issuance of complaint			
	26,369	21,200	24,000
Moving violation citations issued			
	259,087	257,200	258,900
Traffic accidents			
	30,516	27,700	29,900
Percentage of cases cleared:			
Murder	53%	48%	50%
Rape	21%	20%	20%
Robbery	17%	18%	17%
Aggravated Assault	42%	43%	42%
Burglary	5%	5%	5%
Theft	16%	17%	16%
Auto Theft	7%	7%	7%
Arson	12%	9%	10%

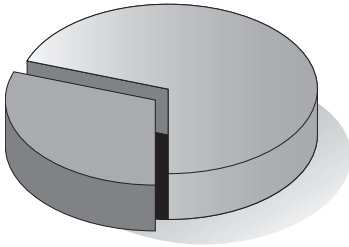
*Based on 10 months actual experience.

**Starting in October 2006 callback was moved temporarily to a new location with limited equipment. This, combined with staffing changes, resulted in longer response times to calls.

***The 2007-08 percentage of 9-1-1 calls answered within 10 seconds is low due to the installation of a new phone system and the temporary relocation of the call center for several months during the fiscal year. The reduction in service in 2009-10 is due to delays associated with new employee training and an anticipated learning curve as the department transitions to a new Computer-Aided Dispatch system in early 2010.

Public Safety

The Public Safety Program Represents 33.9% of the Total Budget.



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

OFFICE OF THE PUBLIC SAFETY MANAGER

Program Goal

The Office of the Public Safety Manager oversees and coordinates operations of the Phoenix Police Department; the security operations of the Aviation, Transit (including Light Rail) and Water Services departments; the city's Emergency Management Program and the Emergency Operations Center.

Budget Allowance Explanation

The Office of the Public Safety Manager's 2009-10 operating budget allowance of \$367,000 is \$20,000 or 5.8 percent more than 2008-09 estimated expenditures and is due to normal inflationary increases.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$336,000	\$347,000	\$367,000
Total Positions	2.0	2.0	2.0
Source of Funds:			
General	\$336,000	\$347,000	\$367,000

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 Police Department 2009-10 operating budget allowance of \$581,879,000 is \$20,027,000 or 3.6 percent more than 2008-09 estimated expenditures. This increase is primarily due to normal inflationary adjustments, carryover of unspent grand funds, partial-year funding

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Average Response Time (Minutes)			
Priority 1 - Emergency	5.5	5.3	5.5
Priority 2 - Non-Emergency	21.5	19.3	20.7
Priority 3 - All Others	52.5	46.1	51.8
Telephone Callbacks**	91.2	118.9	110.1
Percentage of phone calls to 9-1-1 and Crime Stop answered within 10 seconds***			
	81%	87%	84%
Cases accepted by the county attorney for issuance of complaint			
	26,369	21,200	24,000
Moving violation citations issued			
	259,087	257,200	258,900
Traffic accidents			
	30,516	27,700	29,900
Percentage of cases cleared:			
Murder	53%	48%	50%
Rape	21%	20%	20%
Robbery	17%	18%	17%
Aggravated Assault	42%	43%	42%
Burglary	5%	5%	5%
Theft	16%	17%	16%
Auto Theft	7%	7%	7%
Arson	12%	9%	10%

*Based on 10 months actual experience.

**Starting in October 2006 callback was moved temporarily to a new location with limited equipment. This, combined with staffing changes, resulted in longer response times to calls.

***The 2007-08 percentage of 9-1-1 calls answered within 10 seconds is low due to the installation of a new phone system and the temporary relocation of the call center for several months during the fiscal year. The reduction in service in 2009-10 is due to delays associated with new employee training and an anticipated learning curve as the department transitions to a new Computer-Aided Dispatch system in early 2010.



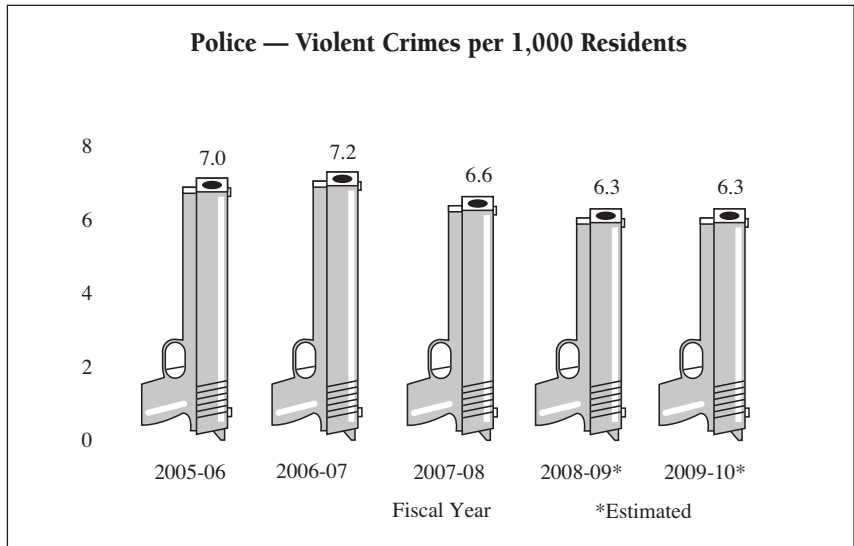
to operate the new northeast precinct, and the completion of the 2007 Public Safety Expansion Fund (Proposition 1) hiring plan.

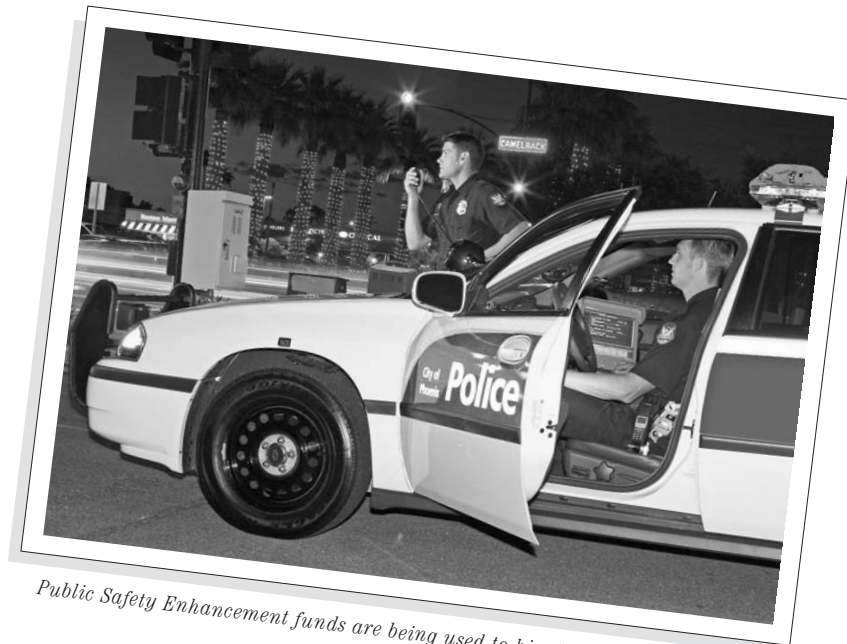
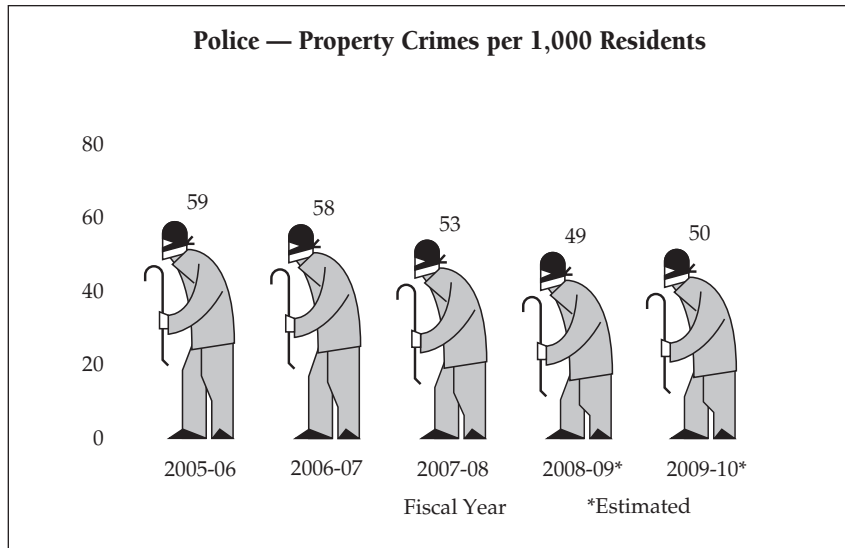
These increases are offset by budget reductions including the suspension of 33 administrative and clerical support positions, one police sergeant and one police commander. The budget also reflects the delayed hiring of 250 sworn police officers and 16 sworn supervisory positions. In addition, the reductions include reduced funding for a variety of contractual and commodity line items such as advertising, travel and reduced flight hours for the Air Support Unit.

In addition, the budget converts a temporary management services administrator to a regular position and adds an information technology analyst programmer to support the Vehicle Impound program.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$520,852,000	\$561,852,000	\$581,879,000
Total Positions	4,966.7	4,946.7	4,945.7
Source of Funds:			
General	\$435,786,000	\$453,149,000	\$456,705,000
Public Safety Expansion	17,108,000	33,271,000	50,215,000
Neighborhood Protection	24,121,000	25,489,000	27,017,000
Public Safety Enhancement	17,296,000	18,376,000	19,983,000
City Improvement	4,871,000	5,179,000	6,344,000
Court Awards	4,851,000	5,998,000	5,002,000
Other Restricted	3,112,000	4,111,000	4,218,000
Federal and State Grants	11,914,000	14,452,000	10,513,000
Sports Facilities	993,000	1,022,000	1,053,000
Convention Center	782,000	805,000	829,000
Human Services Grant	18,000	—	—





Public Safety Enhancement funds are being used to hire 500 police personnel.



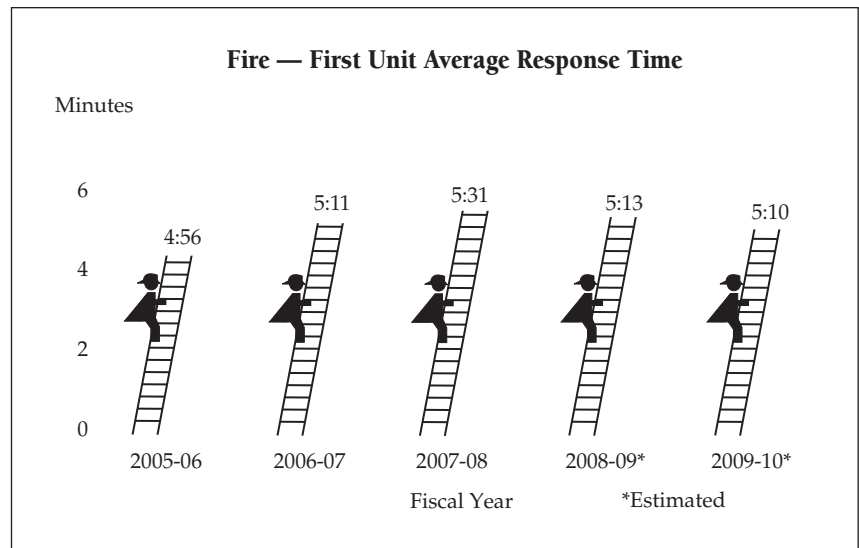
FIRE

Program Goal

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

Budget Allowance Explanation

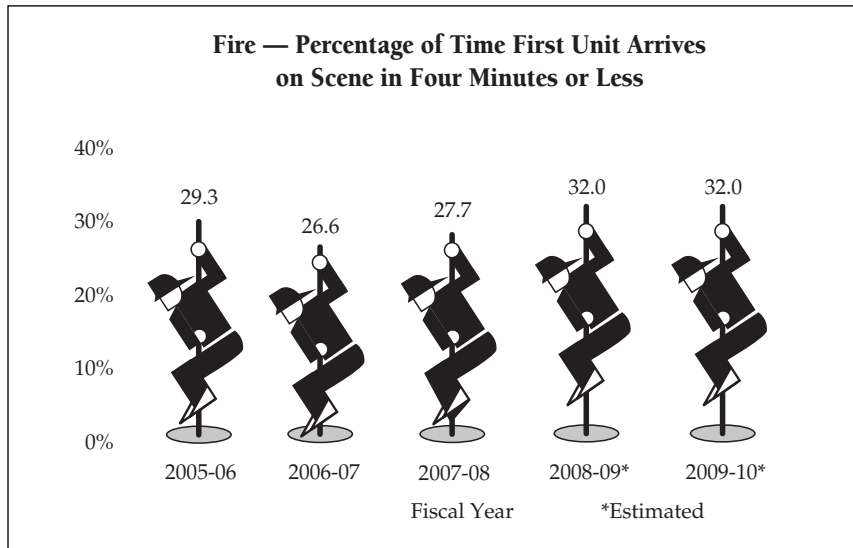
The Fire Department 2009-10 operating budget allowance of \$294,420,000 is \$13,219,000 or 4.7 percent more than 2008-09 estimated expenditures. This increase reflects normal inflationary adjustments and is partially offset by budget reductions including the suspension of 25.5 administrative support positions throughout the department, and an assistant chief and a deputy chief. The budget also reduces overtime by adjusting and reprioritizing the training schedule. In addition, the budget reflects the opening of Fire Station 72 with existing staff, reduced staffing for part-time rescues that provide patient transportation during peak hours, and the delayed hiring of 51 sworn vacancies that will occur as a result of normal attrition.



The Phoenix Fire Department responds to more than 14,000 fire-related calls each year.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$256,755,000	\$281,201,000	\$294,420,000
Total Positions	2,136.0	2,118.5	2,118.5
Source of Funds:			
General	\$225,499,000	\$233,011,000	\$243,651,000
Public Safety Enhancement	10,313,000	11,473,000	11,928,000
Neighborhood Protection	7,568,000	8,301,000	8,919,000
Public Safety Expansion	2,076,000	12,505,000	14,042,000
Development Services	2,391,000	2,543,000	2,731,000
Federal and State Grants	4,277,000	5,331,000	3,134,000
Other Restricted	1,168,000	4,563,000	5,272,000
City Improvement	3,463,000	3,474,000	4,743,000



Fire Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Percent of fire and emergency medical call responses within four minutes	27.7%	32.0%	32.0%
Patient transports to Valley hospitals via emergency medical vehicles	57,473	58,750	60,552
Percentage of time Advanced Life Support (ALS) medical calls are responded to with paramedic units within five minutes	45.5%	53.0%	53.0%
Number of fire investigations to determine cause only	826	903	956
Number of calls by type:			
Emergency Medical	123,705	123,000	125,000
Fire	14,805	14,500	15,500
Other (mountain/swift water/trench/tree rescues/other)	76.5%	73.0%	73.0%

*Based on 10 months actual experience.



EMERGENCY MANAGEMENT

Program Goal

The Emergency Management Program provides the city with the capability to plan for, mitigate, 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 2009-10 operating budget allowance of \$802,000 is \$231,000 or 40.5 percent more than 2008-09 estimated expenditures. The increase reflects normal inflationary increases and the emergency management coordinator position being frozen in 2008-09 as a result of budget reductions. This increase also reflects a reduction in management and administrative transfers due to expiring federal homeland security grants.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$608,000	\$571,000	\$802,000
Total Positions	6.0	6.0	6.0
Source of Funds:			
General	\$149,000	\$121,000	\$268,000
Public Safety Enhancement	324,000	210,000	487,000
Grants	135,000	240,000	47,000

Emergency Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Customer satisfaction with homeland security efforts and security-related communications	9	9	5**

*Based on 10 months actual experience.

**In 2009-10 due to a modification in the survey, the rating scale changed from 1 – 10 to 1 – 5.

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 2009-10 operating budget allowance of \$1,562,000 is \$141,000 or 8.3 percent less than 2008-09 estimated expenditures. The decrease reflects the suspension of an administrative assistant II, three caseworker IIs and an administrative assistant responsible for providing essential program, advocacy and outreach services to the community.

Family Advocacy Center Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Victims served**	3,458	5,100	3,000
Total victim contacts	6,039	6,300	5,100
Total services provided**	3,967	5,100	3,000

*Based on 10 months actual experience.

**Includes shelter participants, orders of protection, financial assistance, counseling services and sexual assault examinations.

Expenditure and Position Summary

	2007-08	2008-09*	2009-10
Operating Expense	\$810,000	\$1,703,000	\$1,562,000
Total Positions	17.0	12.0	12.0
Source of Funds:			
General	\$794,000	\$1,568,000	\$1,488,000
Other Restricted	16,000	74,000	74,000
Federal and State Grants	—	61,000	—



The Family Advocacy Center provides comprehensive services to victims of violence.



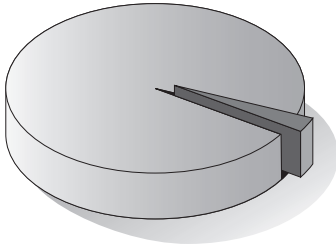
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TO WORK



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

Criminal Justice

The Criminal Justice Program Represents 2.5% 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 2009-10 operating budget allowance of \$41,895,000 is \$1,433,000 or 3.5 percent more than 2008-09 estimated expenditures. The increase is primarily due to increased funding in the Court Technology Enhancement Fund and is offset by the

Municipal Court Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Criminal filings	84,538	92,000	92,000
Civil filings	245,530	248,000	248,000
Average number of days from arraignment to hearing for minor traffic cases**	31.0	35.0	35.0
Number of criminal cases with a pending trial date at year end	1,700	1,700	1,700
Percent of trials/hearings appealed	1.5%	3.5%	3.5%
Average cycle time for sending out restitution and bail refund checks	1.8 days	2.0 days	2.0 days
Average hold time for incoming information calls to the Customer Call Center**	1.9 minutes	3.0 minutes	3.0 minutes

*Based on 10 months actual experience.

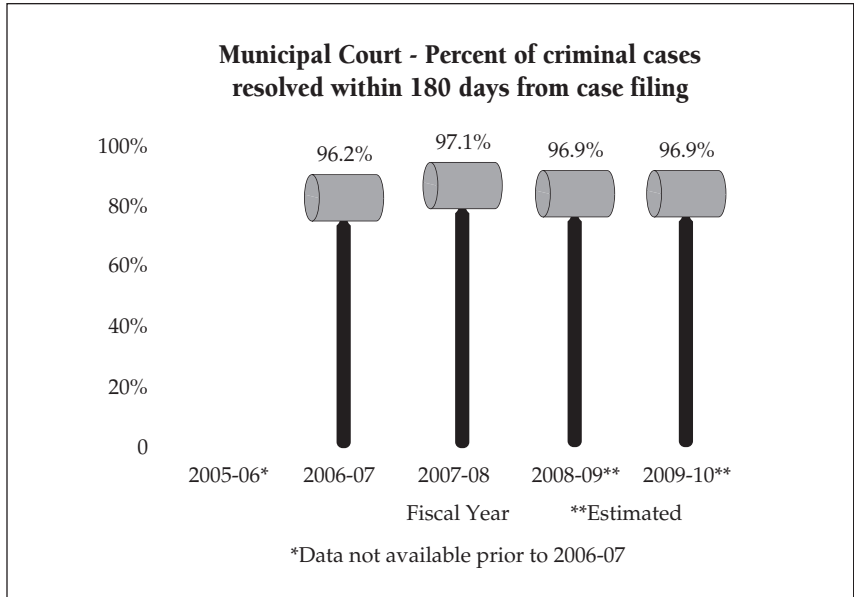
**Reflects the impact that budget reductions will have on operations.



suspension of 19.5 positions assigned to support criminal and civil courtrooms, administrative and accounting support functions, information technology and the Substance Abuse Screening program.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$37,982,000	\$40,462,000	\$41,895,000
Total Positions	382.9	363.4	363.4
Source of Funds:			
General	\$32,549,000	\$32,281,000	\$33,150,000
Other Restricted	1,657,000	2,646,000	3,206,000
City Improvement	3,776,000	5,535,000	5,539,000



Each year, the court processes an average of 350,000 cases including 80,000 criminal charges.

PUBLIC DEFENDER

Program Goal

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

Budget Allowance Explanation

The Public Defender Program’s 2009-10 operating budget allowance of \$4,839,000 is \$142,000 or 3.0 percent more than the 2008-09 estimated expenditures. This is a result of budget reductions taken in 2008-09 and normal inflationary increases that are partially offset by reductions for contracted court-appointed attorneys, litigation contracts and Jail Court contracts in 2009-10.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$4,623,000	\$4,697,000	\$4,839,000
Total Positions	9.0	9.0	9.0
Source of Funds:			
General	\$4,623,000	\$4,697,000	\$4,839,000

Public Defender Major Performance Measures and Service Levels

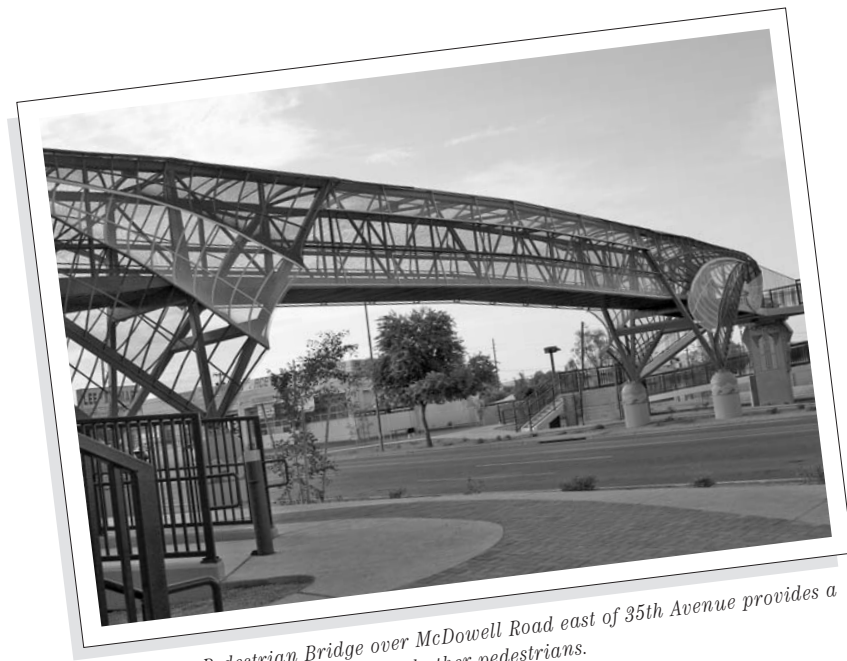
The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Defendants charged with misdemeanor crimes represented in Phoenix Municipal Court	14,431	14,800	14,800
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)	32,323	32,500	32,500

*Based on 10 months actual experience.



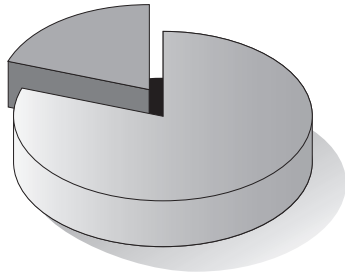
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TO WORK



The Isaac Pedestrian Bridge over McDowell Road east of 35th Avenue provides a safer connection for students and other pedestrians.

Transportation

The Transportation Program Represents 20.6% of the Total Budget.



The Transportation program budget includes Street Transportation, Aviation 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 2009-10 operating budget allowance of \$67,631,000 is \$5,111,000 or 8.2 percent more than 2008-09 estimated expenditures. This increase is due to reduced work order credits in the General Fund resulting from fewer capital improvement projects and the completion of light rail. There was also an increase in charges to the Arizona Highway Revenue Fund. The increase is offset by budget reductions in the 2009-10 operating budget.

The 2009-10 budget reduces funding for equipment, contractual services and commodities including pest control services, purchase of a generator to use in

Street Transportation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08**	2008-09*	2009-10
Routine street maintenance requests for service completed within 2-21 days (target is 90%)	91%	85%	80%
Percent of all traffic signal control cabinets inspected annually	100%	100%	100%
Routine traffic operation requests for service completed within 30 days (target is 95%)	98%	97%	95%
Construction project complaints or inquiries addressed within 5 working days (target is 98%)	N/A	99%	98%
Number of days to review and respond to street light requests (target is 5 working days)	5.9	9.0	10.0
Number of days to review private development plans (target is 10 working days)	8.4	9.0	10.0
Complete requests for signs and crosswalk work within 45 days (target is 90%)	N/A	86%	85%

*Based on 10 months actual experience.

