

City of Phoenix Council Members and District Boundaries



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