**In 2008, the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

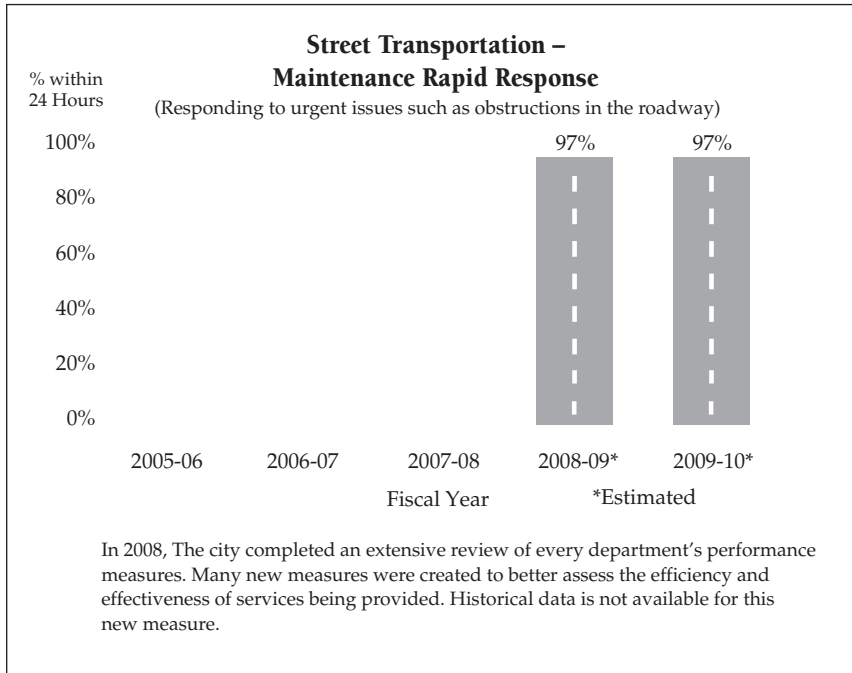


the event of power failures, and purchase of safety equipment for testing by the department's safety committee. The budget reduces funding of overtime for utility inspections, for the design of street and infrastructure projects, emergency road obstruction response and for the removal of debris after special events. Funding for contract employees that are responsible for several areas including maintaining computerized applications, support for environmental services and for daily inspections of capital improvement construction projects also is reduced. The budget also suspends several positions, which eliminates wash maintenance coordination; reduces maintenance of traffic signal loop detectors and signalized intersections; reduces traffic volume counts and support for addressing neighborhood traffic issues including safety issues; and delays review of local, state and federal environmental regulations. The budget reduces the number of investigations for local flooding complaints; reduces maintenance of unimproved right-of-way and drainage areas; delays city construction projects and reduces preventative maintenance of traffic signal lamps.

In addition, the 2009-10 budget suspends 50 percent of staff who provide office support to the Street Maintenance field offices and reduces administrative staff in the Street Maintenance and Management Services divisions. The budget includes suspending all heater panel crews responsible for repairing failed street cuts, one of six two-person shoulder grading crews responsible for cleaning dirt shoulders, and staff responsible for street striping and street signs. Some staff positions responsible for communicating and assisting utility companies with scheduling inspections are also suspended in addition to staff responsible for monitoring the quality of work performed by contractors to prepare streets for the Overlay Program by replacing sidewalk ramps that are not compliant with the Americans with Disabilities Act (ADA).

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$68,981,000	\$62,520,000	\$67,631,000
Total Positions	784.0	711.0	711.0
Source of Funds:			
General	\$29,449,000	\$22,837,000	\$25,845,000
Arizona Highway User Revenue	39,047,000	39,217,000	41,227,000
City Improvement	400,000	398,000	403,000
Capital Construction	—	43,000	132,000
Federal and State Grants	18,000	25,000	24,000
Other Restricted	67,000	—	—



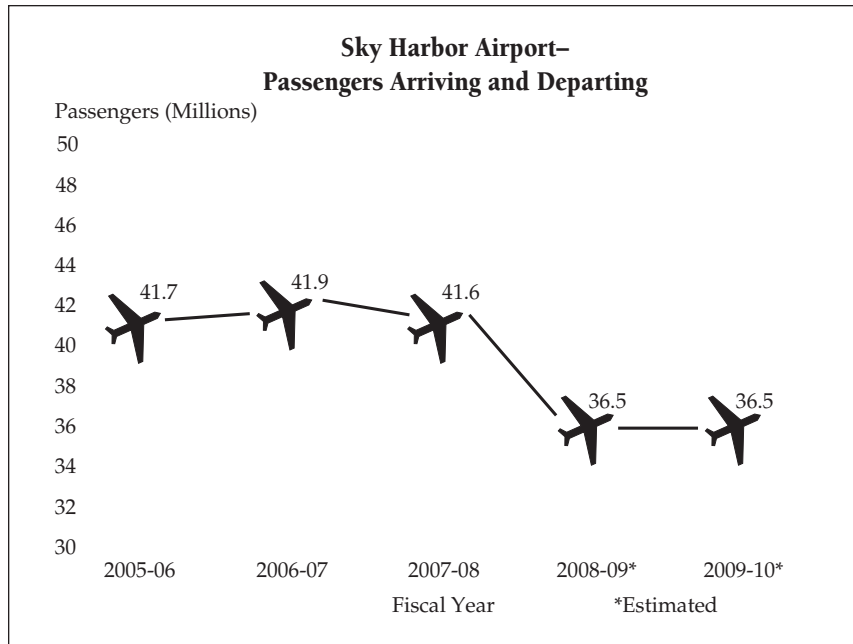
AVIATION

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 2009-10 operating budget allowance of \$208,385,000 is \$2,046,000 or 1.0 percent less than 2008-09 estimated expenditures. This reduction is primarily the result of the suspension of 45 support positions in the Facilities and Services, Technology, Operations, Design and Construction Services, and Financial Management divisions. Also reflected are reductions to inter-terminal bus service, replacement vehicles, computer equipment, and other contractual and commodity expenditures.



Phoenix Sky Harbor International Airport is one of the 10 busiest in the world with a \$90 million daily economic impact.



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TO WORK**

The 2009-10 budget also reflects the addition of 13 positions to enhance the department's ability to manage capital projects. The costs of these positions are offset with reductions in various contractual service payments to third-party vendors.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$199,351,000	\$210,431,000	\$208,385,000
Total Positions	861.7	834.7	844.7
Source of Funds:			
Aviation	\$199,351,000	\$210,431,000	\$208,385,000

Aviation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Airline rental rates (cost per square foot):			
Terminal 2	\$53.88	\$57.36	\$69.00
Terminal 3	\$57.96	\$60.96	\$75.96
Terminal 4	\$66.72	\$69.96	\$84.48
Gross sales per departing passenger:			
Terminal 2	\$8.01	\$8.21	\$8.21
Terminal 3	\$9.28	\$9.18	\$9.18
Terminal 4	\$8.41	\$8.60	\$8.60
Aircraft takeoffs and landings (Sky Harbor Airport only)	531,774	470,000	480,000
Total international passengers	1,841,595	1,800,000	1,850,000
Air cargo processed (in tons)	285,673	263,000	270,000

*Based on 10 months actual experience.



PUBLIC TRANSIT

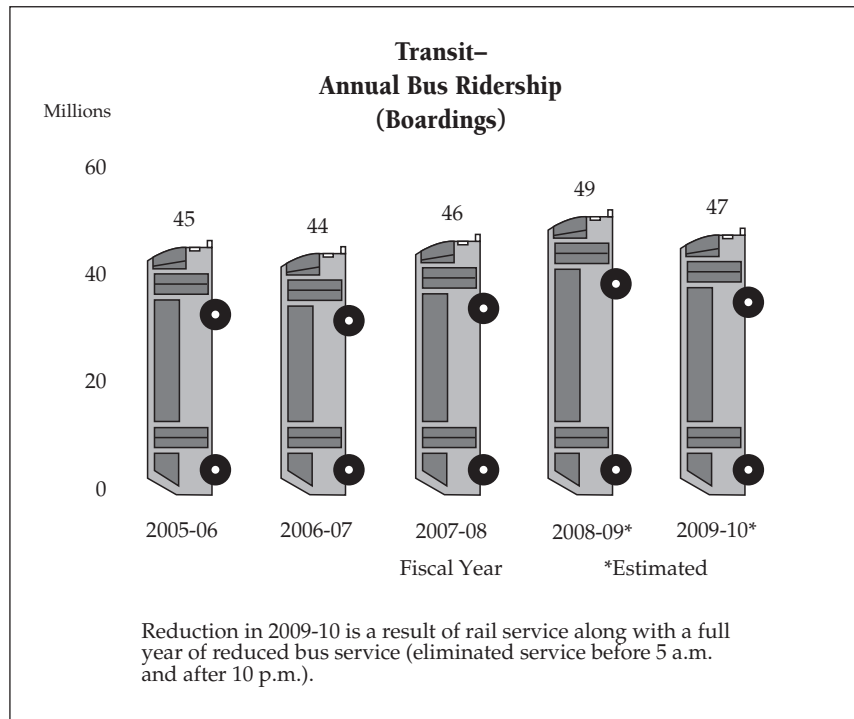
Program Goal

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 2009-10 operating budget allowance of \$258,377,000 is \$12,250,000 or 5.0 percent more than 2008-09 estimated expenditures. This increase is primarily due to a full year of operating costs for light rail and increased debt service. These increases are offset by General Fund and Transit 2000 Fund budget reductions.

The General Fund expenditure reductions include reduced funding for consulting services for public relations, informational programming on Phoenix Channel 11, information technology equipment replacement, and suspends capital improvement program general planning consultant services. Reductions also replace General funds with Federal funds for the cost of preventive maintenance of the bus fleet; suspend the Phoenix portion of Route 156 serving Chandler Boulevard and the Seventh Street Limited route which runs from Seventh Street to the Central Station; reduce the DART and DEER RUN circulators by 50 percent and the ALEX by 25 percent; and reduce the frequency of landscape maintenance and cleaning at park-and-rides, bus stops, transit centers and transit operating facilities throughout the city. In addition, reductions suspend a civil engineer, procurement manager, three secretaries, user technology specialist, accountant and administrative aide positions. Further reductions also suspend an equal opportunity program assistant and an equal opportunity specialist along with reducing funding for an outside consultant for assistance with Federal Transit Authority compliance activities.



METRO light rail projects an average weekday ridership of 26,000 daily boardings during its first year of operation.



PUTTING PHOENIX TO WORK

Due to declining Transit 2000 sales tax revenue, Transit 2000 Fund budget reductions and fare increases were implemented. Fare increases include increasing the base bus and light rail fare by \$.50 for one-way travel, transitioning to a fare structure that will eventually price the all-day pass from \$2.50 to \$5.00, increasing base express/RAPID fares by \$1.00 and other fares and passes accordingly, and establishing a discount of \$.50 for the purchase of a one-day pass for local fixed route bus service at locations other than on the bus. Additional increases include increasing the Dial-a-Ride ADA fare by \$1.00, gradually

increasing the monthly ADA pass from \$35.00 to \$65.00, and increasing the non-ADA first zone fare to \$5.00, additional zones to \$3.00 and setting reduced fares to 50 percent of these rates. Reductions to Transit 2000 expenditures include reduced funding for installation of new bus pullouts, bike lanes and left-turn signals by 50 percent and a reduced renovation of the Central Station Transit Center. In addition, a contingency fund will provide for a January 2010 restoration of early morning, late evening and Saturday frequencies, or for other service enhancements, if sales taxes and fare revenues improve as projected.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$208,803,000	\$246,127,000	\$258,377,000
Total Positions	125.0	115.0	115.0
Source of Funds:			
General	\$26,763,000	\$23,200,000	\$19,522,000
Transit 2000	113,277,000	144,690,000	160,981,000
City Improvement	41,709,000	41,900,000	43,960,000
Local Transportation Assistance	6,807,000	6,398,000	6,684,000
Regional Transit	15,045,000	17,027,000	18,648,000
Federal Transit Authority	5,202,000	12,912,000	8,582,000



In July 2008, new DASH buses and routes were introduced. The free shuttle runs between the State Capitol and Phoenix City Hall, and around downtown Phoenix.

Public Transit Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
On-time performance for bus service**	89%	92%	93%
On-time performance for Dial-a-Ride prescheduled service	93%	94%	94%
Cost recovery from bus fares***	20.5%	20.2%	26.4%
Bus boardings per revenue mile	2.19	2.41	2.44
Average weekday boardings for light rail****	N/A	26,000	27,000
On-time performance for light rail service****	N/A	95%	95%
Cost recovery from light rail fares****	N/A	25%	25%

*Based on 10 months actual experience.

**On-time bus performance will improve beginning in 2008-09 as detours and light rail construction on the busiest routes have ended.

***Fare increases are scheduled for July 1, 2009.

****Light rail services began in December 2008. This measure represents the entire light rail system.



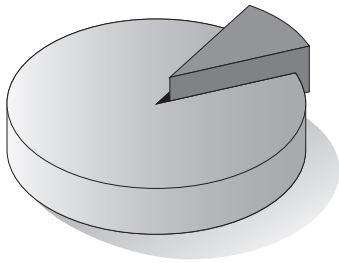
PUTTING PHOENIX
TO WORK



America's Taco Shop, 2041 N. Seventh St., is a successful new business that benefited from the Adaptive Reuse pilot program, which was created to streamline the process of adapting older buildings for new business uses.

Community Development

The Community Development Program Represents 8.6% of the Total Budget.



The Community Development program budget includes Development Services, Planning, Housing, Community and Economic Development, and Neighborhood Services.

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 2009-10 operating budget allowance of \$37,088,000 is \$2,196,000 or 5.6 percent less than 2008-09 estimated expenditures. This decrease is due to budget reductions resulting from the effects of rapidly declining construction activity, which significantly reduced the department's workload and corresponding revenues.

The budget eliminates 67 positions in order to keep expenditures in line with current revenue collections. The budget eliminates administrative staff including accounting, technology support, public information and outreach, and counter support staff. In addition, it eliminates inspectors responsible for residential

Development Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Total construction permits issued	33,550	27,004	22,400
Turnaround time for major commercial building plans (days)	55	48	48
Turnaround time for medium commercial building plans (days)	42	34	36
Turnaround time for minor commercial building plans (days)	31	22	27
Turnaround time for residential building plans (days)	20	18	18
Percent of commercial inspections completed on time	93%	96%	96%
Percent of residential inspections completed on time	95%	99%	99%
Percent of costs recovered through fees	82	79	72

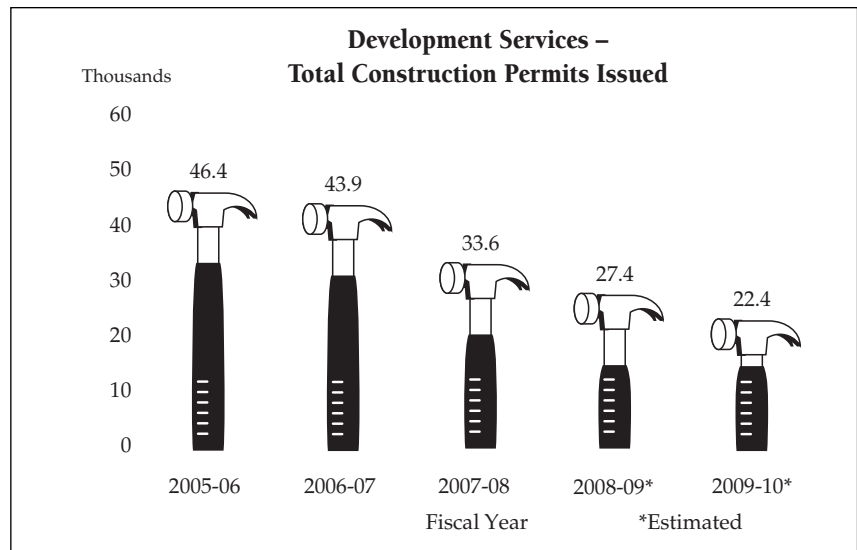
*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$49,989,000	\$39,284,000	\$37,088,000
Total Positions	386.0	280.0	280.0
Source of Funds:			
Development Services	\$49,415,000	\$38,664,000	\$36,582,000
General	68,000	106,000	115,000
Other Restricted	506,000	514,000	391,000



construction; civil and site inspection staff responsible for off-site infrastructure improvements for residential and commercial projects; residential plan staff; and staff on minor commercial teams responsible for site planning, traffic and civil plan review for minor commercial industrial projects. The budget also eliminates an inspector responsible for commercial building; supervisors responsible for training and second opinions in difficult cases; and two major commercial plan review teams responsible for plan review and permitting services for large commercial construction projects.



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 2009-10 budget allowance of \$6,494,000 is \$296,000 or 4.4 percent less than 2008-09 estimated expenditures. The decrease is due to budget reductions and changes in how positions are charged to the Impact Fee Administrative Fee fund. The reductions include the suspension of 17.9 positions, which include planning teams, technical support, secretarial support, part-time interns, and one management level position. Suspending these positions will adversely impact customer service and support for village planning committees.

Planning Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08*	2008-09**	2009-10
Village Planning Committees supported	15	15	15
Zoning pre-application meetings scheduled within 20 working days	96%	95%	85%
Zoning verification letters completed within 15 working days	93%	90%	85%
Zoning counter customers assisted within 15 minutes of arrival	N/A	90%	90%
Board, commission and committee packets available seven days prior to meeting	N/A	95%	90%

*In 2008, the city of Phoenix completed an extensive review of every department’s performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

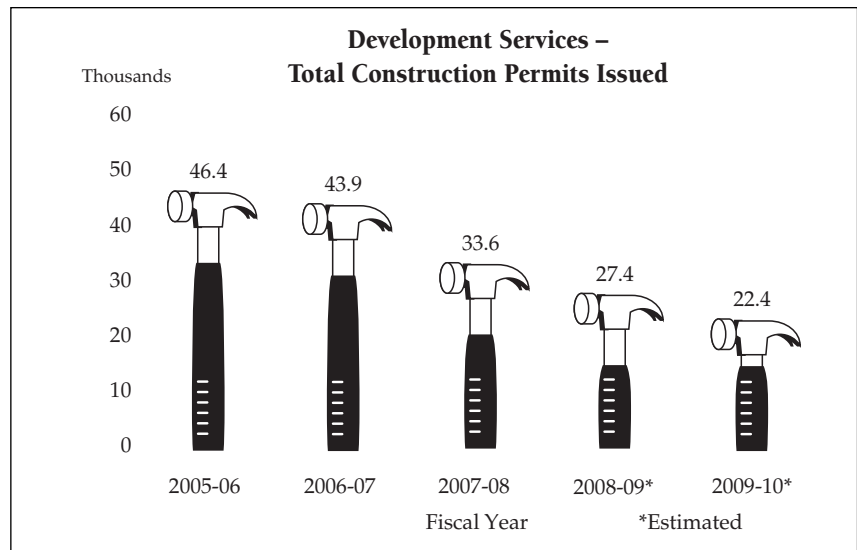
**Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$7,757,000	\$6,790,000	\$6,494,000
Total Positions	69.9	51.0	51.0
Source of Funds:			
General	\$6,965,000	\$6,172,000	\$6,122,000
Community Development			
Block Grant	63,000	65,000	66,000
Other Restricted	729,000	553,000	306,000



construction; civil and site inspection staff responsible for off-site infrastructure improvements for residential and commercial projects; residential plan staff; and staff on minor commercial teams responsible for site planning, traffic and civil plan review for minor commercial industrial projects. The budget also eliminates an inspector responsible for commercial building; supervisors responsible for training and second opinions in difficult cases; and two major commercial plan review teams responsible for plan review and permitting services for large commercial construction projects.



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**Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
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Total Positions	69.9	51.0	51.0
Source of Funds:			
General	\$6,965,000	\$6,172,000	\$6,122,000
Community Development			
Block Grant	63,000	65,000	66,000
Other Restricted	729,000	553,000	306,000

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 Department's 2009-10 operating budget allowance of \$78,905,000 is \$7,073,000 or 9.8 percent more than 2008-09 estimated expenditures. The increase is due to the carryover of unspent grant funds and the addition of Neighborhood Stabilization Program (NSP) funds. These increases are partially offset by the elimination of the General Fund rebate of the Housing Department's Payment In Lieu of Taxes for its public housing facilities of \$302,000 per year.

The budget also reflects the City Council's consolidation of the HOPE VI function with Housing. A total of 7.5 positions were transitioned from HOPE VI to the Housing Department's budget effective March 2009. Two caseworker II positions assigned to Matthew Henson also were eliminated due to expiring federal funds.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$68,420,000	\$71,832,000	\$78,905,000
Total Positions	160.2	183.2	183.2
Source of Funds:			
Public Housing	\$66,177,000	\$66,457,000	\$67,621,000
Federal and State Grants	92,000	81,000	3,180,000
Community Development Block Grant	507,000	777,000	2,350,000
Other Restricted	636,000	4,129,000	4,223,000
HOPE VI	278,000	226,000	1,225,000
General	659,000	92,000	232,000
City Improvement	71,000	70,000	74,000

Housing Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Affordable housing units for families and individuals	1,382	1,409	1,409
Rental assistance provided for low-income residents in the private housing market	5,388	5,524	5,524
City-owned and operated public housing units for families and seniors	2,412	2,447	2,468
Percent of Section 8 vouchers under lease	89%	94%	95%
Occupancy rate for public housing units	96%	97%	98%

*Based on 10 months actual experience.



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, downtown redevelopment area and other non-redevelopment areas.

Budget Allowance Explanation

The Community and Economic Development Department's 2009-10 operating budget allowance of \$32,725,000 is \$9,417,000 or 40.4 percent more than 2008-09 estimated expenditures. This increase reflects an \$8,000,000 allocation for the Workforce Investment Act (WIA) grant program and the consolidation of three departments – Community and Economic Development, Downtown Development Office and the Business Customer Service Center and increased debt service payments for capital projects.

Also reflected is the suspension of one department director, one economic development program manager, two project management assistants, one information technology analyst/programmer II, two administrative aides, one administrative secretary and two secretary II positions.

Other budget reductions include the elimination of part-time staff from the Business Customer Service Center, the transfer of costs for one project manager to the Community Reinvestment Fund and a reduction in the payment to the Downtown Phoenix Partnership from the General Fund.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$22,389,000	\$23,308,000	\$32,725,000
Total Positions	127.9	92.0	92.0
Source of Funds:			
General	\$7,988,000	\$5,468,000	\$5,473,000
Community Development Block Grant	1,069,000	809,000	1,608,000
City Improvement	2,542,000	2,533,000	3,710,000
Sports Facilities	150,000	154,000	135,000
Aviation	19,000	69,000	69,000
Water	551,000	609,000	646,000
Convention Center	567,000	584,000	547,000
Federal and State Grant Trust	9,133,000	10,868,000	18,103,000
Community Reinvestment	234,000	90,000	96,000
Other Restricted	136,000	2,079,000	2,278,000
Wastewater	—	45,000	60,000

Community and Economic Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Projected jobs created/retained within the city of Phoenix as a result of department efforts	8,404	5,000	4,700
Loan applications approved for the Expand Collateral Loan Assistance Program	10	7	8
Loans approved for the New Markets Tax Credit Loan Program	1	—	8
Estimated sales tax generated from projects (in millions)	\$59,000	\$52,000	\$51,600
Projected average annual salary for new jobs with companies newly located in Phoenix	\$40,000	\$42,000	\$42,000
Individuals serviced in employment and training programs			
Adult	1,600	350**	1,100***
Youth	1,100	1,600***	1,400***

*Based on 10 months actual experience.

**Adult numbers dropped significantly in 2008-09 due to a decrease of federal funding.

The service level projected for 2009-10 reflects American Recovery and Reinvestment Act funding.

***Increase is a result of additional funding received from the American Recovery and Reinvestment Act of 2009 and addition of summer youth employment services program.



NEIGHBORHOOD SERVICES

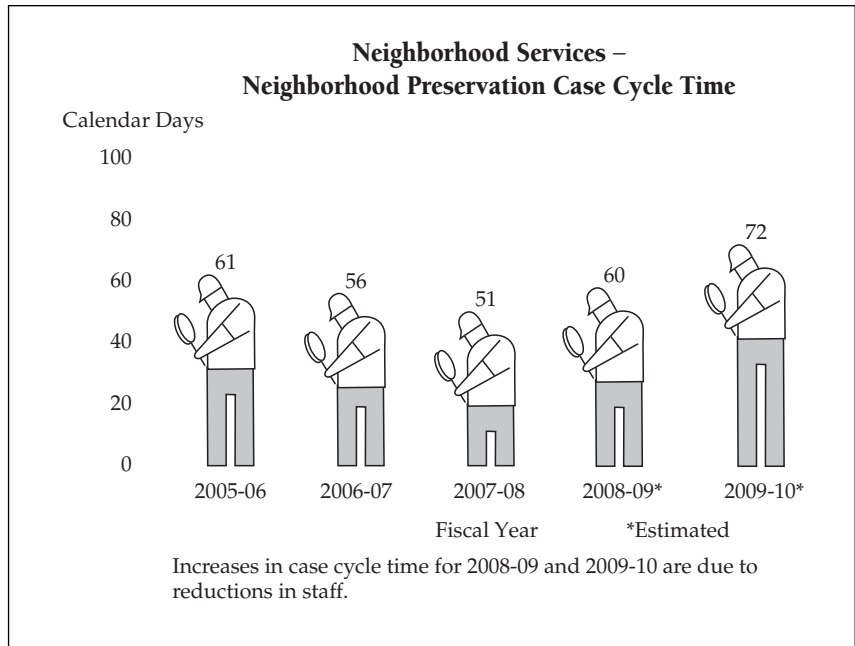
Program Goal

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 2009-10 operating budget allowance of \$68,580,000 is \$34,705,000 more than 2008-09 estimated expenditures. This increase is primarily due to a one-time increase in federal funding under the American Recovery and Reinvestment Act, the Neighborhood Stabilization Program, and the carry-forward of unspent grant allocations budgeted in 2008-09. This is partially offset by General Fund reductions.

The General Fund budget of \$13,245,000 is \$116,000 or 0.9 percent less than the 2008-09 estimated expenditures. The budget reallocates qualified existing Fight Back Program capital projects to appropriate bond funds, charges three positions supporting grant-related community and administrative efforts to Community Development Block Grant funds, and charges an administrative aide position providing citizen notification and administrative support to Capital Improvement Program funds. Budget reductions also include suspending funding for the Fight Back program that provides seed money to neighborhoods for crime and blight reduction; suspending an assistant director position that oversees multiple divisions within the department and an administrative position; suspending a trades helper position with the Illegal Sign Program; suspending a community worker position with the Rental Renaissance Program that assists neighborhoods in creating solutions for reducing blight and crime; and suspending two positions with the Neighborhood, Training, Education and Outreach Program





that coordinates and facilitates training and events to assist with community problem solving.

Additionally, the budget suspends six positions responsible for enforcement of mobile and street vending, access to graffiti materials, and the slum team approach to addressing code violations at multi-unit rental properties; suspends three positions in the Graffiti Buster Program that ensures public and private property is free of graffiti; suspends four positions providing strategic code enforcement of the Neighborhood Preservation ordinance in targeted areas; and suspends three positions providing operations support to service area code enforcement of the Neighborhood Preservation ordinance. The budget reductions also include reallocating 10 positions that enforce the Neighborhood Preservation ordinance to Community Development Block Grant funds.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$33,759,000	\$33,875,000	\$68,580,000
Total Positions	235.0	215.5	215.5
Source of Funds:			
General	\$14,924,000	\$13,361,000	\$13,245,000
Community Development Block Grant	15,088,000	15,933,000	27,320,000
Federal and State Grants	2,392,000	3,526,000	24,034,000
Public Housing	1,002,000	731,000	3,903,000
Other Restricted	50,000	27,000	78,000
City Improvement	303,000	297,000	—

Neighborhood Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08**	2008-09*	2009-10
Residents who receive landlord/tenant counseling	5,877	6,000	6,000
Residents trained and educated	N/A	3,800	3,800
Community outreach events attended and/or facilitated	506	650	525
Graffiti sites removed through the Graffiti Busters Program	95,713	90,000	90,000
Projects completed through housing rehabilitation programs***	738	800	800
Neighborhood preservation cases opened annually****	57,898	55,000	55,000
Neighborhood preservation median case cycle-time (days)*****	49	60	72
Percent of neighborhood preservation cases resolved voluntarily*****	83%	83%	83%

*Based on 10 months actual experience.

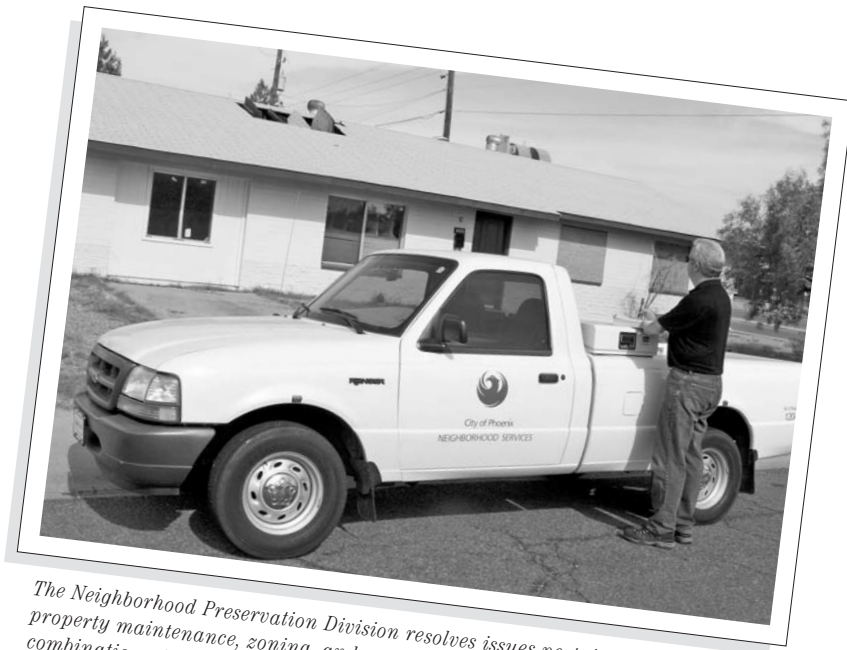
**In 2008 the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

***Includes units remediated through the Lead Hazard Control Program as well as completed owner-occupied units and rental rehabilitation projects.

****Includes all Neighborhood Preservation code enforcement and non-permitted construction cases opened.

*****Includes all administrative, adjudicated and standard cases and the median time taken to achieve compliance at properties reported with code violations.

*****Measures the volume of cases that were voluntarily brought into compliance with the appropriate city ordinances without court or abatement action.



The Neighborhood Preservation Division resolves issues pertaining to property maintenance, zoning, and non-permitted construction, through a combination of education, partnership efforts, assistance and code enforcement.



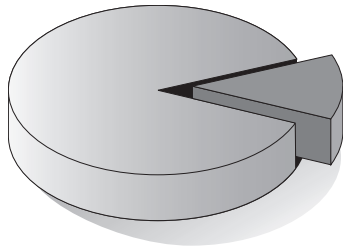
PUTTING PHOENIX
TO WORK



The Downtown Civic Space offers residents, workers, ASU students and downtown visitors a park with unique urban design, sustainable construction and operational features, and a landmark public sculpture by artist Janet Echelman.

Community Enrichment

The Community Enrichment Program Represents 10.7% 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, 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 Parks and Recreation 2009-10 budget allowance of \$103,232,000 is \$2,272,000 or 2.2 percent less than 2008-09 estimated expenditures. This decrease is the result of budget reductions, some of which became effective the last four months of 2008-09. Reductions are offset by a full-year's operating costs for facilities opened in 2008-09, including new facilities opened mid-year and operating with Phoenix Parks and Preserves Initiative funds, operating costs for new or expanded facilities opening in 2009-10, and normal inflationary adjustments. The General Fund budget

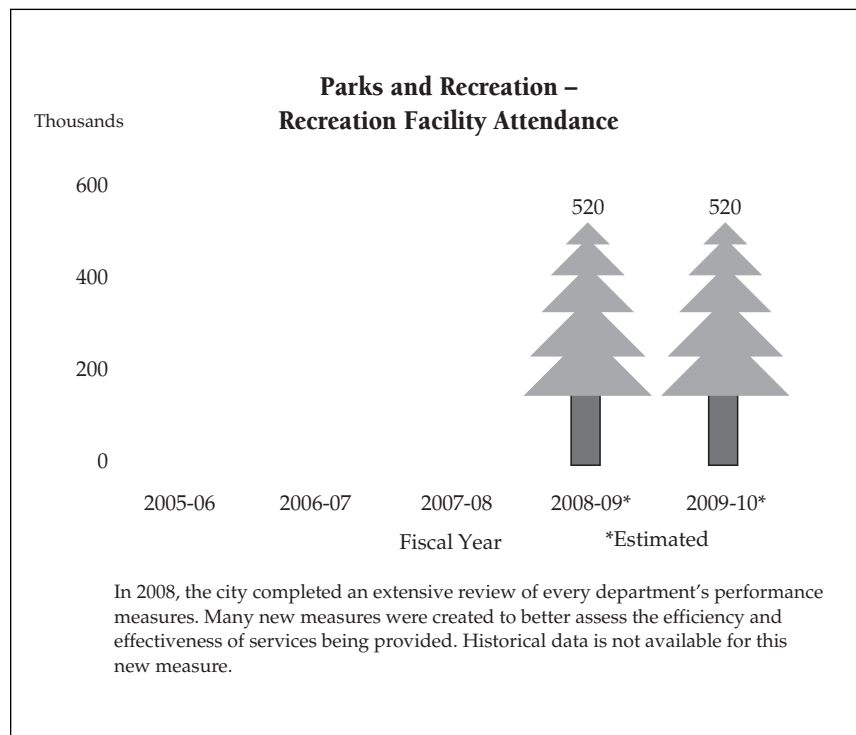
includes adding staff and maintenance costs for the landscape and surrounding areas at the newly constructed Agave Library (annual operating costs of \$31,000 will be charged to the Library Department) and for maintenance and security of new landscaping and art features along the upper bank of the Laveen Area Conveyance Channel.

The Parks and Recreation 2009-10 budget suspends several administrative and support staff which will increase span of control in several divisions, increase workloads, reduce training to department employees and will require a reorganization of the department. Reductions decrease funding in various commodity and contractual costs throughout the department. These reductions will result in less irrigation to turf, trees and plants, and decreased electrical consumption resulting in warmer temperatures at

facilities in the summer and cooler temperatures in the winter.

The budget significantly reduces maintenance at all locations including mountain parks and preserves, flatland parks and facilities, swimming pools, street landscaping, city sports complexes, the Rio Salado Habitat Restoration Area, the Arizona Horse Lover's Park and special facilities. This will result in an increase in uncontained trash, weeds and graffiti, reduced trail maintenance, decreased ability to replace dead plants increasing the need to install granite at some locations, reduced maintenance of palm and large hardwood trees, and could result in temporary closures of parks and facilities until repairs and maintenance can be completed.

The budget also reduces hours and recreation programming at 11 small recreation centers, all swimming pools and





at the Arizona Horse Lover's Park; reduces staff and programs at special facilities including the Pueblo Grande Museum, Historic Heritage Square, Tovrea Castle, Margaret T. Hance Park, Encanto Park and Steele Indian School Park; and reduces park rangers assigned to mountain parks, preserves and flatland parks. This will impact the department's ability to coordinate events and rental reservations, and will require nonprofit organizations to secure volunteers to assist with their events; suspend the Work Alternative and Project SCRUB programs that assist city departments with large-scale cleanup projects and graffiti removal; reduce the Aquatic team programs; suspend all programming at the Diamondback Field of Dreams Baseball Complex, which will only be open for reservations; reduce management of sport complexes and baseball stadiums; suspend city softball leagues at 12 park sites; reduce funding for the Shemer Art Center and Phoenix Center for the Arts; reduce the Daring Adventures and River of Dreams programs; close eight pools a year for three years, on a rotating basis, to perform infrastructure repairs; reduce ability to patrol and conduct enforcement at mountain parks, mountain preserves and flatland parks; eliminate the department's print shop; and reduce funding for after-school programs citywide.

In addition to budget cuts, the budget also increases revenues through increased recreational and/or admission fees, which avoids further reductions in recreation

programming. This includes increasing fees for some aquatic programs, increasing admission fees for open swim and increasing fees for Phoenix Afterschool Center (PAC) programs so that some after-school programs can be restored. The budget also establishes a yearlong pilot program for PAC to contract with nonprofit organizations to provide after-school services at six sites for half the current cost.

The budget also converts funding for the cost of management services support

and park development, for capital improvement projects to capital funds and replaces general funding of the Camp Colley program with Camp Colley Foundation donations to continue the program at current levels.

As a result of a study conducted by the City Manager's Office, the Rio Salado Office was consolidated into the Parks and Recreation Department. This resulted in the elimination of a deputy director position.

Parks and Recreation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08**	2008-09*	2009-10
Construction projects completed (target is 75 percent or more)	N/A	80%	80%
Percentage of safe and clean park facilities (target is 80 percent or greater)	93%	80%	75%
Fill 80 percent or more of all non-team sport registration openings.	58%	55%	60%
Recreation facility attendance	N/A	520,000	520,000
Usage of athletic field's available programmable time (target is 60 percent or greater)	N/A	51%	60%
Usage of facility's available programmable time (target is 60 percent or greater)***	34%	62%	60%

*Based on 10 months actual experience.

**In 2008 the city of Phoenix completed an extensive review of every department's performance measures. Many new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not always available for these new measures.

***Increase from 2007-08 is due to improvements in report tracking.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$119,125,000	\$105,504,000	\$103,232,000
Total Positions	1,486.6	1,137.9	1,134.9
Source of Funds:			
General	\$112,911,000	\$98,128,000	\$94,456,000
Other Restricted	3,330,000	3,405,000	3,816,000
City Improvement	976,000	1,979,000	2,012,000
Federal and State Grants	1,299,000	529,000	538,000
Convention Center	433,000	494,000	503,000
Parks and Preserves	176,000	969,000	1,907,000

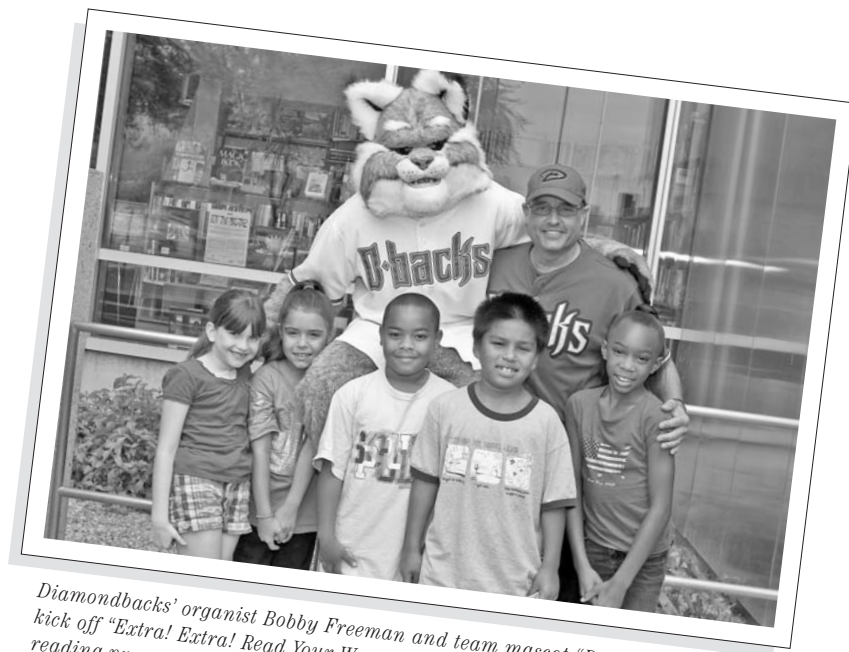
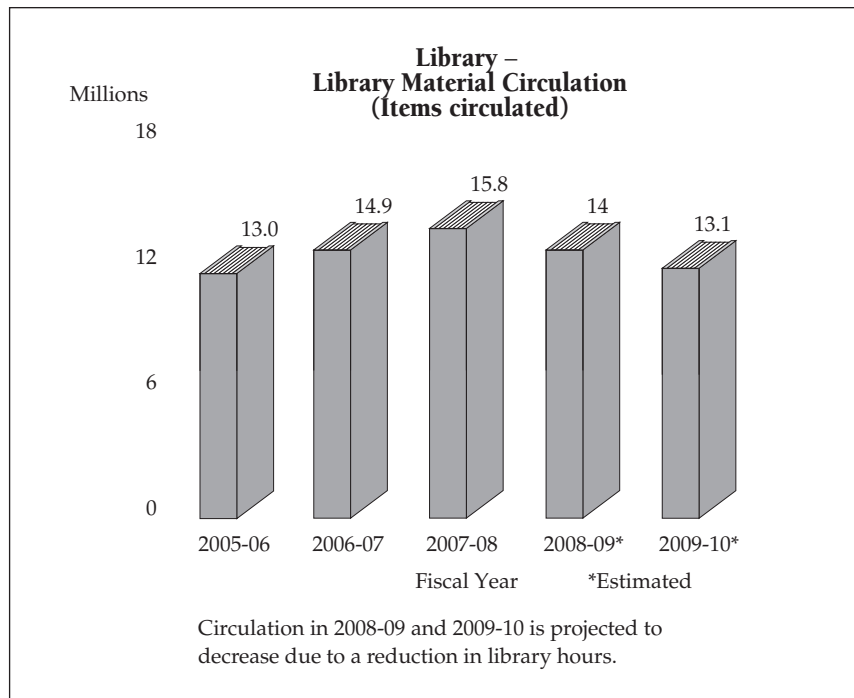
LIBRARY

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 2009-10 budget allowance of \$37,257,000 is \$1,474,000 or 4.1 percent more than 2008-09 estimated expenditures. This increase is primarily due to increases in contractual services and commodities to operate the new Agave Library, staff and material for the newly expanded Harmon Library and an anticipated increase in Library gift funds to offset program



Diamondbacks' organist Bobby Freeman and team mascot "D. Baxter" help kick off "Extra! Extra! Read Your Way to the Ballpark," the free summer reading program co-sponsored by the Arizona Diamondbacks and The Arizona Republic.



**PUTTING PHOENIX
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reductions such as Library materials. The budget includes a reduction in hours of operation at the Central Library and seven branches from 72 hours per week to a total of 52 hours per week. Hours of operation at remaining libraries are reduced from 72 hours per week to a total of 48 hours per week, and they will be closed on Sundays.

This decrease also includes the reduction of 123.9 positions and funding for special library programs, library materials, facilities maintenance, information technology and public information outreach. This will result in reduced access to library materials and community meeting rooms, reductions in children's and adult programming, and limiting school visits to two mornings a week.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$37,496,000	\$35,783,000	\$37,257,000
Total Positions	471.4	347.2	348.5
Source of Funds:			
General	\$37,031,000	\$34,964,000	\$36,071,000
Federal and State Grants	191,000	292,000	177,000
Other Restricted	274,000	527,000	957,000
City Improvement	—	—	52,000

Library Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08*	2008-09**	2009-10
Early literacy program attendance	57,628	62,800	53,000
Customer satisfaction with workforce readiness	N/A	90%	90%
Library school tours participation***	13,933	6,500	—
Library Web home page "hits"	25,740,385	25,400,000	32,000,000
Library material circulation	15,835,088	14,000,000	13,100,000

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**Based on 10 months actual experience.

***The budget suspends funding for school tours.

GOLF

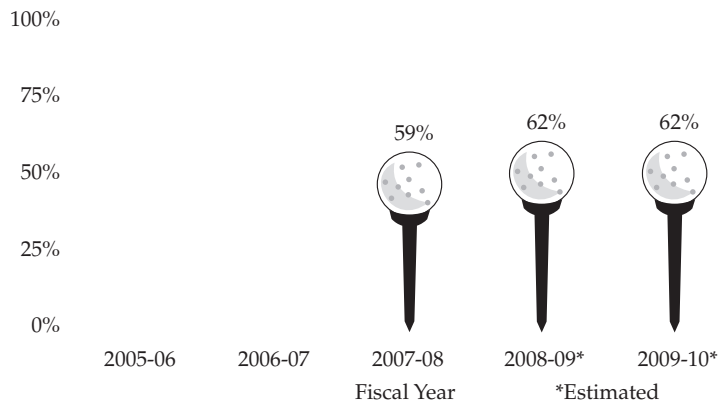
Program Goal

The Golf Program provides quality golf services 365 days a year to residents and visitors.

Budget Allowance Explanation

The Golf 2009-10 operating budget allowance of \$8,694,000 is \$141,000 or 1.6 percent more than 2008-09 estimated expenditures. This increase is due to normal inflationary costs and is partially offset by decreased expenditures for capital equipment due to lease-purchasing motor vehicle replacements.

**City Golf Courses –
Tee Time Usage
(Percent of available tee times being utilized)**



In 2008, new measures were created to better assess the efficiency and effectiveness of services being provided. Historical data is not available for this new measure.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$8,149,000	\$8,553,000	\$8,694,000
Total Positions	117.3	117.3	117.3
Source of Funds:			
Golf	\$8,149,000	\$8,553,000	\$8,694,000

Golf Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of Golf Rounds**	299,000	143,000	143,000

*Based on 10 months actual experience.

**Effective April 2008, the Papago Golf Course is under management of a contractor and rounds are no longer tracked at this facility. Reduced rounds are also the result of current economic conditions.

PHOENIX CONVENTION CENTER

Program Goal

The Phoenix Convention Center 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 2009-10 operating budget allowance of \$59,920,000 is \$3,658,000 or 6.5 percent more than 2008-09 estimated expenditures. The increase is primarily due to a full year of operating costs for the convention center expansion. The increase is partially offset by reductions in General Fund and Convention Center Fund expenditures.

The General Fund reductions include the suspension of funding for capital improvement projects, interior painting for parking garages and Phoenix Police Department traffic control at the Heritage Garage during downtown events. Also included are reductions in funding for parking garage power washing, elevator and escalator maintenance, and contractual security services for parking garages. In addition, hours of operation at the Regency and Heritage garages have been reduced.

Convention Center Fund reductions include the suspension of 37.3 positions, reductions to various capital outlay and office-related commodities, reduced funding for the Rental Support Program for cultural performing companies and delays to customer service improvement programs. In addition, funding for information technology improvements, facility and landscape maintenance, and various professional services were reduced.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$43,010,000	\$56,262,000	\$59,920,000
Total Positions	229.9	304.4	304.4
Source of Funds:			
Convention Center	\$37,457,000	\$53,799,000	\$57,589,000
General	2,096,000	1,728,000	1,661,000
City Improvement	2,957,000	152,000	—
Sports Facilities	500,000	500,000	500,000
Other Restricted	—	83,000	170,000



The Phoenix Convention Center has improved and expanded over the years to become what it is today – one of the most technologically advanced, guest-focused and culturally rich event venues in the country.

Phoenix Convention Center Major Performance Measures and Service Levels

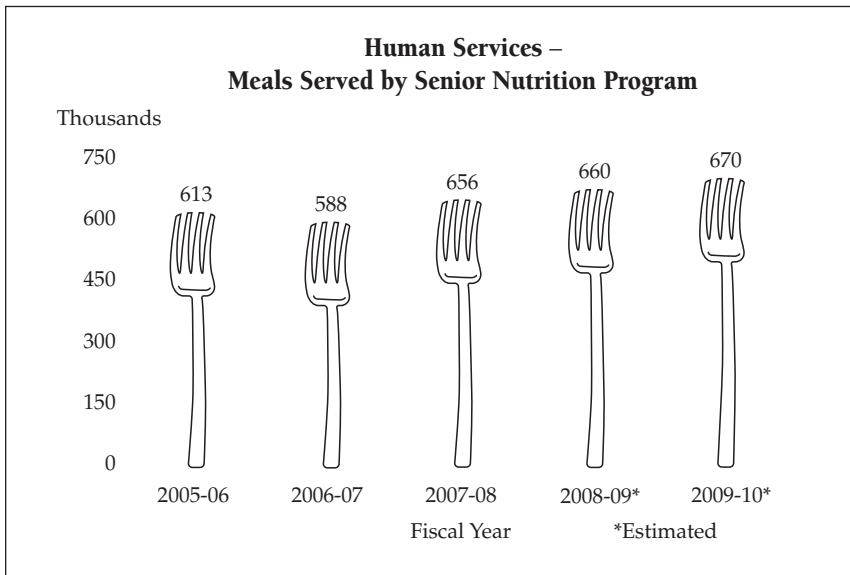
The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Estimated direct spending impact from conventions (millions)**	\$153.9	\$353	\$289
Number of convention delegates	106,120	243,000	199,000
Number of conventions	54	56	59
Number of local public shows	35	43	47
Percent square feet occupancy (all events)	44%	51%	59%
Number of theatrical performances	322	350	325
Total theater attendance	353,538	320,000	320,000
Total parking revenue (millions)***	\$8.18	\$8.54	\$6.50
Revenue per parking space	\$1,444	\$1,508	\$1,431
Operating expense per parking space	\$944	\$1,024	\$1,178

*Based on 10 months actual experience.

**Estimated direct spending impact is reported by the Greater Phoenix Convention and Visitors Bureau and is expected to decrease due to the effects of the national economy.

***First Street and Jefferson Street garages will no longer be operated by the Phoenix Convention Center.



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 2009-10 operating budget allowance of \$65,565,000 is \$218,000 or 0.3 percent more than 2008-09 estimated expenditures. The increase is primarily due to a one-time increase in federal funding under the American Recovery and Reinvestment Act and new capital operating costs for the Chrysalis Shelter for Victims of Domestic Violence. The increase is partially offset by budget reductions that include the suspension of youth programming (Safe Schools, Summer Youth Work Experience, Student Work Study and School-Based programs), closure of Luke Krohn and Senior Services East senior centers, and the closure of the Central Phoenix Family Service Center. The budget includes a reduction of 51.0 positions, replacement vehicles for Reserve-A-Ride, and administrative and casework support for the family service centers. The elimination of youth programs will result in 1,278 less youth served per year.



The Senior Companion Program provides older volunteers with the opportunity to provide friendship and support services to clients who may be lonely, ill or disabled.

The budget reductions also eliminate commercial kitchen operations at Pecos Senior Center, shifting the preparation of 80,000 meals annually to a nearby center's kitchen; reduce funding for the Local Alcohol Reception Center (LARC) by 30 percent, thereby reducing alcohol detoxification and medial treatment services; and reduce funding for the Central Arizona Shelter Services, decreasing the number of homeless single men and women receiving emergency shelter services.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$65,089,000	\$65,347,000	\$65,565,000
Total Positions	509.5	411.5	411.5
Source of Funds:			
General	\$27,968,000	\$24,525,000	\$24,810,000
Human Services			
Grants	34,697,000	38,632,000	38,651,000
Community Development			
Block Grant	1,147,000	1,170,000	1,031,000
Federal and State Grant	312,000	60,000	70,000
Water	250,000	250,000	250,000
Transit 2000	156,000	156,000	156,000
City Improvement	452,000	462,000	488,000
Other Restricted	107,000	92,000	109,000

Human Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Housing stabilization for homeless families	76	60	60
Number of households served**	16,806	21,076	16,806
Percentage of school attendance for Head Start	85	89	88
Medical and dental exams completed for Head Start	7,392	7,000	7,000
Number of meals served to seniors:	656,457	660,000	670,000
Number of Reserve-A-Ride trips	166,231	165,000	165,000

*Based on 10 months actual experience.

**Number of services provided is higher in 2008-09 due to a one-time increase in Low-Income Home Energy Assistance Program (LIHEAP) grant funding.



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 2009-10 operating budget allowance of \$1,240,000 is \$280,000 or 29.2 percent more than 2008-09 estimated expenditures. The increase is due to increased grant funding. The increase is partially offset by the suspension of a clerk II that provides master control support and Web site maintenance, enhancements to the Education and Youth database and KNOW99 marketing materials for schools.

The budget also reduces funding for administrative support for the Outstanding Youth Man and Youth Woman program, Principal for a Day, College Depot and other youth development projects.

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 2009-10 operating budget allowance of \$551,000 is \$48,000 or 8.0 percent less than 2008-09 estimated expenditures. This decrease is a result of budget reductions primarily taken in 2008-09 including the Youth Ambassador

Education and Youth Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of listserve subscribers receiving online principal's letter, youth newsletter and KNOW99 schedule	4,749	4,756	4,800
Number of public, private and charter schools in Phoenix the office maintains regarding school information (school profile, attendance boundary and location, and school contact information)	546	551	547
Number of participants in Phoenix Principal for a Day event	180	161	170
Number of KNOW99 productions	115	140	150

*Based on 10 months actual experience.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,154,000	\$960,000	\$1,240,000
Total Positions	7.4	10.4	10.4
Source of Funds:			
General	\$814,000	\$550,000	\$483,000
Other Restricted	343,000	284,000	353,000
Federal and State Grants	(3,000)	126,000	404,000

Program, hosting of international delegations, printing monthly communications and the suspension of a secretary and administrative aide.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$653,000	\$599,000	\$551,000
Total Positions	6.0	4.0	4.0
Source of Funds:			
General	\$653,000	\$599,000	\$551,000

International and Sister Cities Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Customer satisfaction with events and activities	9.1	9.1	9.1
Percentage of scheduled events completed	100	78	100

*Based on 10 months actual experience.

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 2009-10 operating budget allowance of \$630,000 is \$96,000 or 18.0 percent more than 2008-09 estimated expenditures. The increase is due to budget reductions being disproportionately greater in 2008-09, and a one-time increase in charges to grant-funded activity in 2008-09. Partially offsetting the increase are budget reductions that suspend database development to automate design review services and a planner II position overseeing the historic preservation bond program. In addition, reductions will reduce resources for historic neighborhood signs, printing, office supplies, and legal and consultant services for certificate of appropriateness hearings and federally funded projects. These reductions will increase the workload among three remaining planners and increase lead time for review.

Historic Preservation Office Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of design reviews performed on building permits in historic districts**	414	358	362
Number of city grants awarded for historic rehabilitation projects	18	23	18
Private dollars leveraged for every dollar of city historic rehabilitation grant funds expended***	\$8.11	\$4.00	\$4.00
Number of regulatory compliance reviews for federally funded city capital projects	844	905	914

*Based on 10 months actual experience.

**This projection includes the cumulative number of Certificates of Appropriateness, Certificates of No Effect, Demolition Reviews and Demolition Appeal Hearings.

***2007-08 actuals represent private dollars leveraged for the Hanny's Building.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$676,000	\$534,000	\$630,000
Total Positions	7.0	6.0	6.0
Source of Funds:			
General	\$676,000	\$534,000	\$630,000



PHOENIX OFFICE OF ARTS AND CULTURE

Program Goal

The Phoenix 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.

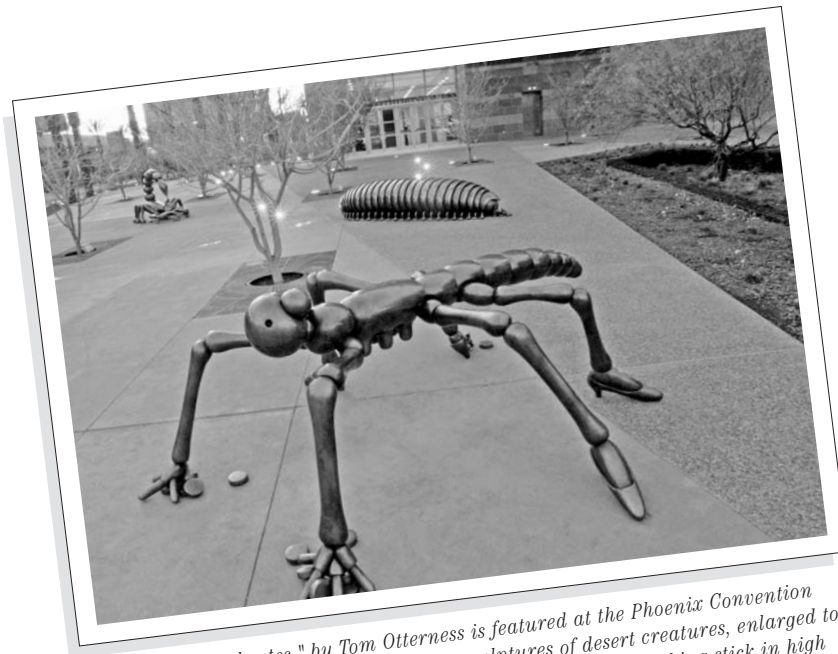
Budget Allowance Explanation

The Phoenix Office of Arts and Culture 2009-10 operating budget allowance of \$1,696,000 is \$279,000 or 14.1 percent less than 2008-09 estimated expenditures. The decrease is the result of budget reductions.

The budget reduces grants to arts organizations and funding for art preservation projects. Reductions also include fewer resources for consultants, printing, postage and training. Individual grant awards and the number of organizations receiving grants will be reduced.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,951,000	\$1,975,000	\$1,696,000
Total Positions	13.0	13.0	13.0
Source of Funds:			
General	\$1,339,000	\$1,257,000	\$1,009,000
Local Transportation Assistance	106,000	106,000	106,000
Federal and State Grants	506,000	600,000	581,000
Other Restricted	—	12,000	—



"Social Invertebrates," by Tom Otterness is featured at the Phoenix Convention Center. Three large, whimsical bronze sculptures of desert creatures, enlarged to human scale, include a millipede with a hat and shoes; a walking stick in high heels, and a scorpion holding two small men in top hats tugging at a bag of money. The sculptures are part of the city's Percent for Arts program where a percentage of the construction costs are set aside for public art. Photo by Craig Smith.

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 2009-10 budget allowance.

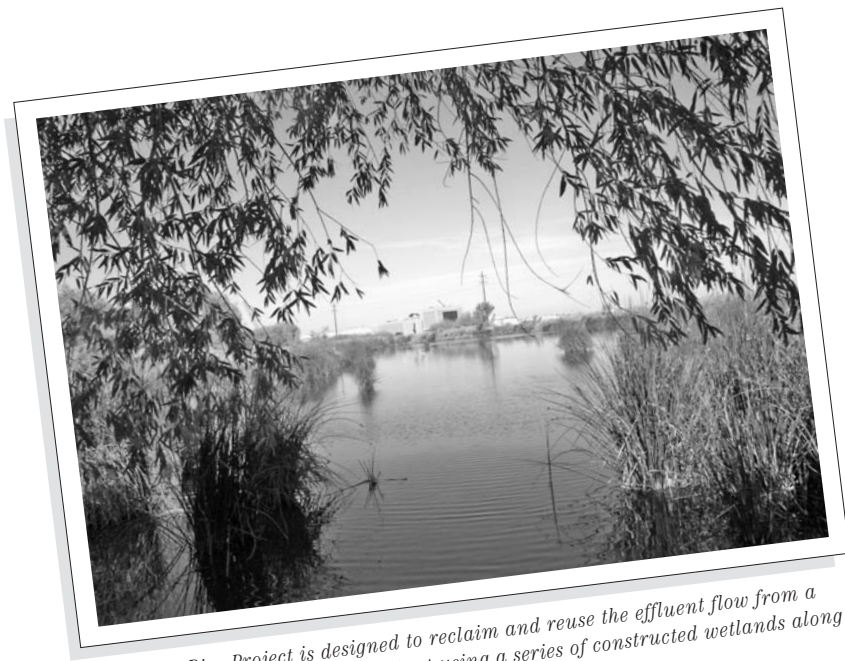
	2007-08	2008-09*	2009-10
Grant applications processed to support arts activities through schools and nonprofit organizations	129	72**	77**
Grant awards administered to support arts activities through schools and nonprofit organizations	110	103	55**
Completed Percent for Art projects to enhance city capital improvement projects with artwork	11	17	11
Local artists/arts organizations training workshops	16	14	12
Arts management consulting projects coordinated by Arts and Business Council	49	55	50

*Based on 10 months actual experience.

**Due to reductions in funding for grants, there are fewer grant categories and fewer applications.



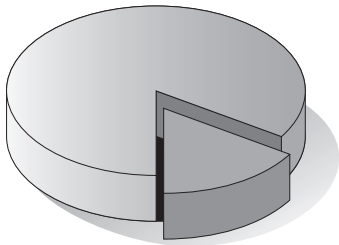
PUTTING PHOENIX
TO WORK



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 16.9% of the Total Budget.



The Environmental Services program budget includes Water Services, Solid Waste Management, Public Works and Environmental Programs.

WATER SERVICES

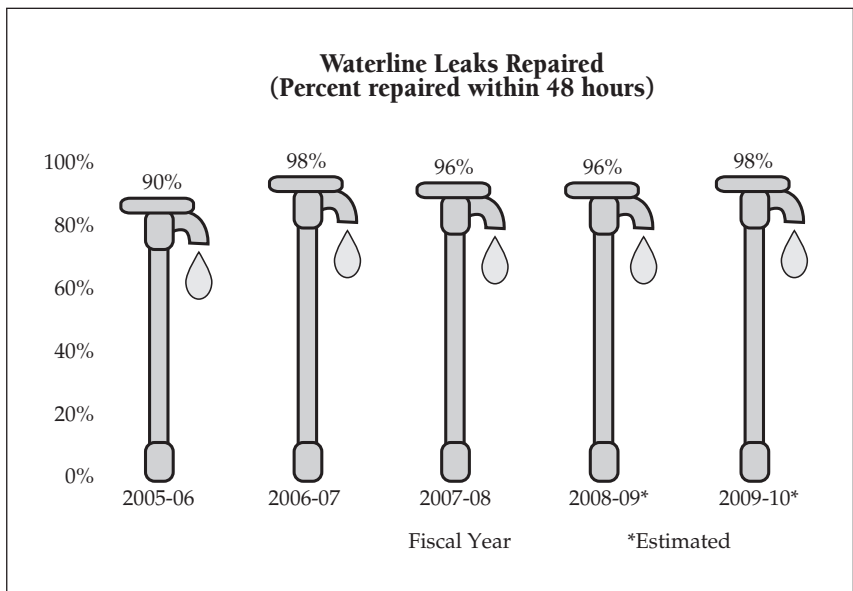
Program Goal

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 waterborne wastes generated within the Phoenix drainage area.

Budget Allowance Explanation

The Water Services 2009-10 operating budget allowance of \$278,574,000 is \$25,406,000 or 10.0 percent more than 2008-09 estimated expenditures. The increase is primarily due to an increase in costs for water and wastewater treatment, such as increased costs of raw water, electricity and chemical cost increases; budget additions; and normal inflationary increases.

The budget adds staff and equipment to provide maintenance and support for a new booster station for increased water pressure to customers, and new security system improvements at various water and wastewater facilities. Also included is the addition of staff, contractual services and equipment to operate the new Unified Plant expansion at the 91st Avenue



 **PUTTING PHOENIX TO WORK**

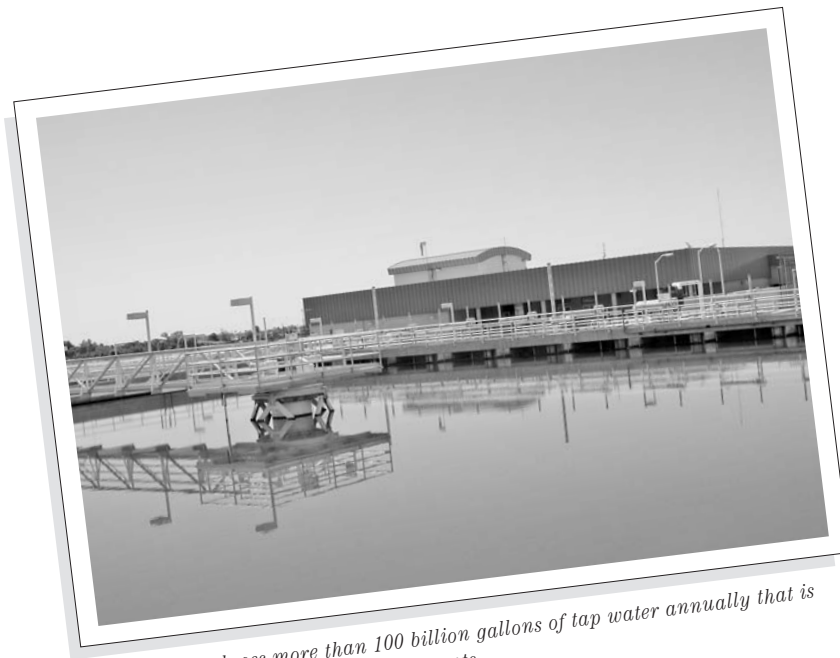
Wastewater Treatment Plant, and the Tres Rios Full-Scale Wetlands project. Staff is also being added to centralize purchasing and supplies delivery as a result of the closure of the Finance Department's Central Stores Warehouse.

The budget also adds commodities and contractual services to operate a new dual purpose well pump; pressure reducing

valve and booster pump station; temporary pump station to allow for effluent disinfection; and electricity for a new Sub-Regional Operating Group metering station. In addition, funding is added for the annual maintenance of the distributed control systems at the Deer Valley Water Treatment Plant and 91st Avenue Wastewater Treatment Plant.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$242,973,000	\$253,168,000	\$278,574,000
Total Positions	1,477.1	1,482.1	1,504.1
Source of Funds:			
Water	\$160,091,000	\$162,550,000	\$176,791,000
Wastewater	82,768,000	90,593,000	101,783,000
Other Restricted	114,000	—	—
Federal and State Grants	—	25,000	—



Phoenix produces more than 100 billion gallons of tap water annually that is delivered to more than 400,000 accounts.

Water Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Water main break/leaks per year	199	199	190
Waterline leaks repaired within 48 hours	96%	96%	98%
Percent of miles of sewer cleaned per year	35.0%	34.5%	34.5%
Sanitary sewer overflows per 100 miles	0.77	1.20	1.20
Gallons of water produced systemwide (billions)**	125.4	112.9	116.1
Gallons of wastewater treated (billions)	64.8	62.0	63.5
Telephone calls – received	1,033,055	1,158,603	1,274,000
Telephone calls – percent answered***	95.0%	92.0%	95.0%

*Based on 10 months actual experience.

**Gallons of water produced systemwide (in billions) decreased due to a “wet winter”, a continuance of lower water demand and a reduction in water accounts.

***Percent answered is calculated based on total calls logged into the queue and calls answered. Callers can elect to end their call before receiving assistance and would not be counted as “answered.”

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 Solid Waste Management 2009-10 operating budget allowance of \$126,936,000 is \$16,334,000 or 14.8 percent more than 2008-09 estimated expenditures. This increase reflects the full-year cost and staff additions needed to resume contained solid waste collection in Service Area 6 and the procurement of solid waste containers.

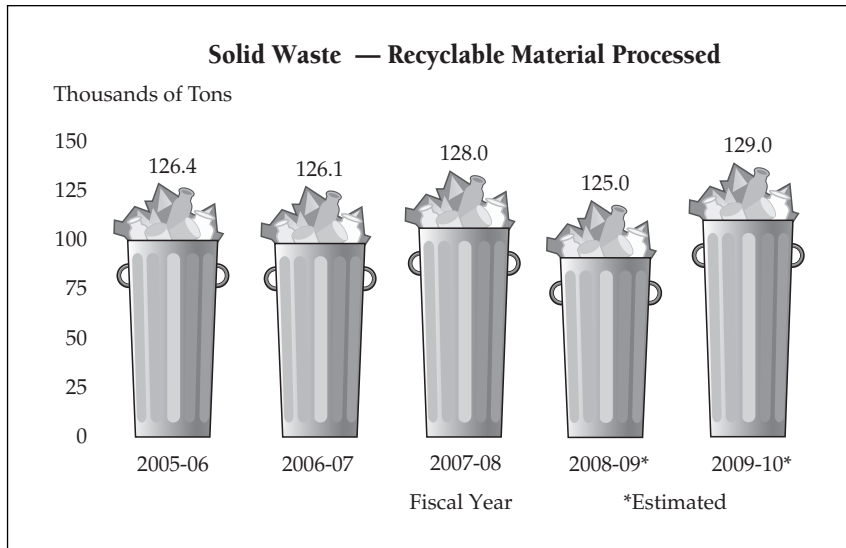
The budget also reflects the transfer of costs for the Household Hazardous Waste and Dead Animal Collection Programs from the General Fund.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$107,932,000	\$110,602,000	\$126,936,000
Total Positions	551.0	612.0	614.0
Source of Funds:			
Solid Waste	\$106,847,000	\$109,278,000	\$126,270,000
General	867,000	1,324,000	666,000
Federal and State Grants	218,000	—	—



Bulk trash is collected from city-serviced residences four times each year.



Solid Waste Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Residential households served with twice-per-week contained solid waste and recyclable material collections	386,389	391,000	395,000
Tons of residential recyclable materials collected	128,047	125,000	129,000
Tons of total solid waste disposed at city landfills	1,028,113	1,050,000	1,050,000
Tons of solid waste from city residences disposed **	732,033	650,000	650,000

*Based on 10 months actual experience.

**Residential tonnage is down due to the economic recession.





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 Public Works 2009-10 operating budget allowance of \$30,748,000 is \$3,347,000 or 12.2 percent more than 2008-09 estimated expenditures. This increase is primarily due to lease-purchase

payments on fleet vehicles and increased debt service on capital projects. These increases are partially offset by reductions in maintenance and repairs to downtown facilities including the Adams Street Garage, and the suspension of 16 positions and reduced overtime in the Administration, Metro and Downtown Facilities divisions. Much of Public Works' budget reductions were taken in the Capital budget which is not included here.

The budget also reflects the transfer of the Household Hazardous Waste and Dead Animal Collection programs to the Solid Waste Fund.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$24,540,000	\$27,401,000	\$30,748,000
Total Positions	524.0	525.0	525.0
Source of Funds:			
General	\$19,698,000	\$19,781,000	\$21,115,000
City Improvement	4,518,000	6,170,000	8,394,000
Other Restricted	324,000	1,241,000	1,239,000
Federal and State Grants	—	209,000	—

Public Works Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Square footage of buildings maintained	9,462,300	9,557,400	9,860,000
Facility service requests completed **	20,694	25,500	21,700
Fleet vehicles per mechanic	40.7	38.9	39.1
Units of equipment for which fleet management is provided	7,449	7,695	7,736
Annual miles of fleet vehicle utilization (in millions)	57.0	61.3	63.7

*Based on 10 months actual experience.

**Lower number of service requests in 2009-10 due to budget reductions citywide.

ENVIRONMENTAL PROGRAMS

Program Goal

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

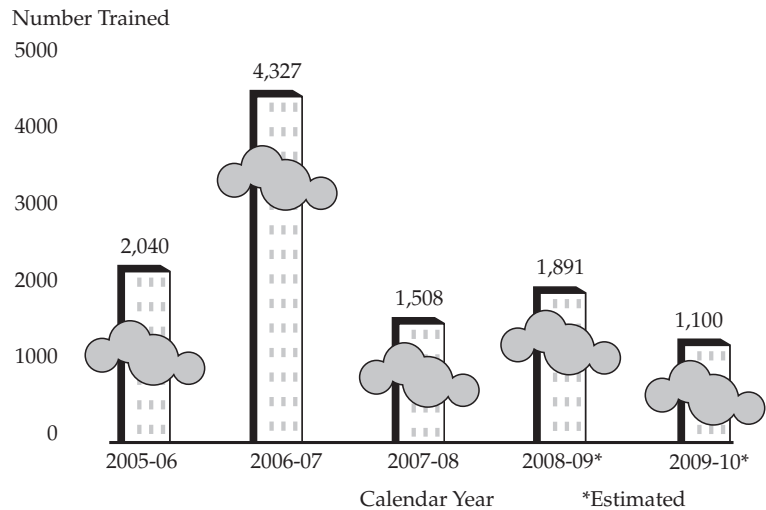
Budget Allowance Explanation

The Office of Environmental Programs 2009-10 operating budget allowance of \$1,598,000 is \$44,000 or 2.8 percent more than the 2008-09 estimated expenditures. The increase is a result of additional brownfields job training grant funding and is partially offset by budget reductions in the General Fund. Reductions include decreased subsidies for brownfields redevelopment projects and the suspension of a secretary II in the Pollution Prevention program. Also reflected is the transfer of costs from General Fund to the Water Fund for the drywells compliance and Clean Water Act training.

Expenditure and Position Summary

	2007-08	2008-09	2009-10
Operating Expense	\$1,669,000	\$1,554,000	\$1,598,000
Total Positions	15.0	14.0	14.0
Source of Funds:			
General	\$1,304,000	\$1,217,000	\$1,220,000
Water	205,000	206,000	210,000
Capital Construction	75,000	70,000	70,000
Federal and State Grants	85,000	61,000	98,000

**Environmental Programs
Total Employees/Consultants Provided Training On
Environmental Issues**



Training levels were exceptional in 2006-07 due to new regulations and a concentrated effort to bring staff up to basic levels. The decrease in 2009-10 reflects budget reductions to training.

Environmental Programs Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2009-10 budget allowance:

	2007-08	2008-09*	2009-10
Number of facility assessments and technical assistance visits conducted**	110	66	60
Number of brownfield projects implemented	4	2	2
Pollution prevention and hazardous materials/hazardous waste compliance assistance provided***	120	115	25

*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.

***Projection based on historical data and available funding.

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 a decrease in the General Fund contingency from the 2008-09 budgeted level of \$31,900,000 to \$29,800,000. The decrease is due to the reduction of the total General Fund budget as this amount maintains a General Fund contingency equal to 2.7 percent of operating expenditures.

The following table shows contingency funding over the past 10 years. In 1995-96, the City Council adopted a policy to, over time and as funding allowed, increase the contingency amount to 3 percent of operating expenditures. This 3 percent target was achieved in 2000-01. In 2003-04, budget reductions necessitated reducing the funding level to 2.5 percent. The

funding level was increased slightly over the next four years.

In May 2005, as part of a five-year forecast review, the City Council expressed interest in increasing the Contingency Fund to 3.5 percent, economic conditions permitting. Due to the extended economic recession, the 2009-10 budget maintains the 2.7 percent rate from 2008-09.

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 2009-10.

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
2000-01	\$ 883,196	\$26,780	3.0%
2001-02	887,644	4,600	3.0
2002-03	912,192	26,550	3.0
2003-04	912,583	7,600	3.0
2004-05	925,603	27,190	2.5
2005-06	965,936	3,652	2.5
2006-07	1,079,000	22,700	2.6
2007-08	1,184,192	—	2.6
2008-09	1,177,763	23,800	2.6
2009-10	1,110,780	24,740	2.7
		28,860	2.7
		—	2.9
		34,230	2.9
		—	2.7
		31,900	2.7
		—	2.7
		29,800	2.7
		—	

*Prior to 2001-02, Development Services operating expenditures were included in the General Fund contingency calculation. A separate contingency is now maintained.



**PUTTING PHOENIX
TO WORK**

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.

2009-10 Other Fund Operating Expenditure and Contingency Amount (000's)

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$171,637	\$10,500	6.1%
Development Services	40,213	900	2.2
Aviation	222,751	14,000	6.3
Water	202,426	23,000	11.4
Wastewater	113,602	11,000	9.7
Solid Waste	130,270	4,000	3.1
Convention Center	64,468	5,000	7.8
Golf	8,744	50	0.6

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 2009-10 for existing debt and future bond sales is \$627,923,000. As shown in the following pie chart, the \$627.9 million is 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 \$79.1 million in general government nonprofit corporation bonds debt service payments funded by the General (\$35.1 million) and Transit 2000 (\$44.0 million) portions of excise tax funds.

Secondary Property Tax shown in the pie chart 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

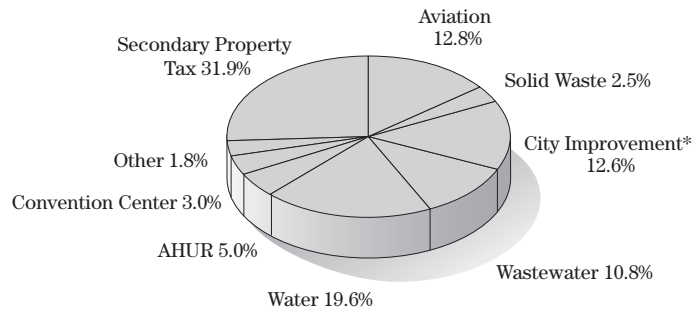
bonds are secured by state-shared gas taxes and other highway user fees and charges, and also are not general obligations of the city.

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, service centers 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.

Currently, to finance the capital programs of enterprise departments, the city has used 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.

2009-10 Debt Service



*Funded by the General and Transit 2000 taxes.

Since the 1950s, the city has used a community review process to develop and acquire voter approval for general obligation bond programs. At a bond election held on March 14, 2006, voters approved all of the \$878.5 million of the 2006 Citizens' Bond Committee recommended bond authorizations. 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

As shown in the chart below, 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 AAA, respectively. Standard and Poor's has also assigned a Financial Management Assessment (FMA) score of "strong."

Maintaining high bond ratings has resulted in a broader market for the city's bonds and lower interest costs to the city. The table on the next page is a statement of the city's bonded indebtedness as of March 1, 2009.

Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, lighting, park, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, and street and transportation may not exceed 20 percent of a city's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed six percent of a city's net secondary assessed valuation. Unused borrowing capacity as of March 1, 2009, based upon 2008-09 assessed valuation is shown in the tables on the next page.

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 table on page 148 provides debt burden ratios as of March 1, 2009.

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.

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

City of Phoenix Bond Ratings

	Rating ⁽¹⁾	
	Moody's	Standard & Poor's
General Obligation	Aa1	AAA
General Obligation (variable rate) ⁽⁴⁾	Aa1/VMIG 1	AAA/A-1+
Senior Lien Water Revenue ⁽⁴⁾	Aa3	AAA
Junior Lien Water Revenue ^{(2) (5)}	Aa3	AAA
Airport Revenue ⁽⁵⁾	Aa3	AA-
Senior Lien Airport Revenue ^{(2) (5)}	Aa3	AA-
Junior Lien Airport Revenue ^{(2) (5)}	A1	A
Senior Lien Street and Highway User Revenue	Aa3	AAA
Junior Lien Street and Highway User Revenue	A1	AA
Municipal Housing Revenue	A1	N/R ⁽⁷⁾
Senior Tax Excise Tax Revenue ⁽²⁾	Aa2	AAA
Junior Tax Excise Tax Revenue ⁽⁴⁾	Aa3	AA
Subordinated Excise Tax Revenue ^{(2) (5)}	Aa3	AA
Wastewater System Lease Revenue ^{(2) (4)}	Aa3	AA-
Senior Lien Wastewater System Revenue ⁽²⁾	Aa3	AAA
Junior Lien Wastewater System Revenue ^{(2) (5)}	Aa3	AA+
Bus Acquisition Special Revenue ^{(2) (4) (5)}	A1	N/R ⁽⁷⁾
Rental Car Facility Charge Revenue Bonds ^{(2) (5)}	A3	A-
Transit Excise Tax Revenue Bonds (Light Rail) ^{(2) (5)}	Aa3	AA
State of AZ Distribution Revenue Bonds ^{(2) (5)}	A1	AA-
Senior Hotel Revenue Bonds ^{(5) (6)}	Baa3	BBB-
Subordinate Hotel Revenue Bonds ^{(5) (6)}	A2	A-

⁽¹⁾Represents underlying rating, if insured.

⁽²⁾Issued by the Civic Improvement Corporation.

⁽³⁾Represents ratings on Series 1992 dated 03-15-92 and Series 1999 dated 01-01-99. Two series, Series 1992A, dated 12-15-92 and Series 2002, dated 05-01-02, are insured by Financial Guaranty Insurance Company (FGIC).

⁽⁴⁾No bonds currently outstanding.

⁽⁵⁾Insured by a municipal bond insurance policy or an irrevocable direct pay letter of credit.

The indicated ratings represent the underlying ratings.

⁽⁶⁾Issued by the Downtown Phoenix Hotel Corporation.

⁽⁷⁾Not rated.

Statement of Bonded Indebtedness**General Obligation Bonds (In Thousands of Dollars) ⁽¹⁾**

Purpose	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	\$1,232,958	\$ —	\$1,232,958	\$ —	\$1,232,958
Airport	—	13,580	13,580	—	13,580
Sanitary Sewer	—	51,873	51,873	—	51,873
Solid Waste	—	25,140	25,140	—	25,140
Water	—	81,405	81,405	—	81,405
Public Housing	—	—	—	155	155
Street and Highway	—	—	—	97,171	97,171
Subtotal	\$1,232,958	\$ 171,998	\$1,404,956	\$ 97,326	\$1,502,282
Less: Restricted Funds	(202,117)	—	(202,117)	—	(202,117)
Direct Debt	\$1,030,841	\$ 171,998	\$1,202,839	\$97,326	\$1,300,165
Less: Revenue Supported	—	(171,998)	(171,998)	(97,326)	(269,324)
Net Debt	\$1,030,841	\$ —	\$1,030,841	\$ —	\$1,030,841

⁽¹⁾Represents bonds outstanding as of March 1, 2009. These figures do not include the outstanding principal amounts of certain general obligation bonds, certain water revenue bonds and street and highway user revenue bonds which have been refunded or the payment of which has been provided for in advance of maturity. The payment of the debt service requirements on these bonds (including redemption premiums where applicable) is secured by federal securities which were purchased with proceeds of the refunding issues and other available monies and are held in irrevocable trusts and special investment funds held by the city.

**Water, Sewer, Lighting, Parks, Open Spaces, Playgrounds, Recreational Facilities,
Public Safety, Law Enforcement, Fire and Emergency Services Facilities, and Streets
and Transportation Facilities Bonds**

20% Constitutional Limitation	\$3,771,214,475
Direct General Obligation Bonds Outstanding ⁽¹⁾	(1,075,420,962)
Unused 20% Limitation Borrowing Capacity	\$2,695,793,513

All Other General Obligation Bonds

6% Constitutional Limitation	\$ 1,131,364,342
Direct General Obligation Bonds Outstanding	\$329,535,000 ⁽¹⁾
Less: Principal Redemption Funds held in Restricted Fund as of March 1, 2009	(202,116,852)
Direct General Obligation Bonds Outstanding	(127,418,148)
Unused 6% Limitation Borrowing Capacity	\$ 1,003,946,194

⁽¹⁾Represents general obligation bonds outstanding as of March 1, 2009.



**PUTTING PHOENIX
TO WORK**

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. The city also has used nonprofit corporation financing for projects essential to health and safety: e.g., police precinct stations. Similar to bonded debt, these financings are rated by bond rating agencies.

Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt Pop. Est. as of March 1, 2009 (1,650,745) ⁽¹⁾	Secondary Assessed Valuation (\$18,856,072,373)	Full Cash Valuation (\$167,520,964,412)
Direct General Obligation Bonded Debt Outstanding as of March 1, 2009	\$728.66	6.38%	0.72%
Net Direct General Obligation Bonded Debt Outstanding as of March 1, 2009	\$624.47	5.47%	0.62%

**Debt Service by Source of Funds and Type of Expenditure
(In Thousands of Dollars)**

Fund	2007-08 Actual	2008-09 Estimate	2009-10 Budget
Secondary Property Tax	\$165,827	\$201,024	\$200,222
Aviation	66,025	79,745	77,567
Arizona Highway User Revenue	31,245	31,241	31,247
Convention Center	17,949	18,595	18,592
General	26,175	28,465	35,150
Golf	844	852	849
Grant Funds - Transit and Housing	5,234	321	—
Solid Waste	20,241	15,381	15,594
Sports Facilities	9,010	9,870	9,872
Transit 2000	43,692	41,900	43,960
Wastewater	62,887	67,650	67,370
Water	77,344	82,248	122,744
Capital Funds - Various Sources	31,795	2,470	4,756
Total	\$558,268	\$579,762	\$627,923

Type of Expenditure

Type of Expenditure	2007-08 Actual	2008-09 Estimate	2009-10 Budget
Principal	\$271,045	\$267,696	\$288,828
Interest	285,336	310,974	337,095
Other	1,887	1,092	2,000
Total	\$558,268	\$579,762	\$627,923

Overview of Capital Improvement Program Process

The Capital Improvement Program is a five-year plan for capital expenditures needed to replace, expand and improve infrastructure and systems. Other planning processes, the most significant of which are explained in this section, identify the need and provide funding for capital projects and related operating costs.

On April 7, 2009, the City Council reviewed the Preliminary 2009-14 Capital Improvement Program and forwarded the 2006 bond-funded portion for review and consideration by the 2006 Bond Committee. The bond committee met on April 16 and reviewed property tax assessed valuation results, planned sales of bonds and the 2006 bond-funded portion of the Preliminary Capital Improvement Program. The bond committee approved the information presented. The Capital Improvement Program here includes the preliminary plan presented to City Council in April updated for project cost and timing changes.

2009-14 Capital Improvement Program Development

The annual citywide Capital Improvement Program update process began in January when departments prepared revised 2008-09 estimates and updated their five-year capital improvement programs. The 2008-09 estimates reflect updated construction cost estimates, project delays, awarded contract amounts, project carry-overs and other program changes. The 2009-14 program includes projects planned for authorized bond funding and the latest estimates for pay-as-you-go projects funded with operating funds, federal funds, impact fees and other sources. Also included are net new operating costs and/or savings. Budget and Research staff reviewed the departments' programs for funding availability, reasonableness and technical accuracy.

Presented in this citywide program are projects reviewed and adopted through several planning processes. These include capital projects funded through the most recently adopted multi-year rate plans for Enterprise funds such as Water, Wastewater and Solid Waste, and from other planning processes including the five-year Arterial Streets Plan, infrastructure financing plans for impact fees and various multi-year facility maintenance plans. Also reflected are capital projects from sales tax and voter-approved bond programs including the \$878.5 million 2006 Bond Program approved by Phoenix voters 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 controlled construction costs and increased project quality by making better use of locally available construction resources.

As projects to construct building facilities are designed, they are reviewed by a Facilities Review Team made up of representatives from the Public Works, Engineering and Architectural Services, Information Technology, Development Services, Parks and Recreation, and Budget and Research departments. This team reviews project designs for compliance with city standards for sustainability, maintainability and compatibility with enterprise-wide systems and to determine that the project is being designed within funding limitations. Information on the capital and operating costs and timelines are closely monitored and linked to the citywide annual operating budget through these reviews.

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 annual 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, or other tax rates to support the estimated \$11.5 million in new annual operating costs for the projects once complete.

City Council formed the \$878.5 million in projects into seven propositions all of which were approved by the voters in March 2006. Consistent with past practice to continue community oversight, the 2006 Bond Committee met on April 16, 2009, to review the 2006 bond-funded portion of the 2009-14 Capital Improvement Program. They recommended approval of the plan presented.



Enterprise Funds

Fees for the Water, Wastewater and Solid Waste enterprise funds are billed to customers on a single billing. As a result, all three of these enterprise funds complete annual updates to their multi-year rate plans on a similar timeline. These plans are first reviewed by the City Council Transportation and Infrastructure Subcommittee prior to action on the plans by the full City Council. Bond and pay-as-you-go funded capital projects, debt service, and operating and maintenance costs of existing services and planned capital projects are all provided for in these multi-year rate plans. User fee rate changes are typically implemented in March of each year to support the updated plans.

The Phoenix Convention Center enterprise fund receives most of its resources from earmarked sales taxes. To support a significant expansion and renovation of the Phoenix Convention Center, an extensive multi-year forecast was developed to establish pay-as-you-go, bond and related debt service, and operations and maintenance cost capacities without a tax rate increase. The first and second phases of the expansion are now open for business. The second phase was completed in December 2008. The capital and financial plan was critical to securing \$600 million in bond funding split equally between the city and state of Arizona to expand and modernize the facility.

Capital Construction Funds

The Capital Construction fund was established in 1998-99 and provides about \$22 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 are 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 10-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. This tax was renewed by voters in May 2008 for 30 years. The 2009-14 Capital Improvement Program includes \$209.2 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.

Transit 2000 Funds

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of one percent sales tax for a period of 20 years to implement the Transit 2000 plan. The plan provides funding for light rail, buses, right of way improvements, passenger facilities and

related operating costs. The 2009-14 Capital Improvement Program includes \$220.9 million of these funds, which are programmed for:

- Additional vehicles and upgrades to existing vehicles (\$5.0 million)
- New and expanded passenger and maintenance facilities (\$18.2 million)
- Bus pullouts, left-turn arrows and bicycle lanes (\$4.5 million)
- Technology upgrades (\$7.2 million)
- Light rail, bus rapid transit and related support services (\$185.0 million)
- Contingencies (\$1.0 million)

Five-Year Arterial Streets Plan

Each year the Street Transportation Department updates its five-year plan and funding for major street and storm drain construction. This program is primarily funded through Arizona Highway User Revenue (AHUR) including state-shared revenue from gas taxes and vehicle license taxes. The update begins with the Budget and Research Department providing an updated current year and five-year forecast of AHUR revenue, and requirements for AHUR to support operating expenditures and debt service to determine the amounts available for pay-as-you-go capital projects. Also included in the plan are any needed updates to voter-approved bond projects as well as funding sources from other government agencies in projects such as flood control. The plan is then presented to the Transportation and Infrastructure Subcommittee before forwarding on to the City Council.

This program primarily reflects the five-year Arterial Street plan approved by the City Council on May 7, 2009.

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. By 2004, impact fee collections had become more significant. With the recent downturn in the economy, impact fee collections are now slowing again. Since the revenue streams are dependent on what can be volatile development activity, only impact fee revenues that have been collected are planned in the Capital Improvement Program.

An independent evaluation of the

Development Impact Fee Program is being performed on one-third of the facility categories each year. On March 4, 2009, updated infrastructure financing and improvement plans for Major Streets and Bridges, Parks and Trails, and Open Space were adopted. A study is currently underway to update Fire, Police, Library and Storm Drainage impact fees. The results of this study will be presented to the City Council in late 2009.

Operating costs for impact fee-funded projects are included in the rate planning process for Water, Wastewater and Solid Waste. Operating costs for the other

SUMMARY OF 2009-14 CAPITAL IMPROVEMENT PROGRAM (In Thousands of Dollars)

Source of Funds	2009-10	2010-11	2011-12	2012-13	2013-14	5-Year Total
Arts and Cultural Facilities	\$26,422	\$271	\$-	\$-	\$-	\$26,693
Aviation	769,847	149,373	96,535	73,709	52,113	1,141,577
Economic Development	23,397	13,274	3,732	2,500	2,500	45,403
Energy Conservation	28,345	1,450	1,450	1,450	1,450	34,145
Facilities Management	30,280	20,783	11,009	8,012	11,588	81,672
Fire Protection	29,733	19,610	-	-	-	49,343
Freeway Mitigation	4,080	-	-	-	-	4,080
Historic Preservation	3,796	2,689	1,412	426	-	8,323
Housing	65,041	20,043	18,722	15,078	15,589	134,473
Human Services	12,598	8,600	2,489	-	-	23,687
Information Technology						
Services	16,312	14,516	7,425	210	-	38,463
Libraries	18,859	8,969	200	200	200	28,428
Neighborhood Services	28,811	7,459	477	-	-	36,747
Parks, Recreation and Mountain Preserves	171,662	118,236	65,963	19,160	29,514	404,535
Phoenix Convention Center	22,416	654	1,607	3,178	4,951	32,806
Police Protection	69,373	20,783	-	-	-	90,156
Public Transit	240,011	87,868	64,808	44,094	97,580	534,361
Solid Waste Disposal	136,332	35,362	34,932	16,562	15,645	238,833
Street Transportation and Drainage	214,919	127,204	86,492	93,458	97,443	619,516
Wastewater	116,744	78,479	58,009	150,739	210,125	614,096
Water	244,407	257,409	135,103	126,929	162,107	925,955
Total Operating Funds	\$2,273,385	\$993,032	\$590,365	\$555,705	\$700,805	\$5,113,292



impact fee programs are identified in the Capital Improvement Program and are funded through the annual operating budget as costs for operating and maintaining new capital projects.

Budget and Research staff has worked with the Planning Department as well as

operating department staff to appropriately program \$149.5 million in available impact fees in the 2009-14 Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.

**SUMMARY OF 2009-14 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

Fund	2009-10	2010-11	2011-12	2012-13	2013-14	5-Year Total
Operating Funds:						
General Funds	\$1,019	\$7,697	\$7,597	\$10,873	\$14,489	\$41,675
Parks and Preserves	56,053	17,491	17,815	19,160	19,614	130,133
Transit 2000	22,036	56,216	30,147	5,478	5,041	118,918
Development Services	30	-	443	-	-	473
Capital Construction	29,324	23,234	23,452	24,279	24,977	125,266
Arizona Highway Users	36,114	47,545	36,746	38,404	82,223	241,032
Public Transit	14,768	7,983	10,178	6,821	30,171	69,921
Community Reinvestment	7,182	2,500	2,500	2,500	2,500	17,182
Community Development Block Grants (CDBG)	4,746	491	531	171	171	6,110
Hope Grant	2,628	2,265	3,757	54	-	8,704
Other Restricted	10,280	9,250	9,250	3,247	3,000	35,027
Grant Funds	164,895	11,256	7,756	7,756	7,756	199,419
Enterprise Funds:						
Aviation	25,057	16,330	10,361	9,342	7,125	68,215
Convention Center	4,463	700	1,762	1,220	3,200	11,345
Solid Waste	5,116	2,642	2,393	3,013	3,369	16,533
Wastewater	55,399	58,784	44,561	56,782	71,340	286,866
Water	94,076	168,369	86,707	118,954	139,467	607,573
Total Operating Funds	\$533,186	\$432,753	\$295,956	\$308,054	\$414,443	\$1,984,392
Bond Funds:						
Property Tax Supported:						
1988 Various Purpose	\$2,254	\$-	\$-	\$-	\$-	\$2,254
1989 Various Purpose	125	-	-	-	-	125
2001 Various Purpose	24,896	5,286	139	-	-	30,321
2006 Various Purpose	304,667	131,373	15,621	636	-	452,297
Nonprofit Corporation Bonds:						
Aviation	468,348	61,640	25,288	9,150	9,260	573,686
Convention Center	4,539	-	-	-	-	4,539
Parks and Preserves	-	59,125	10,000	-	9,900	79,025
Solid Waste	34,286	30,728	31,300	12,849	10,991	120,154
Transit 2000	102,013	-	-	-	-	102,013
Wastewater	28,777	10,082	9,688	74,513	119,801	242,861
Water	90,130	88,824	46,539	6,220	20,141	251,854
Other	29,696	-	-	-	-	29,696
Total Bond Funds	\$1,089,731	\$387,058	\$138,575	\$103,368	\$170,093	\$1,888,825

SUMMARY OF 2009-14 CAPITAL IMPROVEMENT PROGRAM (continued)
BY SOURCE OF FUNDS
(In Thousands of Dollars)

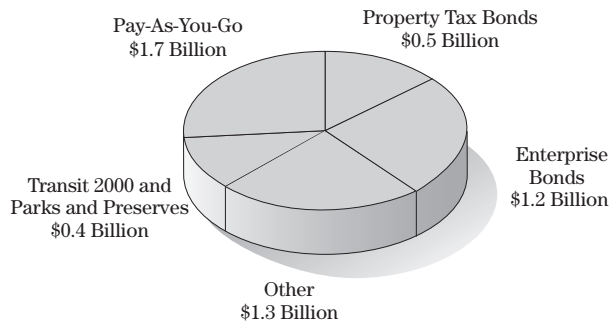
Fund	2009-10	2010-11	2011-12	2012-13	2013-14	5-Year Total
Other Capital Sources:						
Impact Fees	\$136,706	\$12,281	\$-	\$-	\$485	\$149,472
Passenger Facility Charge	42,533	55,080	60,917	55,217	20,219	233,966
Other Cities' Share –						
SROG and Val Vista	14,443	12,466	7,815	22,099	21,498	78,321
Solid Waste Remediation	3,176	700	1,244	700	1,285	7,105
Capital Grants	411,549	77,448	58,519	35,892	52,539	635,947
Federal, State and						
Other Participation	29,212	15,246	27,339	30,375	20,243	122,415
Private Participation	3,710	-	-	-	-	3,710
Capital Reserves	2,035	-	-	-	-	2,035
Parks Capital Gifts	993	-	-	-	-	993
Other Capital	6,111	-	-	-	-	6,111
Total Other Capital Sources	\$650,468	\$173,221	\$155,834	\$144,283	\$116,269	\$1,240,075
TOTAL	\$2,273,385	\$993,032	\$590,365	\$555,705	\$700,805	\$5,113,292

2009-14 Capital Improvement Program Highlights

The Capital Improvement Program (CIP) totals \$5.1 billion over the next five years. As shown in the pie chart to the right, funding for the 2009-14 program comes from five main sources: \$0.5 billion in 1988, 2001 and 2006 voter-approved bond funds, \$1.7 billion in pay-as-you-go operating funds, \$1.2 billion in various enterprise bonds, \$0.4 billion in Transit 2000 and Parks and Preserve Initiative funds, and \$1.3 billion in other funds. The \$1.3 billion in other funds includes \$78.3 million in payments by other cities and agencies for participating in projects in programs such as Water and Wastewater, \$635.9 million in capital grants, \$149.5 million in development impact fees, \$234.0 million in passenger facility charges, \$122.4 million in other government participation in projects, \$2.0 million in capital reserves, \$7.1 million in Solid Waste remediation funding and \$10.8 million from miscellaneous capital sources.

Projects in the first year total \$2.3 billion and are funded from pay-as-you-go operating funds (\$0.5 billion), bond funds (\$1.1 billion) and other capital financing (\$0.7 billion). A financial organization chart at the end of this section presents a visual overview of the first year by source of funds and additional schedules summarize the 2009-10 Capital Budget by source of funds and the 2009-10 Capital Improvement Program by fund group and program. A brief overview of the five-year plan for each program follows.

2009-14 Capital Improvement Program Sources of Funds



Arts and Cultural Facilities

The \$26.7 million Arts and Cultural Facilities program is funded with 2001 and 2006 bonds and nonprofit corporation bonds. The following projects are planned for bond funding:

- Complete renovation and expansion of the Phoenix Theatre
- Renovate and expand the Phoenix Art Museum
- Construct upgrades and make ADA improvements to the Arizona Science Center
- Construct a new facility to house the Arizona Opera and Ballet Arizona
- Renovate existing Black Theatre Troupe facility

Aviation

The Aviation program totals \$1.1 billion and includes projects for Phoenix Sky Harbor International Airport and two satellite airports, Phoenix Deer Valley and Phoenix Goodyear. The Aviation program is funded with Aviation operating revenue, federal grant funds, Aviation nonprofit corporation bonds and Passenger Facility Charge funds.

Major improvements for Sky Harbor International Airport include the following:

- Develop and manage airport expansion infrastructure
- Design and construct the PHX Sky Train system and related ground transportation center
- Construct an electrical substation
- Reconstruct and expand taxiways
- Acquire and maintain properties for the Community Noise Reduction Program, the PHX Sky Train and future airport expansion
- Complete various development studies and consultant services

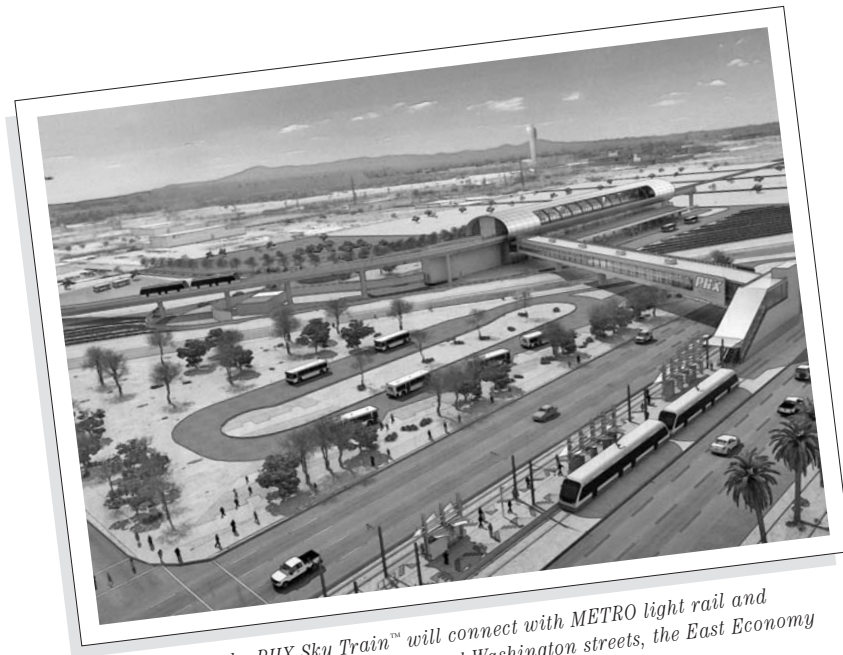
- Rehabilitate Terminal 4 including rebuilding moving walkways, food and beverage tenant upgrades and build-outs, and pavement reconstruction
- Construct an intruder alarm and implement other security improvements
- Construct an in-line baggage explosive detection system
- Provide soundproofing to non-residential qualified establishments within airport proximity.

The Aviation program also includes taxiway, ramp and other various improvements at the Phoenix Deer Valley and Phoenix Goodyear airports, and airport development projects at Phoenix-Mesa Gateway airport.

Economic Development

The \$45.4 million Economic Development program is funded with 2006 bonds and Downtown Community Reinvestment funds. The program includes the following downtown and citywide economic development projects:

- Facilitate and assist bioscience development in Phoenix
- Construct downtown infrastructure improvements to sidewalks, landscaping and lighting
- Increase business redevelopment and public art enhancements
- Revitalize public infrastructure in West Phoenix
- Acquire property for the relocation of the Arizona State Fairgrounds



Stage one of the PHX Sky Train™ will connect with METRO light rail and transport passengers between 44th and Washington streets, the East Economy parking lot and Terminal 4.



Energy Conservation

The \$34.1 million Energy Conservation Program is funded with General, Convention Center, Water and Wastewater operating funds and federal grants. This program includes capital projects to continue the city's energy conservation efforts, installation of solar panels at various city facilities and also includes energy efficient retrofit cost reduction efforts.

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, first year annualized cost savings average \$250,000.

Energy saving retrofits have been completed for lighting, heating, ventilation, air conditioning and control systems. Examples of recent capital projects that the Energy Program has participated in include the Phoenix Convention Center, Pecos Community Center and Desert Broom Library.

Facilities Management

The Facilities Management program totals \$81.7 million and is funded with 2001 and 2006 bonds, nonprofit corporation bonds, General funds, Capital Construction funds, impact fees and other restricted funds. The following projects are planned for 2001 and 2006 bond funding:

- Renovate and/or repair the city's maintenance service centers
- Replace critical facility systems in the Calvin C. Goode Building
- Refurbish the City Council Chambers to bring it into compliance with the Americans with Disabilities Act
- Replace critical facility and support systems in Phoenix City Hall and the Personnel Building
- Increase work space efficiencies through a partial restacking of Phoenix City Hall

- Update downtown facilities to bring them into compliance with the Americans with Disabilities Act
- Provide partial infrastructure for the Estrella Multi-Use Maintenance and Customer Service Center

Also included in the program is the use of Capital Construction funds to underground 69kv electric lines near the Sonoran Preserve and funding for remediation of contaminated soil from leaking underground storage tanks. Planned uses of General funds and nonprofit corporation bonds include major facility repairs and maintenance for service centers, maintenance shops and office buildings according to the facility management plan.

Fire Protection

The \$49.3 million Fire Protection program is funded with 2001 and 2006 bonds, and impact fees. The following fire stations are planned for bond funding:

Fire Station Construction

- New Station 55 near the borders of the Deer Valley and North Gateway villages along the I-17 corridor
- New Station 59 in Estrella Village
- New Station 74 in west Ahwatukee Foothills

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

- Study and pilot new fire communication technology
- Design and construct a Dispatch and Emergency Operations Center



The Fire Protection bond program includes the construction of new fire stations throughout the city.



Freeway Mitigation

The Freeway Mitigation program totals \$4.1 million and 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 included for the Outer Loop, South Mountain Loop and Black Canyon/Maricopa Freeway corridors.

Historic Preservation

The Historic Preservation program totals \$8.3 million and is funded with 1989, 2001 and 2006 bonds. The following projects are planned:

- Provide grants for low-income homeowners to complete exterior rehabilitation work on their homes
- Acquire and rehabilitate threatened historic buildings citywide
- Provide matching grants for residential and commercial historic property owners to rehabilitate historic properties in exchange for conservation easements
- Provide funds to rehabilitate city-owned historic buildings and facilities



Housing

The Housing program totals \$134.5 million and is funded with Community Development Block Grant (CDBG) funds, 2006 bonds and public housing federal grant funds including HOPE VI.

Housing projects using 2006 bond funds include:

- Acquire and expand city-owned properties for affordable housing
- Provide a new loan program to increase affordable properties
- Install air conditioning units in public housing to replace obsolete evaporative coolers

Nonprofit projects using 2006 bond funds include:

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

Modernization projects for public housing units are based on the availability of grant funds. City Council-approved allocations of Community Development Block Grant funds also are programmed.

Human Services

The \$23.7 million Human Services program is funded with 2001 and 2006 bonds and provides for construction of the Southwest Family Services Center and the 51st Avenue Senior Center. Remaining bond funds are for a homeless shelter, the purchase of land for the 16th Street Senior Center and construction of the La Pradera Senior Center.

Nonprofit projects in the program include:

- Provide partial funding for the Native American Connections' Business and Cultural Center
- Expand the Boys and Girls Club Dave Pratt Dental Clinic
- Provide partial funding for the Southwest Center for HIV/AIDS

Information Technology

The \$38.5 million Information Technology program is funded with 2001 and 2006 bonds; nonprofit corporation bonds; Water, Wastewater, Solid Waste Disposal and Aviation revenues; operating grants and other restricted funds. Projects planned for 2001 and 2006 bond funding include the following:

- Acquire electronic equipment to provide improved customer service
- Design, construct and equip an alternate information technology operations center
- Deploy voice/data convergence-ready equipment to upgrade and enhance staff connectivity
- 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 \$28.4 million and is funded with 2001 and 2006 bonds, impact fees, General funds and nonprofit corporation bonds. Projects planned for 2001 and 2006 bond funding include the following:

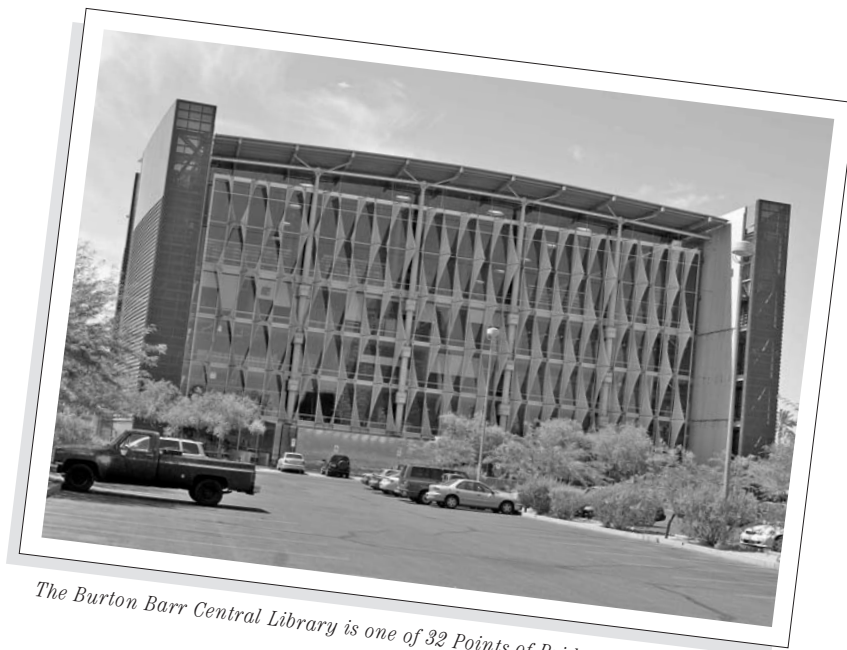
- Complete a replacement for Harmon branch library
- Design and construct the South Mountain regional branch library
- Expand library patron self-service capabilities
- Complete the Palo Verde replacement branch library
- Acquire land for a North Gateway branch library

General funds and nonprofit corporation bonds are proposed to complete improvements to the interior of the Juniper Library and other library branches. Impact fees are included to design new libraries in the Desert View and west Ahwatukee areas, and to partially fund the design and construction of an Estrella branch library.

Neighborhood Services

The Neighborhood Services program totals \$36.7 million and is funded with Community Development Block Grants (CDBG), Neighborhood Stabilization Program grants, 2001 and 2006 bonds. Projects include the following:

- Purchase and redevelop foreclosed properties to assist with neighborhood stabilization
- Partner with the community and other city departments to address critical neighborhood projects and blight elimination
- Acquire property and provide development incentives for blight elimination and revitalization
- Construct neighborhood infrastructure such as sidewalks, lighting, alley improvements and landscaping to enhance aging neighborhoods



The Burton Barr Central Library is one of 32 Points of Pride in Phoenix.

**Parks, Recreation and
Mountain Preserves**

The Parks, Recreation and Mountain Preserves program totals \$404.5 million and is funded with nonprofit corporation bonds, 2001 and 2006 bonds, parks monopole sites revenue, impact fees, grants, Parks and Preserves Initiative and other restricted funds. The program provides for acquisition and development of new park sites, preserves, specialty areas and improvements to existing parks.

The following major projects are planned for 2001 and 2006 bond funds:

- Construct, improve and renovate parks citywide
- Acquire land for neighborhood mini-park sites

- 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 and construct amenities for the Rio Salado Oeste habitat
- Acquire the Pioneer Living History Museum land

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 the Galvin Parkway intersection at the Desert Botanical Garden
- Provide partial funding for offsite improvements for construction of a Salvation Army South Mountain Center



Beginning in summer 2009, the city will rotate the closure of eight pools a year to perform upgrades and repairs.

Parks and Preserves projects include improvements to community and neighborhood parks, and land for the Sonoran Preserve. Impact fees are included 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 included to add amenities to parks with monopole sites.

Phoenix Convention Center

The \$32.8 million Phoenix Convention Center program is funded with Convention Center operating revenue, nonprofit corporation bonds, 2001 and 2006 bonds, and General funds. In addition to the convention center, this program includes the Herberger and Orpheum theaters, Symphony Hall plus the Hyatt Regency, Heritage and Convention Center parking garages.

Projects using 2006 bonds include the Herberger Theater renovations and enhancements.



The Phoenix Convention Center, which completed its expansion in 2008, offers more than 900,000 square feet of meeting and event space and more than two million in total square footage, making it one of the top 20 convention venues in the United States.



Police Protection

The Police Protection program totals \$90.2 million and is funded with 2001 and 2006 bonds, nonprofit corporation bonds and impact fees. The following projects are planned:

- Purchase aircraft to replace current fleet
- Design and construct aircraft hangar facilities at the Deer Valley Airport
- Acquire land for a new northwest precinct
- Upgrade or replace the Police Automated Computer Entry (PACE) System
- Rebuild and equip the Squaw Peak Precinct
- Construct a new precinct in the Cave Creek Road and Smokehouse Trail area
- Renovate a newly acquired building for use as the Cactus Park Precinct
- Design a communications center expansion
- Renovate Family Advocacy Center

Public Transit

The \$534.4 million Public Transit program is funded with Arizona Highway User Revenue, 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 in the Public Transit program include the following:

- Rehabilitate and acquire buses, purchase Dial-a-Ride replacement vans and neighborhood circulators
- Improve and maintain bus stops, park-and-ride locations and transit centers
- Design and construct a heavy maintenance facility
- Implement technology enhancements including a wireless communication system for the regional bus system
- Acquire land for light rail northwest extension right-of-way and future park-and-ride locations
- Plan and design light rail northwest extension

Solid Waste Disposal

The \$238.8 million Solid Waste Disposal program includes projects at the city's open landfill, closed landfills and transfer stations, and is funded with Solid Waste revenue, Solid Waste Remediation funds, nonprofit corporation bond funds, federal grants and impact fees. Projects planned in the Solid Waste program include:

- Monitor and maintain methane gas extraction systems, cell lining and capping, and installing landscaping at the Skunk Creek landfill
- Expand and renovate 27th Avenue Transfer Station
- Monitor and maintain methane gas extraction systems and cell lining at the State Route 85 landfill
- Excavate cell and construct a drainage system for the State Route 85 landfill
- Maintain soil capping and the methane gas collection system at the 19th Avenue landfill
- Monitor groundwater and methane gas and installing landscaping at the 27th Avenue landfill



Street Transportation and Drainage

The Street Transportation and Drainage program totals \$619.5 million and is funded with Arizona Highway User Revenues, 2001 and 2006 bonds, impact fees, Capital Construction funds and participation from other agencies. Included in the program are major street, storm drainage, traffic improvement, and other street maintenance and improvement projects.

Major street and storm drainage projects for 2006 bond funding include:

- Acquire land for, design and construct a bridge at Riverview Drive between 18th and 22nd streets
- Expand city of Phoenix wireless network for connections to on-street devices for traffic signal coordination
- Construct improvements to 20th Street from Highland Avenue to Camelback Road
- Construct improvements to 32nd Street from Washington Street to McDowell Road
- Rehabilitation of 16 major flood-control dams located in the North Mountain Preserve (includes additional funding from Maricopa County)
- Construct intersection improvements at Pinnacle Peak Road and Tatum Boulevard
- Construct a downtown storm drain relief system
- Construct landscape improvements in the west Phoenix revitalization area
- Construct historic districts streetscape improvements
- Construct a detention basin at 23rd Avenue and Roeser Road
- Design and construct traffic-calming infrastructure
- Storm drain rehabilitation
- Construction local drainage improvements
- Construct phase II of the Intelligent Transportation System (ITS) fiber optic backbone

Major street projects for AHUR funding include the following projects:

- Construct one mile of major street at 19th Avenue from Baseline Road to Southern Avenue
- Complete construction of one mile of major street at Lower Buckeye Road from 43rd to 35th avenues
- Construct the 19th Avenue Bridge at the Central Arizona Project Canal
- Construct one mile of major street at Pinnacle Peak Road from 43rd to 35th avenues
- Construct a major street at Pinnacle Peak Road from 43rd to 55th avenues
- Construct one mile of major street at 35th Avenue from Baseline Road to Southern Avenue
- Construct a major roadway and bridges at Sonoran Desert Boulevard (includes funding from state and local aid)
- Construct one mile of major street at 43rd Avenue from Lower Buckeye to Buckeye roads
- Complete a mile and a half of major street at Southern Avenue from 31st to 19th avenues
- Construct a mile of major street at 75th Avenue from Lower Buckeye to Buckeye roads
- Construct a mile of major street at 32nd Street from Southern Avenue to Broadway Road
- Construct a mile of major street at Buckeye Road from 67th to 59th avenues
- Construct a mile of major street at Lower Buckeye Road from 51st to 43rd avenues
- Construct a bridge at Greenway Parkway and Cave Creek Wash
- Retrofit landscaping on existing major streets
- Major street overlay
- Major street microseal

Capital Construction funding is planned for the following types of projects:

- Local paving projects
- Residential street resurfacing
- Sidewalks
- Sidewalk ramps
- Dust control
- Traffic calming



Wastewater

The Wastewater program totals \$614.1 million and is funded with Wastewater operating revenue, Wastewater nonprofit corporation bonds, impact fees and other cities' participation in the 91st Avenue Wastewater Treatment Plant Subregional Operating Group (SROG) joint venture.

Major Wastewater projects include the following:

- 91st Avenue Wastewater Treatment Plant expansion
- 23rd Avenue Wastewater Treatment Plant phase 3 digester conversion
- Land acquisition and construction of the Regional Capacity Management Facility
- Land acquisition for the Tres Rios flood control and ecosystem restoration project.
- Construction of Salt River Outfall and Southern Avenue Interceptor Parallel sewers to meet wastewater system flow demands
- Land acquisition and construction of odor control facilities for the Salt River Outfall and Southern Avenue Interceptor sewers
- Construction of relief sewers citywide
- Repair and replacement of wastewater treatment plant equipment
- Sewer lift station improvements
- Construction of parallel sections of the Broadway Sewer from 32nd Street to 51st Avenue to provide additional capacity
- Rehabilitation of selected sewers of various sizes and materials located throughout the city
- Sewer relocations for light rail northwest extension
- Various Wastewater management studies, staff charges and consultant fees

Water

The \$926.0 million Water program is funded with Water operating revenue, nonprofit corporation bonds, impact fees and city of Mesa participation in the Val Vista Water Treatment Plant joint venture.

Major projects include the following:

- Design and construct a regional granulated active carbon regeneration facility
 - Expand Cave Creek Water Reclamation Plant
 - Acquire and construct new wells and rehabilitate existing wells
 - Construct new reservoirs, and rehabilitate existing reservoirs and basins
 - Rehabilitate existing booster stations
 - Rehabilitate steel tanks
 - Construct security upgrades at remote facilities
 - Convert plant filtration to granular activated carbon at 24th Street, Union Hills and Val Vista water treatment plants
 - Replace and rehabilitate the Val Vista Transmission Main from the Val Vista Water Treatment Plant to 48th Street
 - Construct water main improvements recommended in the integrity study and rehabilitate existing mains citywide
 - Increase capacity of water distribution system in the Camelback east residential corridor
 - Construct new mains in growth areas
 - Acquire additional water resources
 - Relocate water lines for light rail northwest extension
 - Install new service meters and construct plumbing connections for alley service relocations
 - Acquire and install software and hardware to automate meter reading and replace the Customer Information System
- Replace deficient prestressed concrete cylinder pipe
 - Acquire land for Lake Pleasant Water Treatment Plant
 - Repair and replace leaking water services
 - Conduct various water system studies

**2009-10 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

	Total Program	Pay-As- You-Go Operating	2006 Bonds	All Other GO Bonds*	Nonprofit Corporation Bonds	Other Capital Sources
Arts and Cultural Facilities	\$26,422	\$127	\$23,977	\$2,061	\$257	\$-
Aviation	769,847	24,943	-	-	468,348	276,556
Economic Development	23,397	7,329	16,068	-	-	-
Energy Conservation	28,345	28,345	-	-	-	-
Facilities Management	30,280	6,737	8,245	1,803	8,396	5,099
Fire Protection	29,733	-	26,483	1,650	600	1,000
Freeway Mitigation	4,080	-	-	4,080	-	-
Historic Preservation	3,796	20	2,811	965	-	-
Housing	65,041	35,415	17,094	13	180	12,339
Human Services	12,598	-	10,313	1,876	159	250
Information Technology Services	16,312	9,167	4,871	302	1,972	-
Libraries	18,859	705	6,081	5,514	616	5,943
Neighborhood Services	28,811	11,145	16,507	399	260	500
Parks, Recreation and Mountain Preserves	171,662	56,216	45,012	5,182	1,101	64,151
Phoenix Convention Center	22,416	4,325	13,216	86	4,789	-
Police Protection	69,373	-	48,653	2,466	18,120	134
Public Transit	240,011	39,868	164	-	102,028	97,951
Solid Waste Disposal	136,332	98,778	-	22	33,446	4,086
Street Transportation and Drainage	214,919	61,275	64,662	856	1,584	86,542
Wastewater	116,744	55,042	20	-	25,006	36,676
Water	244,407	93,749	490	-	90,927	59,241
Total	\$2,273,385	\$533,186	\$304,667	\$27,275	\$757,789	\$650,468

*Remaining 1988, 1989 and 2001 bond funds. Of this amount, \$24,896,000 is 2001 bond funds, \$2,254,000 is 1988 bonds and \$125,000 is 1989 bonds.

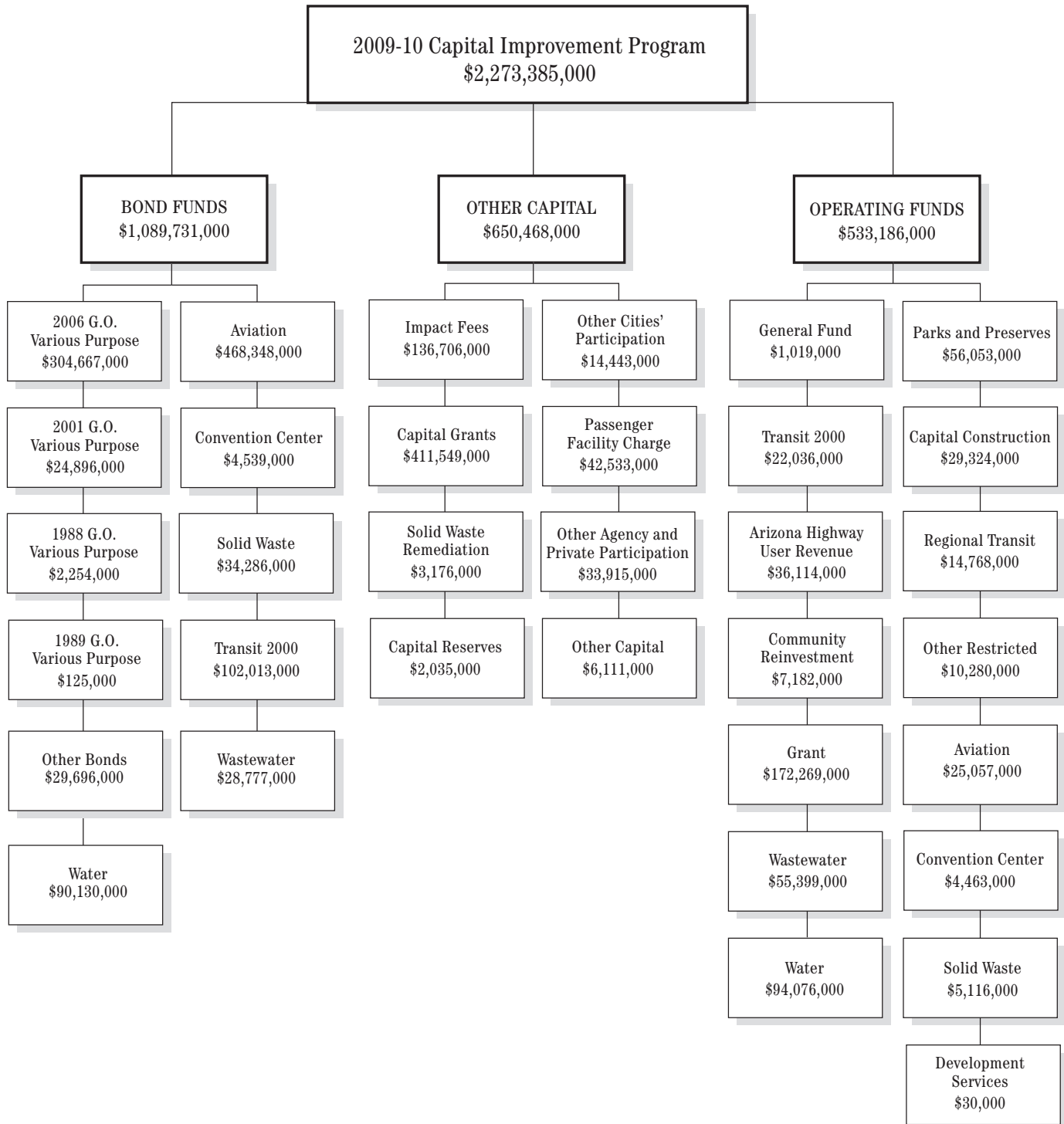


**RESOURCES AND EXPENDITURES BY CAPITAL FUND
2009-10 CAPITAL IMPROVEMENT PROGRAM**

	RESOURCES		EXPENDITURES		FUND BALANCES		
	Beginning Balance	Projected Revenue*	Total	Estimated Expenditures	Ending Fund Balances	Available For Sale	Funds Available Beyond 09/10
Capital Fund							
Bond and Related Funds							
2006 Bonds							
Libraries, Senior & Cultural Centers	\$(19,845)	\$90,000	\$70,155	\$68,914	\$1,241	\$23,250	\$24,491
Education	(1,449)	10,000	8,551	5,185	3,366	2,100	5,466
Affordable Housing & Neighborhoods	(17,184)	60,000	42,816	40,475	2,341	16,155	18,496
Parks and Open Spaces	(8,917)	50,000	41,083	41,113	(30)	19,375	19,345
Police, Fire & Homeland Security	(32,143)	105,000	72,857	72,610	247	42,825	43,072
Police, Fire & City Technology	(1,649)	10,000	8,351	7,398	953	5,200	6,153
Street and Storm Sewer Improvement	(15,149)	85,000	69,851	68,972	879	41,200	42,079
2001 Bonds							
Affordable Housing & Homeless Shelter	3,610	—	3,610	767	2,843	—	2,843
Educational, Youth & Cultural Facilities	1,608	3,075	4,683	3,707	976	—	976
Environmental Improvement & Cleanup	(692)	2,100	1,408	846	562	—	562
Fire Protection Facilities & Equipment	(4,136)	6,000	1,864	730	1,134	—	1,134
Neighborhood Protection & Senior Centers	3,028	5,655	8,683	2,864	5,819	—	5,819
New & Improved Libraries	481	5,500	5,981	5,515	466	—	466
Parks, Open Space & Recreation	(23)	4,425	4,402	2,923	1,479	—	1,479
Police Protection Facilities & Equipment	(9,840)	12,350	2,510	2,456	54	—	54
Police, Fire & Computer Technology	(4,281)	6,500	2,219	1,222	997	—	997
Preserving Phoenix Heritage	(1,106)	2,075	969	625	344	—	344
Storm Sewers	(4,729)	7,370	2,641	616	2,025	—	2,025
Street Improvements	(938)	6,200	5,262	2,625	2,637	—	2,637
1989 Historic Preservation	127	—	127	125	2	—	2
1988 Bonds							
Community Education/Cultural Facilities	79	—	79	79	—	—	—
Freeway Mitigation, Neighborhood Stabilization, Slum & Blight Elimination	899	1,000	1,899	1,695	204	—	204
Parks, Recreation & Mountain Preserves	489	—	489	471	18	—	18
Police Protection	10	—	10	9	1	—	1
Storm Sewers	—	—	—	—	—	—	—
1984 Fire & Police Protection	261	—	261	—	261	—	261
Nonprofit Corporation Bonds							
Aviation	107,871	100,000	207,871	468,348	(260,477)	1,222,045	961,568
Phoenix Convention Center	15,954	—	15,954	4,539	11,415	—	11,415
Golf	218	—	218	—	218	—	218
Solid Waste	28,002	50,000	78,002	34,286	43,716	25,000	68,716
Transit 2000	104,093	—	104,093	102,013	2,080	—	2,080
Wastewater	(80,202)	150,000	69,798	28,777	41,021	355,000	396,021
Water	252,412	—	252,412	90,130	162,282	400,000	562,282
Other	(18,258)	50,000	31,742	29,696	2,046	146,000	148,046
OTHER FINANCING							
Impact Fees	163,030	—	163,030	136,706	26,324	—	26,324
Passenger/Customer Facility Charge	77,205	84,800	162,005	42,533	119,472	—	119,472
Other Cities' Participation in Joint Ventures	15,715	14,443	30,158	14,443	15,715	—	15,715
Solid Waste Remediation	8,889	—	8,889	3,176	5,713	—	5,713
Capital Grants	19,898	411,549	431,447	411,549	19,898	—	19,898
Federal, State & Other Participation	—	29,212	29,212	29,212	—	—	—
Capital Gifts	999	—	999	993	6	—	6
Private Participation	2,935	2,000	4,935	3,710	1,225	—	1,225
Capital Reserves	274,250	3,980	278,230	2,035	276,195	—	276,195
Other Capital	28,698	—	28,698	6,111	22,587	—	22,587
TOTAL	\$890,220	\$1,368,234	\$2,258,454	\$1,740,199	\$518,255	\$2,298,150	\$2,816,405

*Includes bond proceeds and funds which "pass through" bond funds such as grants, land sales and other agency and private participation.

2009-10 Capital Improvement Program Organizational Chart



Operating Costs for New Capital Facilities

Capital facilities include the police and fire stations, senior centers, parks, swimming pools, libraries, cultural facilities and customer service centers 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 assets. These costs are not funded with bonded debt and must be paid from the city's annual operating funds.

New Facilities Funding and Their Operating Costs

On March 14, 2006, Phoenix voters approved an \$878.5 million bond program. Projects funded with these bond funds were originally estimated to result in \$11.5 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 the funds invested. This program provides for energy efficient retrofits, energy efficient design and metering for efficient operations.

Identifying Operating Costs

Each fall, departments are asked to review all capital projects, their estimated completion dates, any costs associated with operating new facilities and systems, and the funding source(s) for these costs. These costs are reviewed jointly by the Budget and Research, and Engineering and Architectural Services departments. The 2009-10 budget includes \$6.3 million in new operating and maintenance costs for new facilities and systems. The funding sources for 2009-10 operating costs include General, Water and Wastewater funds. The schedule below provides project funding sources, operating and maintenance costs for 2009-10, along with the full-year operating and maintenance costs for 2010-11, and the source of funds that will be used for these costs.

OPERATING COSTS FOR NEW CAPITAL FACILITIES

	# of FTEs		2009-10 Costs	2010-11 Costs
Fire				
Fire Station 72 (2006 Bonds)	–	Provide operating costs to open fire station located at Cave Creek and Dove Valley roads. Fire will use existing firefighters to staff the station. These costs are for utilities and supplies.	\$113,000	\$113,000
Human Services				
Chrysalis Shelter for Victims of Domestic Violence, Inc. (2001 Bonds)	–	Provide \$152,000 towards annual operating costs of newly constructed domestic violence shelter. Opens November 2009.	\$89,000	\$152,000
Information Technology				
Phoenix Regional Wireless Network (2001 Bonds, 2006 Bonds)	–	Provide maintenance costs for new radio frequency sites.	\$351,000	\$239,000



**PUTTING PHOENIX
TO WORK**

OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

	# of FTEs		2009-10 Costs	2010-11 Costs
Library				
Agave Library (2001 Bonds, Impact Fees)	–	Provide contractual services and commodities required to operate new facility located at 36th Avenue and Pinnacle Peak Road.	\$474,000	\$474,000
Harmon Library (2001 Bonds, 2006 Bonds)	1.3	Provide operating costs at the newly expanded facility located at Fourth Avenue and Yavapai Street.	\$38,000	\$38,000
Parks and Recreation				
Agave Library (2001 Bonds, Impact Fees)	0.5	Provide for the maintenance of landscaping and surrounding areas at newly constructed facility. (\$31,000 cost charged to Library and included in above total.)	\$–	\$–
Laveen Area Conveyance Channel (Impact Fees)	2.0	Provide for the maintenance and operating costs of new landscaping and art features along the upper bank of the channel from 51st to 55th avenues.	\$126,000	\$126,000
Police				
Southwest Precinct at 99th Avenue and Lower Buckeye Road* (2006 Bonds, Impact Fees, General Lease-Purchase)	–	Provide full-year cost for utilities and supplies at the new police precinct.	\$360,000	\$360,000
Northeast Precinct at Cave Creek Road and Smokehouse Trail* (2006 Bonds, Impact Fees, General Lease- Purchase)	–	Provide partial year cost for utilities and supplies at the new police precinct.	\$95,000	\$360,000
Water Services				
Recharge well site (Water Revenue Bonds, Water Development Occupational Fee, 2007 Water Bonds)	–	Add a new dual purpose well pump for new well site to recharge water table and provide storage for peak season water demand.	\$31,000	\$37,000
Booster station (Developer contributed infrastructure)	2.0	Provide staff and equipment to operate and maintain a new booster station to increase water pressure for customers.	\$276,000	\$270,000
Booster pump station (Developer contributed infrastructure)	–	Add a new pressure reducing valve station and new booster pump station that include a sodium hypochlorite disinfection system.	\$79,000	\$88,000
Control and monitoring of the Deer Valley Treatment Plant rehabilitation project (2007 Water Bonds)	–	Add funding for the distributed control system annual maintenance agreement at the Deer Valley Water Treatment Plant.	\$43,000	\$43,000

OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

	# of FTEs		2009-10 Costs	2010-11 Costs
Water Services (continued)				
Security systems at various Water Department facilities (Water Revenue Bonds, 2007 Water Bonds)	3.0	Add staff and equipment to provide in-house technical support for security access, intrusion detection and video surveillance.	\$222,000	\$150,000
Wastewater				
91st Avenue Wastewater Treatment Plant (Wastewater Revenue Bonds, SROG-Other Cities Participation)	–	Add funding for electricity to operate a new temporary pump station to disinfect effluent at 91st Avenue Wastewater Treatment Plant.	\$150,000	\$–
91st Avenue Wastewater Treatment Plant (Wastewater Revenue Bonds, SROG-Other Cities Participation)	8.0	Add staff and equipment to operate new Unified Plant expansion at 91st Avenue Wastewater Treatment Plant.	\$2,067,000	\$2,965,000
Tres Rios (Wastewater Revenue Bonds, SROG-Other Cities Participation, 2006 Wastewater Bonds)	6.0	Add staff and equipment to operate and maintain the Tres Rios full-scale wetlands project.	\$1,434,000	\$812,000
Sub-Regional Operating Group metering stations (Wastewater Revenue Bonds, SROG-Other Cities Participation)	–	Add funding for electricity to operate the new Sub-Regional Operating Group metering stations.	\$100,000	\$100,000
91st Avenue Wastewater Treatment Plant (Impact Fees, SROG-Other Cities Participation)	–	Add funding for the distributed control system annual maintenance agreements used to control and monitor wastewater treatment.	\$28,000	\$28,000
Security systems at various wastewater facilities (Wastewater Revenue Bonds)	–	Add funding to provide in-house technical support for security access, intrusion detection and video surveillance.	\$189,000	\$173,000
Net Total Costs			\$6,265,000	\$6,528,000
Source of Funds				
General			1,646,000	1,862,000
Water			651,000	588,000
Wastewater			3,968,000	4,078,000
Total Source of Funds			\$6,265,000	\$6,528,000

*New positions for police precincts are included in the Public Safety Expansion Fund hiring plan.

2007-08 SCHEDULE 1: RESOURCES AND EXPENDITURES BY FUND
ACTUAL
(In Thousands of Dollars)

	Resources						Expenditures				Ending Fund Balances
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer		Total	Operating	Capital	Debt Service	Total	
				To	From						
General Funds:											
General	\$68,689	\$244,941	\$1,484	\$837,747	\$175,871	\$976,990	\$931,964	\$5,896	\$-	\$937,860	\$39,130
Parks and Recreation	-	15,573	7	97,168	-	112,748	112,748	-	-	112,748	-
Library	-	1,552	22	35,629	-	37,203	37,031	172	-	37,203	-
Cable Communications	-	10,387	2	-	5,191	5,198	5,198	-	-	5,198	-
Total General Funds	\$68,689	\$272,453⁽¹⁾	\$1,515	\$970,544	\$181,062	\$1,132,139	\$1,086,941	\$6,068	\$-	\$1,093,009	\$39,130
Special Revenue Funds:											
Excise Tax	\$-	\$1,090,248	\$-	\$-	\$1,090,248	\$-	\$-	\$-	\$-	\$-	\$-
Neighborhood Protection-Police	1,090	(39)	-	21,920	325	22,646	22,646	-	-	22,646	-
Neighborhood Protection-Fire	(148)	27	-	7,805	116	7,568	7,568	-	-	7,568	-
Neighborhood Protection-Block Watch	2,011	311	-	1,450	23	3,749	1,475	-	-	1,475	2,274
2007 Public Safety Expansion-Police	-	74	-	25,771	9	25,836	17,108	-	-	17,108	8,728
2007 Public Safety Expansion-Fire	-	33	-	6,443	1	6,475	2,076	-	-	2,076	4,399
Public Safety Enhancement-Police	5,210	-	1	15,282	-	20,493	17,620	-	-	17,620	2,873
Public Safety Enhancement-Fire	2,067	-	-	9,371	1,125	10,313	10,313	-	-	10,313	-
Parks and Preserves	89,016	3,308	530	28,979	381	121,452	176	46,901	-	47,077	74,375
Transit 2000	212,770	42,819	3,756	143,882	41,512	361,715	113,433	16,734	1,984	132,151	229,564
Court Awards	1,198	4,403	14	-	-	5,615	5,068	-	-	5,068	547
Development Services	28,056	49,193	1	351	3,869	73,732	51,806	196	-	52,002	21,730
Capital Construction	9,310	870	364	20,710	2,287	28,967	75	19,240	-	19,315	9,652
Sports Facilities	22,957	1,808	-	16,029	768	40,026	1,752	-	9,010	10,762	29,264
Arizona Highway User Revenue	34,341	129,432	898	2,373	3,034	164,010	39,047	76,734	31,245	147,026	16,984
Local Transportation Assistance	3	6,910	-	-	-	6,913	6,913	-	-	6,913	-
Regional Transit	(16,717)	72,385	278	58	22,928	33,076	15,045	3,326	-	18,371	14,705
Community Reinvestment	8,498	2,605	300	-	-	11,403	234	320	-	554	10,849
Secondary Property Tax	3,640	163,155	-	-	868	165,927	-	-	165,827	165,827	100
Impact Fee Program											
Administration	3,177	681	-	-	-	3,858	2,109	-	-	2,109	1,749
City Improvement	2,682	-	223	71,474	5,795	68,584	-	-	67,883	67,883	701
Other Restricted Funds	24,084	26,072	41	355	900	49,652	11,449	7,281	-	18,730	30,922
Grant Funds	35,218	173,191	658	2,124	8,816	202,375	156,703	15,650	5,234	177,587	24,788
Total Special Revenue Funds	\$468,463	\$1,767,486	\$7,064	\$374,377	\$1,183,005	\$1,434,385	\$482,616	\$186,382	\$281,183	\$950,181	\$484,204
Enterprise Funds:											
Aviation	\$113,463	\$336,071	\$2,191	\$4,704	\$12,550	\$443,879	\$199,594	\$43,742	\$66,025	\$309,361	\$134,518
Water	177,479	331,905	1,538	588	27,818	483,692	162,367	95,723	77,344	335,434	148,258
Wastewater	89,136	212,276	387	6,646	13,096	295,349	83,482	28,897	62,887	175,266	120,083
Solid Waste	34,777	135,708	571	247	7,029	164,274	106,847	4,954	20,241	132,042	32,232
Convention Center	43,807	14,321	189	58,240	4,202	112,355	39,239	13,158	17,949	70,346	42,009
Golf Course	(2,915)	7,026	-	38	271	3,878	8,149	-	844	8,993	(5,115) ⁽²⁾
Total Enterprise Funds	\$455,747	\$1,037,307	\$4,876	\$70,463	\$64,966	\$1,503,427	\$599,678	\$186,474	\$245,290	\$1,031,442	\$471,985
GRAND TOTAL	\$992,899	\$3,077,246	\$13,455	\$1,415,384	\$1,429,033	\$4,069,951	\$2,169,235	\$378,924	\$526,473	\$3,074,632	\$995,319

¹General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$764.7 million, and is included in the General Funds revenue total of \$1,037.1 million shown on Schedule 2.

²The Parks Department is exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.



**2008-09 SCHEDULE 1: RESOURCES AND EXPENDITURES BY FUND
ESTIMATE
(In Thousands of Dollars)**

	Resources						Expenditures				
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer To From		Total	Operating	Capital	Debt Service	Total	Ending Fund Balances
General Funds:											
General	\$39,130	\$245,684	\$1,100	\$828,290	\$144,314	\$969,890	\$933,230	\$865	\$-	\$934,095	\$35,795
Parks and Recreation	-	17,680	-	80,335	-	98,015	98,015	-	-	98,015	-
Library	-	1,382	-	33,582	-	34,964	34,964	-	-	34,964	-
Cable Communications	-	12,332	-	-	7,271	5,061	5,061	-	-	5,061	-
Total General Funds	\$39,130	\$277,078 ⁽¹⁾	\$1,100	\$942,207	\$151,585	\$1,107,930	\$1,071,270	\$865	\$-	\$1,072,135	\$35,795
Special Revenue Funds:											
Excise Tax	\$-	\$1,057,518	\$-	\$-	\$1,057,518	\$-	\$-	\$-	\$-	\$-	\$-
Neighborhood Protection-Police	-	(35)	-	18,447	128	18,284	23,670	-	-	23,670	(5,386) ⁽²⁾
Neighborhood Protection-Fire	-	20	-	6,533	45	6,508	8,301	-	-	8,301	(1,793) ⁽²⁾
Neighborhood Protection-Block Watch	2,274	204	-	1,295	9	3,764	1,819	-	-	1,819	1,945
2007 Public Safety Expansion-Police	8,728	393	-	40,309	181	49,249	33,271	-	-	33,271	15,978
2007 Public Safety Expansion-Fire	4,399	150	-	10,077	45	14,581	12,505	-	-	12,505	2,076
Public Safety Enhancement-Police	2,873	-	-	16,148	-	19,021	18,586	-	-	18,586	435
Public Safety Enhancement-Fire	-	-	-	9,836	-	9,836	11,473	-	-	11,473	(1,637) ⁽²⁾
Parks and Preserves	74,375	2,155	100	25,909	108	102,431	969	53,087	-	54,056	48,375
Transit 2000	229,564	56,809	500	166,246	42,341	410,778	144,846	18,817	-	163,663	247,115
Court Awards	547	6,638	-	-	-	7,185	6,240	-	-	6,240	945
Development Services	21,730	34,000	-	119	3,500	52,349	41,207	1	-	41,208	11,141
Capital Construction	9,652	612	400	20,492	-	31,156	113	23,564	-	23,677	7,479
Sports Facilities	29,264	1,437	-	15,378	544	45,535	1,805	-	9,870	11,675	33,860
Arizona Highway User Revenue	16,984	116,508	800	113	17	134,388	39,217	50,558	31,241	121,016	13,372
Local Transportation Assistance	-	6,504	-	-	-	6,504	6,504	-	-	6,504	-
Regional Transit	14,705	87,517	-	-	60,667	41,555	17,027	1,199	-	18,226	23,329
Community Reinvestment	10,849	4,036	-	-	-	14,885	90	452	-	542	14,343
Secondary Property Tax	100	201,024	-	-	-	201,124	-	-	201,024	201,024	100
Impact Fee Program											
Administration	1,749	200	-	-	-	1,949	1,127	-	-	1,127	822
City Improvement	701	-	-	70,365	-	71,066	-	-	70,365	70,365	701
Other Restricted Funds	30,922	25,562	-	-	-	56,484	24,025	7,945	-	31,970	24,514
Grant Funds	24,788	208,129	-	18	302	232,633	175,179	23,006	321	198,506	34,127
Total Special Revenue Funds	\$484,204	\$1,809,381	\$1,800	\$401,285	\$1,165,405	\$1,531,265	\$567,974	\$178,629	\$312,821	\$1,059,424	\$471,841
Enterprise Funds:											
Aviation	\$134,518	\$311,287	\$-	\$3,888	\$48,106	\$401,587	\$210,815	\$29,892	\$79,745	\$320,452	\$81,135
Water	148,258	329,509	-	13,009	26,147	464,629	164,840	89,201	82,248	336,289	128,340
Wastewater	120,083	213,183	-	164	13,764	319,666	91,412	60,157	67,650	219,219	100,447
Solid Waste	32,232	136,046	-	691	10,592	158,377	109,278	2,595	15,381	127,254	31,123
Convention Center	42,009	16,431	-	48,527	3,557	103,410	55,682	1,812	18,595	76,089	27,321
Golf Course	(5,115)	6,030	-	31	279	667	8,553	-	852	9,405	(8,738) ⁽³⁾
Total Enterprise Funds	\$471,985	\$1,012,486	\$-	\$66,310	\$102,445	\$1,448,336	\$640,580	\$183,657	\$264,471	\$1,088,708	\$359,628
GRAND TOTAL	\$995,319	\$3,098,945	\$2,900	\$1,409,802	\$1,419,435	\$4,087,531	\$2,279,824	\$363,151	\$577,292	\$3,220,267	\$867,264

¹General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$749.1 million, and is included in the General Funds revenue total of \$1,047.5 million shown on Schedule 2.

²The dedicated public safety funds have been severely impacted by declines in sales tax revenues. The Police and Fire departments plan to bring the fund balances positive through sworn employee attrition followed by holding positions vacant to realize salary savings.

³The Parks Department is exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.

**2009-10 SCHEDULE 1: RESOURCES AND EXPENDITURES BY FUND
BUDGET
(In Thousands of Dollars)**

	Resources						Expenditures				Ending Fund Balances
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer To From		Total	Operating	Capital	Debt Service	Total	
General Funds:											
General	\$35,795	\$268,075	\$1,100	\$817,957	\$146,595	\$976,332	\$975,313	\$1,019	\$-	\$976,332	\$-
Parks and Recreation	-	19,096	-	75,359	-	94,455	94,455	-	-	94,455	-
Library	-	1,420	-	34,651	-	36,071	36,071	-	-	36,071	-
Cable Communications	-	9,624	-	-	4,683	4,941	4,941	-	-	4,941	-
Total General Funds	\$35,795	\$298,215⁽¹⁾	\$1,100	\$927,967	\$151,278	\$1,111,799	\$1,110,780	\$1,019	\$-	\$1,111,799	\$-
Special Revenue Funds:											
Excise Tax	\$-	\$1,085,645	\$-	\$-	\$1,085,645	\$-	\$-	\$-	\$-	\$-	\$-
Neighborhood Protection-Police	(5,386)	(35)	-	19,482	116	13,945	25,817	-	-	25,817	(11,872) ⁽²⁾
Neighborhood Protection-Fire	(1,793)	20	-	6,958	42	5,143	8,919	-	-	8,919	(3,776) ⁽²⁾
Neighborhood Protection-Block Watch Grants	1,945	204	-	1,392	8	3,533	1,200	-	-	1,200	2,333
2007 Public Safety Expansion-Police	15,978	393	-	43,604	152	59,823	50,215	-	-	50,215	9,608
2007 Public Safety Expansion-Fire	2,076	125	-	10,901	38	13,064	14,042	-	-	14,042	(978) ⁽²⁾
Public Safety Enhancement-Police	435	-	-	16,608	-	17,043	20,470	-	-	20,470	(3,427) ⁽²⁾
Public Safety Enhancement-Fire	(1,637)	-	-	10,182	-	8,545	11,928	-	-	11,928	(3,383) ⁽²⁾
Parks and Preserves	48,375	1,962	100	27,831	92	78,176	1,907	56,053	-	57,960	20,216
Transit 2000	247,115	69,929	500	155,549	44,327	428,766	171,637	22,036	-	193,673	235,093
Court Awards	945	5,251	-	-	-	6,196	5,255	-	-	5,255	941
Development Services	11,141	36,000	-	-	3,325	43,816	40,213	30	-	40,243	3,573
Capital Construction	7,479	600	400	21,454	-	29,933	202	29,324	-	29,526	407
Sports Facilities	33,860	1,437	-	16,142	539	50,900	1,817	-	9,872	11,689	39,211
Arizona Highway User Revenue	13,372	118,675	800	-	-	132,847	41,227	36,114	31,247	108,588	24,259
Local Transportation Assistance	-	6,790	-	-	-	6,790	6,790	-	-	6,790	-
Regional Transit	23,329	68,830	-	-	44,223	47,936	18,648	14,768	-	33,416	14,520
Community Reinvestment	14,343	3,521	-	-	-	17,864	96	7,182	-	7,278	10,586
Secondary Property Tax	100	200,222	-	-	-	200,322	-	-	200,222	200,222	100
Impact Fee Program											
Administration	822	125	-	-	-	947	734	-	-	734	213
City Improvement	701	-	-	79,110	-	79,811	-	-	79,110	79,110	701
Other Restricted Funds	24,514	26,373	-	-	-	50,887	27,034	10,280	-	37,314	13,573
Grant Funds	34,127	370,161	-	-	302	403,986	215,912	172,269	-	388,181	15,805
Total Special Revenue Funds	\$471,841	\$1,996,228	\$1,800	\$409,213	\$1,178,809	\$1,700,273	\$664,063	\$348,056	\$320,451	\$1,332,570	\$367,703
Enterprise Funds:											
Aviation	\$81,135	\$324,076	\$-	\$-	\$5,602	\$399,609	\$222,751	\$25,057	\$77,567	\$325,375	\$74,234
Water	128,340	364,166	-	-	25,796	466,710	202,426	94,076	122,744	419,246	47,464
Wastewater	100,447	221,237	-	-	26,482	295,202	113,602	55,399	67,370	236,371	58,831
Solid Waste	31,123	140,009	-	-	9,392	161,740	130,270	5,116	15,594	150,980	10,760
Convention Center	27,321	16,362	-	50,701	3,424	90,960	64,468	4,463	18,592	87,523	3,437
Golf Course	(8,738)	6,122	-	-	279	(2,895)	8,744	-	849	9,593	(12,488) ⁽³⁾
Total Enterprise Funds	\$359,628	\$1,071,972	\$-	\$50,701	\$70,975	\$1,411,326	\$742,261	\$184,111	\$302,716	\$1,229,088	\$182,238
GRAND TOTAL	\$867,264	\$3,366,415	\$2,900	\$1,387,881	\$1,401,062	\$4,223,398	\$2,517,104	\$533,186	\$623,167	\$3,673,457	\$549,941

¹General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$749.1 million, and is included in the General Funds revenue total of \$1,047.5 million shown on Schedule 2.

²The dedicated public safety funds have been severely impacted by declines in sales tax revenues. The Police and Fire departments plan to bring the fund balances positive through sworn employee attrition followed by holding positions vacant to realize salary savings.

³The Parks Department is exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.



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

Revenue Source	2007-08 Actual	2008-09 Estimate	2009-10 Budget	Increase/(Decrease) From 2008-09 Estimate	
				Amount	Percent
GENERAL FUNDS					
Local Sales Taxes and Related Fees	\$419,110	\$393,610	\$422,166	\$28,556	7.3%
State-Shared Revenues					
State Sales Tax	135,134	124,291	133,428	9,137	7.4%
State Income Tax	207,694	220,806	190,540	(30,266)	-13.7%
Vehicle License Tax	59,244	54,703	57,407	2,704	4.9%
Subtotal	\$402,072	\$399,800	\$381,375	\$(18,425)	-4.6%
Primary Property Tax	\$103,033	\$109,671	\$121,015	\$11,344	10.3%
User Fees/Other Revenue					
Licenses & Permits	2,723	2,930	2,930	0	0.0%
Cable Communications	10,387	12,332	9,624	(2,708)	-22.0%
Fines and Forfeitures	20,266	19,607	19,255	(352)	-1.8%
Court Default Fee	643	684	954	270	39.5%
Engineering and Architectural Services	2,379	2,716	2,660	(56)	-2.1%
Fire	33,572	36,357	39,875	3,518	9.7%
Hazardous Materials Inspection Fee	1,478	1,400	1,800	400	28.6%
Library Fees	1,552	1,382	1,420	38	2.7%
Parks and Recreation	5,550	6,147	6,463	316	5.1%
Planning	1,541	1,305	1,305	0	0.0%
Police	14,059	13,855	15,891	2,036	14.7%
Street Transportation	2,067	2,026	2,727	701	34.6%
Other Service Charges	14,540	11,575	12,764	1,189	10.3%
Others	2,142	3,318	5,055	1,737	52.4%
Subtotal	\$112,899	\$115,634	\$122,723	\$7,089	6.1%
Total General Funds	\$1,037,114	\$1,018,715	\$1,047,279	\$28,564	2.8%

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

Revenue Source	2007-08 Actual	2008-09 Estimate	2009-10 Budget	Increase/(Decrease) From 2008-09 Estimate	
				Amount	Percent
SPECIAL REVENUE FUNDS					
Neighborhood Protection	\$29,280	\$26,097	\$28,021	\$1,924	7.4%
2007 Public Safety Expansion	32,321	50,929	55,023	4,094	8.0%
Public Safety Enhancement	24,653	25,710	26,790	1,080	4.2%
Parks and Preserves	32,287	28,064	29,793	1,729	6.2%
Transit 2000	158,733	160,444	181,255	20,811	13.0%
Court Awards	4,403	6,638	5,251	(1,387)	-20.9%
Development Services	49,193	34,000	36,000	2,000	5.9%
Capital Construction	21,580	21,074	22,054	980	4.7%
Sports Facilities	17,818	16,815	17,579	764	4.5%
Arizona Highway User Revenue	129,432	116,508	118,675	2,167	1.9%
Local Transportation Assistance	6,910	6,504	6,790	286	4.4%
Regional Transit Revenues	72,385	87,517	68,830	(18,687)	-21.4%
Community Reinvestment	2,605	4,036	3,521	(515)	-12.8%
Secondary Property Tax	163,155	201,024	200,222	(802)	-0.4%
Impact Fee Program Administration	681	200	125	(75)	-37.5%
Other Restricted Revenues	26,072	25,562	26,373	811	3.2%
Grants					
Public Housing Grants	64,233	88,766	73,035	(15,731)	-17.7%
Human Services Grants	34,672	38,632	38,651	19	0.0%
Community Development	20,058	21,507	37,361	15,854	73.7%
Criminal Justice	12,515	15,107	12,858	(2,249)	-14.9%
Public Transit Grants	13,329	10,827	11,582	755	7.0%
Other Grants	28,384	33,290	196,674	163,384	+ 100.0%
Subtotal - Grants	\$173,191	\$208,129	\$370,161	\$162,032	77.9%
Subtotal Special Revenue Funds	\$944,699	\$1,019,251	\$1,196,463	\$177,212	17.4%
ENTERPRISE FUNDS					
Aviation	336,071	311,287	324,076	12,789	4.1%
Water System	331,905	329,509	364,166	34,657	10.5%
Wastewater System	212,276	213,183	221,237	8,054	3.8%
Solid Waste	135,708	136,046	140,009	3,963	2.9%
Convention Center	72,447	64,924	67,063	2,139	3.3%
Golf Courses	7,026	6,030	6,122	92	1.5%
Subtotal Enterprise Funds	\$1,095,433	\$1,060,979	\$1,122,673	\$61,694	5.8%
GRAND TOTAL	\$3,077,246	\$3,098,945	\$3,366,415	\$267,470	8.6%



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

Program	2007-08 Actual	2008-09 Budget	2008-09 Estimate	2009-10 Budget	Percent Change from 2008-09	
					Budget	Estimate
General Government						
Mayor	\$2,322	\$2,075	\$1,912	\$2,104	1.4%	10.0%
City Council	4,408	4,578	4,101	4,285	(6.4%)	4.5%
City Manager	1,215	1,418	1,181	1,097	(22.6%)	(7.1%)
Deputy City Managers	1,906	1,871	1,638	1,753	(6.3%)	7.0%
Government Relations	1,438	1,435	1,346	1,451	1.1%	7.8%
Public Information	3,220	3,277	2,953	2,850	(13.0%)	(3.5%)
City Auditor	3,123	3,082	2,589	2,679	(13.1%)	3.5%
Equal Opportunity	3,785	3,648	3,336	3,208	(12.1%)	(3.8%)
Personnel	15,873	15,518	19,120	13,480	(13.1%)	(29.5%)
Phoenix Employment Relations Board	221	221	143	96	(56.5%)	(32.9%)
Retirement Systems	—	—	—	—	—	—
Law	4,620	4,949	4,439	4,438	(10.3%)	(0.0%)
Information Technology	4,794	7,123	5,966	6,023	(15.5%)	1.0%
City Clerk and Elections	7,591	6,685	5,260	5,675	(15.1%)	7.9%
Finance	24,931	24,521	22,861	25,090	2.3%	9.8%
Budget and Research	3,994	4,087	3,008	3,230	(21.0%)	7.4%
Engineering and Architectural Services	273	225	(76)	392	73.7%	+100.0%
Total General Government	\$83,714	\$84,713	\$79,777	\$77,851	(8.1%)	(2.4%)
Public Safety						
Office of Public Safety Manager	\$336	\$381	\$347	\$367	(3.6%)	5.8%
Police	520,852	574,215	561,852	581,879	1.3%	3.6%
Fire	256,755	302,959	281,201	294,420	(2.8%)	4.7%
Emergency Management	608	793	571	802	1.1%	40.5%
Family Advocacy Center	810	1,715	1,703	1,562	(8.9%)	(8.3%)
Total Public Safety	\$779,361	\$880,063	\$845,674	\$879,030	(0.1%)	3.9%
Criminal Justice						
Municipal Court	\$37,982	\$42,541	\$40,462	\$41,895	(1.5%)	3.5%
City Prosecutor	17,572	17,969	17,170	19,523	8.6%	13.7%
Public Defender	4,623	4,937	4,697	4,839	(2.0%)	3.0%
Total Criminal Justice	\$60,177	\$65,447	\$62,329	\$66,257	1.2%	6.3%
Transportation						
Street Transportation	\$68,981	\$65,375	\$62,520	\$67,631	3.5%	8.2%
Aviation	199,351	214,109	210,431	208,385	(2.7%)	(1.0%)
Public Transit	208,803	240,175	246,127	258,377	2.0%	5.0%
Total Transportation	\$477,135	\$519,659	\$519,078	\$534,393	0.3%	3.0%

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

Program	2007-08 Actual	2008-09 Budget	2008-09 Estimate	2009-10 Budget	Percent Change from 2008-09	
					Budget	Estimate
Community Development						
Development Services	\$49,989	\$44,356	\$39,284	\$37,088	(16.4%)	(5.6%)
Planning	7,757	7,536	6,790	6,494	(13.8%)	(4.4%)
⁽²⁾ Housing	68,420	84,285	71,832	78,905	(4.3%)	9.8%
⁽³⁾ Community and Economic Development	22,389	23,500	23,308	32,725	39.3%	40.4%
Neighborhood Services	33,759	48,845	33,875	68,580	46.5%	102.5%
Total Community Development	\$182,314	\$208,522	\$175,089	\$223,792	9.4%	27.8%
Community Enrichment						
⁽⁴⁾ Parks and Recreation	\$119,125	\$112,793	\$105,504	\$103,232	(8.5%)	(2.2%)
Library	37,496	39,404	35,783	37,257	(5.4%)	4.1%
Golf	8,149	8,754	8,553	8,694	(0.7%)	1.6%
Phoenix Convention Center	43,010	63,105	56,262	59,920	(5.0%)	6.5%
Human Services	65,089	64,500	65,347	65,565	1.7%	0.3%
Education and Youth Programs	1,154	1,065	960	1,240	16.4%	29.2%
Historic Preservation Office	676	713	534	630	(11.6%)	18.0%
Office of Arts and Culture	1,951	1,477	1,975	1,696	14.9%	(14.1%)
International and Sister Cities Programs	653	682	599	551	(19.2%)	(8.0%)
Total Community Enrichment	\$277,303	\$292,493	\$275,517	\$278,785	(4.7%)	1.2%
Environmental Services						
Water	\$242,973	\$267,979	\$253,168	\$278,574	3.9%	10.0%
Solid Waste Management	107,932	128,216	110,602	126,936	(1.0%)	14.8%
Public Works	24,540	30,036	27,401	30,748	2.4%	12.2%
Environmental Programs	1,669	1,729	1,554	1,598	(7.6%)	2.8%
Total Environmental Services	\$377,114	\$427,960	\$392,725	\$437,856	2.3%	11.5%
Contingencies	\$-	\$123,445	\$-	98,250	(12.6%)	-
GRAND TOTAL	\$2,237,118	\$2,602,302	\$2,350,189	\$2,596,214	(0.2%)	10.5%

¹For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.

²The Housing Department now includes HOPE VI, which was consolidated with the recent budget cuts.

³The Community and Economic Development Department now includes Business Customer Service Center and Downtown Development, which were consolidated with the recent budget cuts.

⁴The Parks and Recreation Department now includes Rio Salado, which was consolidated with the recent budget cuts.



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

Program	Recommended Changes Additions / (Reductions)		2009-10 Budget	General Funds	Enterprise Funds	Special Revenue Funds ¹
	2008-09	2009-10				
General Government						
Mayor	\$(315)	\$(253)	\$2,104	\$2,104	\$-	\$-
City Council	(251)	(762)	4,285	4,285	-	-
City Manager	(121)	(340)	1,097	1,097	-	-
Deputy City Managers	(74)	(207)	1,753	1,376	377	-
Government Relations	(43)	32	1,451	1,451	-	-
Public Information	(347)	(548)	2,850	2,847	-	3
City Auditor	(299)	(545)	2,679	2,679	-	-
Equal Opportunity	(246)	(652)	3,208	2,802	-	406
Personnel	(1,106)	(2,799)	13,480	12,001	-	1,479
Phoenix Employment Relations Board	(75)	(130)	96	96	-	-
Retirement Systems	(295)	(322)	-	-	-	-
Law	(307)	(761)	4,438	4,404	-	34
Information Technology	(378)	(491)	6,023	4,188	416	1,419
City Clerk and Elections	(303)	(1,185)	5,675	5,498	-	177
Finance	(1,367)	(3,820)	25,090	21,968	1,792	1,330
Budget and Research	(385)	(645)	3,230	3,230	-	-
Engineering and Architectural Services	(40)	(40)	392	369	-	23
Total General Government	\$(5,952)	\$(13,468)	\$77,851	\$70,395	\$2,585	\$4,871
Public Safety						
Office of Public Safety Manager	\$-	\$-	\$367	\$367	\$-	\$-
Police	(5,188)	(30,376)	581,879	456,705	829	124,345
Fire	(4,594)	(13,574)	294,420	243,651	-	50,769
Emergency Management	(104)	(1)	802	268	-	534
Family Advocacy Center	(127)	(340)	1,562	1,488	-	74
Total Public Safety	\$(10,013)	\$(44,291)	\$879,030	\$702,479	\$829	\$175,722
Criminal Justice						
Municipal Court	\$(675)	\$(1,655)	\$41,895	\$33,150	\$-	\$8,745
City Prosecutor	(582)	(1,721)	19,523	16,891	-	2,632
Public Defender	(222)	(148)	4,839	4,839	-	-
Total Criminal Justice	\$(1,479)	\$(3,524)	\$66,257	\$54,880	\$-	\$11,377
Transportation						
Street Transportation	\$(1,080)	\$(4,156)	\$67,631	\$25,845	\$-	\$41,786
Aviation	8	(15,581)	208,385	-	208,385	-
Public Transit	(359)	(3,532)	258,377	19,522	-	238,855
Total Transportation	\$(1,431)	\$(23,269)	\$534,393	\$45,367	\$208,385	\$280,641

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

Program	Recommended Changes Additions / (Reductions)		2009-10 Budget	General Funds	Enterprise Funds	Special Revenue Funds ¹
	2008-09	2009-10				
Community Development						
Development Services	\$(1,928)	\$(5,793)	\$37,088	\$115	\$-	\$36,973
Planning	(420)	(1,491)	6,494	6,122	-	372
² Housing	(3)	(5)	78,905	232	-	78,673
³ Community and Economic Development Neighborhood Services	(506)	(1,055)	32,725	5,473	1,322	25,930
	(715)	(1,667)	68,580	13,245	-	55,335
Total Community Development	\$(3,572)	\$(10,011)	\$223,792	\$25,187	\$1,322	\$197,283
Community Enrichment						
⁴ Parks and Recreation	\$(5,692)	\$(19,062)	\$103,232	\$94,456	\$503	\$8,273
Library	(3,050)	(6,881)	37,257	36,071	-	1,186
Golf	-	-	8,694	-	8,694	-
Phoenix Convention Center	(2,520)	(4,526)	59,920	1,661	57,589	670
Human Services	(1,843)	(5,302)	65,565	24,810	250	40,505
Education and Youth Programs	(64)	(145)	1,240	483	-	757
Historic Preservation Office	(117)	(93)	630	630	-	-
Office of Arts and Culture	(24)	(338)	1,696	1,009	-	687
International and Sister Cities Programs	(71)	(154)	551	551	-	-
Total Community Enrichment	\$(13,381)	\$(36,501)	\$278,785	\$159,671	\$67,036	\$52,078
Environmental Services						
Water	\$(1)	\$14	\$278,574	\$-	\$278,574	\$-
Solid Waste Management	4	12	126,936	666	126,270	-
Public Works	(1,991)	(3,193)	30,748	21,115	-	9,633
Environmental Programs	(157)	(227)	1,598	1,220	210	168
Total Environmental Services	\$(2,145)	\$(3,394)	\$437,856	\$23,001	\$405,054	\$9,801
Contingencies	\$-	\$-	\$98,250	\$29,800	\$57,050	\$11,400
GRAND TOTAL	\$(37,973)	\$(134,458)	\$2,596,214	\$1,110,780	\$742,261	\$743,173

¹For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.

²The Housing Department now includes HOPE VI, which was consolidated with the recent budget cuts.

³The Community and Economic Development Department now includes Business Customer Service Center and Downtown Development, which were consolidated with the recent budget cuts.

⁴The Parks and Recreation Department now includes Rio Salado, which was consolidated with the recent budget cuts.



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

Program	2007-08 Actual	2008-09 Estimate	2009-10 Budget
Aviation	\$66,140	\$81,124	\$80,323
Cultural Facilities	7,043	9,483	11,916
Economic Development	28,769	34,846	35,805
Environmental Programs	134 ¹	320	316
Fire Protection	2,203	4,198	5,892
Freeway Mitigation	420 ¹	407 ¹	407 ¹
Golf	846	852	849
Historic Preservation	503	1,003	2,145
Human Services	409	960	1,471
Information Systems	501 ¹	1,261	1,802
Libraries	5,640	6,245	6,070
Local Streets/Street Improvements/Lighting	2,592	5,736	7,093
Maintenance Service Centers	483 ¹	474 ¹	474 ¹
Major Streets and Freeways	31,245	31,241	31,247
Municipal Administration Building	53 ¹	50 ¹	50 ¹
Neighborhood Preservation & Senior Services Centers	1,879	3,332	3,751
Parks & Recreation/Open Space	16,433	18,148	25,378
Phoenix Convention Center	17,949	18,595	18,592
Police, Fire and Computer Technology	4,033 ¹	4,547	6,200
Police Protection	6,298	10,228	13,946
Public Housing	2,377	2,528	3,196
Public Transit	48,383	41,900	43,960
Solid Waste Disposal	20,241	15,381	15,594
Storm Sewer	19,212	21,035	29,046
Street Light Refinancing	88	557	261
Wastewater	92,887	67,650	67,370
Water	77,344	82,248	122,744
Early Redemption ²	76,269	85,856	54,875
General Government Nonprofit Corporation Bonds	26,007	28,465	35,150
Bond Issuance Costs	1,887	1,092	2,000
Total Program	\$558,268	\$579,762	\$627,923
Type of Expenditure			
Principal	\$271,045	\$267,696	\$288,828
Interest	285,336	310,974	337,095
Other	1,887	1,092	2,000
Total Debt Service Expenditures	\$558,268	\$579,762	\$627,923

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

Program	2007-08 Actual	2008-09 Estimate	2009-10 Budget
SOURCE OF FUNDS			
Operating Funds:			
Secondary Property Tax	\$165,827	\$201,024	\$200,222
Transit 2000	1,984	-	-
Sports Facilities	9,010	9,870	9,872
Arizona Highway User Revenue	31,245	31,241	31,247
City Improvement			
General	26,175	28,465	35,150
Transit 2000	41,708	41,900	43,960
Grant Funds	5,234	321	-
Aviation	66,025	79,745	77,567
Convention Center	17,949	18,595	18,592
Golf	844	852	849
Solid Waste	20,241	15,381	15,594
Wastewater	62,887	67,650	67,370
Water	77,344	82,248	122,744
Subtotal Operating Funds	\$526,473	\$577,292	\$623,167
Capital Funds:			
Aviation Bonds	1,086	2,170	2,756
Nonprofit Corporation Bonds			
General	26	-	300
Convention Center	47	-	-
Golf	3	-	-
Solid Waste	60	-	200
2001 Bonds	-	-	200
2006 Bonds	62	-	500
Wastewater CIC Bonds	30,511	-	500
Water CIC Bonds	-	300	300
Subtotal Capital Funds	\$31,795	\$2,470	\$4,756
Total Source of Funds	\$558,268	\$579,762	\$627,923

* Program costs are a combination of principal and interest unless otherwise noted.

¹ Interest only.

² Principal only.



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

Program	2007-08 Actual	2008-09 Estimate	2009-10 Budget
Arts and Cultural Facilities	\$1,271	\$214	\$127
Aviation	43,478	29,892	24,943
Economic Development	418	450	7,329
Energy Conservation	1,004	1,207	28,345
Facilities Management	12,026	5,960	6,737
Fire Protection	–	1,700	–
Historic Preservation	100	197	20
Housing	7,349	11,795	35,415
Information Technology Services	11,760	14,352	9,167
Libraries	244	345	705
Neighborhood Services	1,387	1,423	11,145
Parks, Recreation and Mountain Preserves	47,202	53,648	56,216
Phoenix Convention Center	13,577	1,820	4,325
Police Protection	121	–	–
Public Transit	22,831	22,560	39,868
Solid Waste Disposal	2,102	1,895	98,778
Street Transportation and Drainage	90,005	66,692	61,275
Wastewater	28,678	59,931	55,042
Water	95,371	89,070	93,749
Total	\$378,924	\$363,151	\$533,186

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

Program	2007-08 Actual	2008-09 Estimate	2009-10 Budget
SOURCE OF FUNDS			
General Funds:			
General Funds	\$5,896	\$865	\$1,019
Library	172	-	-
Total General Funds	\$6,068	\$865	\$1,019
Special Revenue Funds:			
Parks and Preserves	\$46,901	\$53,087	\$56,053
Transit 2000	16,734	18,817	22,036
Development Services	196	1	30
Capital Construction	19,240	23,564	29,324
Arizona Highway Users	76,734	50,558	36,114
Public Transit	3,326	1,199	14,768
Community Reinvestment	320	452	7,182
Community Development Block Grants (CDBG)	1,832	2,540	4,746
HOPE Grant	4,109	1,436	2,628
Other Restricted	7,281	7,945	10,280
Grant Funds	9,709	19,030	164,895
Total Special Revenue Funds	\$186,382	\$178,629	\$348,056
Enterprise Funds:			
Aviation	\$43,742	\$29,892	\$25,057
Convention Center	13,158	1,812	4,463
Solid Waste	4,954	2,595	5,116
Wastewater	28,897	60,157	55,399
Water	95,723	89,201	94,076
Total Enterprise Funds	\$186,474	\$183,657	\$184,111
Total Operating Funds	\$378,924	\$363,151	\$533,186



PUTTING PHOENIX
TO WORK

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

	2007-08 Actual	2008-09 Estimate	2009-10	
			Budget	Increase/ (Decrease)
TRANSFERS TO THE GENERAL FUND				
Enterprise Funds				
Aviation				
Central Service Cost Allocation	\$6,388	\$5,897	\$5,602	\$(295)
Water Funds				
Central Service Cost Allocation	7,419	6,548	6,221	(327)
In Lieu Property Taxes	9,085	10,422	10,889	467
GO Bond Debt	11,124	9,166	8,420	(746)
ASU Leased Space	—	—	266	266
Total	27,628	26,136	25,796	(340)
Wastewater Funds				
Central Service Cost Allocation	2,685	2,379	2,260	(119)
In Lieu Property Taxes	7,171	7,518	7,828	310
GO Bond Debt	3,222	3,867	6,394	2,527
Total	13,078	13,764	16,482	2,718
Solid Waste				
Central Service Cost Allocation	4,736	4,786	4,546	(240)
In Lieu Property Taxes	1,062	1,056	1,212	156
Go Bond Debt	—	3,496	2,358	(1,138)
Total	5,798	9,338	8,116	(1,222)
Convention Center				
Central Service Cost Allocation	2,331	2,556	2,428	(128)
Golf Courses				
Parks Administration	264	279	279	—
Total from Enterprise Funds	\$55,487	\$57,970	\$58,703	\$733

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

	2007-08 Actual	2008-09 Estimate	2009-10	
			Budget	Increase/ (Decrease)
Special Revenue Funds				
Excise				
Transfer to General Fund	\$764,661	\$741,637	\$749,064	\$7,427
Development Services				
Central Service Cost Allocation	3,869	3,500	3,325	(175)
Sports Facilities				
Central Service Cost Allocation	105	105	100	(5)
Phoenix Union Parking Maintenance	79	79	79	—
Total	184	184	179	(5)
Public Housing				
In Lieu Property Taxes	—	302	302	—
Debt Service Reserve	—	7,800	—	(7,800)
Public Safety Enhancement - Fire	1,125	—	—	—
Self Insurance Retention Reserve	—	9,626	—	(9,626)
Long-Term Disability Reserve	7,230	—	—	—
ASU Facilities Operations Fund	—	—	520	520
Downtown Community Reinvestment Fund	—	—	1,181	1,181
Total from Special Revenue Funds	\$777,069	\$763,049	\$754,571	\$(8,478)
Total Transfers to the General Fund	\$832,556	\$821,019	\$813,274	\$(7,745)
Transfers from the General Fund				
Neighborhood Protection Police	\$1,481	\$—	\$—	\$—
Neighborhood Protection Fire	504	—	—	—
Debt Service Reserve	4,600	—	—	—
Infrastructure Repayment Agreements	5,146	1,932	1,435	(497)
City Improvement	31,343	28,465	35,150	6,685
Total Transfers from the General Fund	\$43,074	\$30,397	\$36,585	\$6,188
Net Transfers to the General Fund	\$789,482	\$790,622	\$776,689	\$(13,933)



SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions

Program	2007-08 Actual	2008-09 Estimate	*Additions/Reductions		2009-10 Allowances Ending June 30, 2010 Authorized
			2008-09	2009-10	
General Government					
Mayor	20.5	18.5	(1.0)	–	17.5
City Council	54.0	54.0	(3.0)	–	51.0
City Manager	7.0	7.0	(1.0)	–	6.0
Deputy City Managers	21.0	20.0	(2.0)	–	18.0
Government Relations	6.3	6.3	(1.3)	–	5.0
Public Information	30.0	30.5	(3.5)	–	27.0
City Auditor	35.2	35.2	(4.7)	–	30.5
Equal Opportunity	37.0	37.0	(9.0)	–	28.0
Personnel	111.4	111.4	(27.8)	–	83.6
Phoenix Employment Relations Board	2.0	2.0	(1.0)	–	1.0
Retirement Systems	14.0	14.0	–	–	14.0
Law	250.0	250.0	(28.0)	–	222.0
Information Technology	218.0	214.0	(11.0)	–	203.0
City Clerk and Elections	124.0	122.0	(16.7)	–	105.3
Finance	303.5	303.5	(21.7)	–	281.8
Budget and Research	31.0	31.0	(3.0)	–	28.0
Engineering and Architectural Services	119.1	118.1	(9.5)	–	108.6
Total General Government	1,384.0	1,374.5	(144.2)	–	1,230.3
Public Safety					
Police	4,966.7	4,979.7	(33.0)	(1.0)	4,945.7
Fire	2,136.0	2,146.0	(27.5)	–	2,118.5
Office of the Public Safety Manager	2.0	2.0	–	–	2.0
Emergency Management	6.0	6.0	–	–	6.0
Family Advocacy Center	17.0	17.0	(5.0)	–	12.0
Total Public Safety	7,127.7	7,150.7	(65.5)	(1.0)	7,084.2
Criminal Justice					
Municipal Court	382.9	382.9	(19.5)	–	363.4
Public Defender	9.0	9.0	–	–	9.0
Total Criminal Justice	391.9	391.9	(19.5)	–	372.4
Transportation					
Street Transportation	784.0	776.0	(65.0)	–	711.0
Aviation	861.7	876.7	(42.0)	10.0	844.7
Public Transit	125.0	125.0	(10.0)	–	115.0
Total Transportation	1,770.7	1,777.7	(117.0)	10.0	1,670.7

SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions (Continued)

Program	2007-08 Actual	2008-09 Estimate	*Additions/Reductions		2009-10 Allowances Ending June 30, 2010 Authorized
			2008-09	2009-10	
Community Development					
Development Services	386.0	347.0	(67.0)	–	280.0
Planning	69.9	68.9	(17.9)	–	51.0
Housing	160.2	185.2	(2.0)	–	183.2
Community and Economic Development	127.9	102.4	(10.4)	–	92.0
Neighborhood Services	235.0	244.5	(29.0)	–	215.5
Total Community Development	979.0	948.0	(126.3)	–	821.7
Community Enrichment					
Parks and Recreation	1,486.6	1,510.4	(372.5)	(3.0)	1,134.9
Library	471.4	472.4	(125.2)	1.3	348.5
Golf	117.3	117.3	–	–	117.3
Phoenix Convention Center	229.9	341.7	(37.3)	–	304.4
Human Services	509.5	462.5	(51.0)	–	411.5
Education and Youth	7.4	11.4	(1.0)	–	10.4
Historic Preservation	7.0	7.0	(1.0)	–	6.0
Office of Arts and Culture	13.0	13.0	–	–	13.0
International and Sister Cities Program	6.0	6.0	(2.0)	–	4.0
Total Community Enrichment	2,848.1	2,941.7	(590.0)	(1.7)	2,350.0
Environmental Services					
Water Services	1,477.1	1,477.1	5.0	22.0	1,504.1
Solid Waste Management	551.0	611.0	1.0	2.0	614.0
Public Works	524.0	541.0	(16.0)	–	525.0
Environmental Programs	15.0	15.0	(1.0)	–	14.0
Total Environmental Services	2,567.1	2,644.1	(11.0)	24.0	2,657.1
GRAND TOTAL	17,068.5	17,228.6	(1,073.5)	31.3	16,186.4

* Additions/Reductions reflect the combined total of budget reductions, budget additions and new positions associated with opening new facilities.

Glossary

Accrual Basis Accounting – The most commonly used accounting method, which reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid. For the city's Comprehensive Annual Financial Report (CAFR), Phoenix recognizes grant revenues on a modified cash basis. Generally Accepted Accounting Principles (GAAP) recognizes grant revenues on an accrual basis.

Appropriation – An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the appropriation ordinances. Three appropriation ordinances are adopted each year: 1) the operating funds ordinance, 2) the capital funds ordinance, and 3) the re-appropriated funds ordinance.

Arizona Highway User Revenue (AHUR) – Various gas tax and vehicle licensing fees imposed and collected by the state and shared with cities and towns. This revenue must be used for street or highway purposes.

Balanced Budget – Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as “the primary property tax levy, when added together with all other available resources, must equal these expenditures.” Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a “rainy day fund”) is included in the budget each year. The City Charter also requires an annual balanced budget. The Charter further requires that “the total of proposed expenditures shall not exceed the total of estimated income and fund balances.”

Base Budget Allowances – Funding for ongoing expenditures for personnel, commodities, contractual services and replacement of existing equipment previously authorized. The base budget allowance provides funding to continue previously authorized services and programs.

Block Watch Neighborhood Protection Fund – This fund is the Block Watch portion of a voter-approved 0.1 percent sales tax increase approved by the voters in October 1993. Grant funds are awarded to communities for innovative methods to deter crime-related problems in their neighborhoods. The city disburses these funds through an annual application process.

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 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.

DBE – Disadvantaged Business Enterprise

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

Fiduciary Funds – Funds used to account for assets held by the city of Phoenix as a trustee or agent. These funds cannot be used to support the city's own programs.

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 (or In Lieu 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.

M/WSBE – Minority, Women, and Small Business Enterprise

Neighborhood Protection Fund – This fund, also referred to as Proposition 301, is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in October 1993. The funds are to be used for the expansion of police, fire, and block watch programs. The breakdown of funding is as follows: Police 70 percent, Fire 25 percent and Block Watch 5 percent.

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 advance 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 and reauthorized in 2008. 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.

Proposition 301 – See Neighborhood Protection Fund

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.

Public Safety Expansion Tax – This fund is used to account for the 0.2 percent increase in sales tax approved by Phoenix voters in 2007. The funds will be used to add 500 police personnel and 100 firefighters to the city of Phoenix.

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.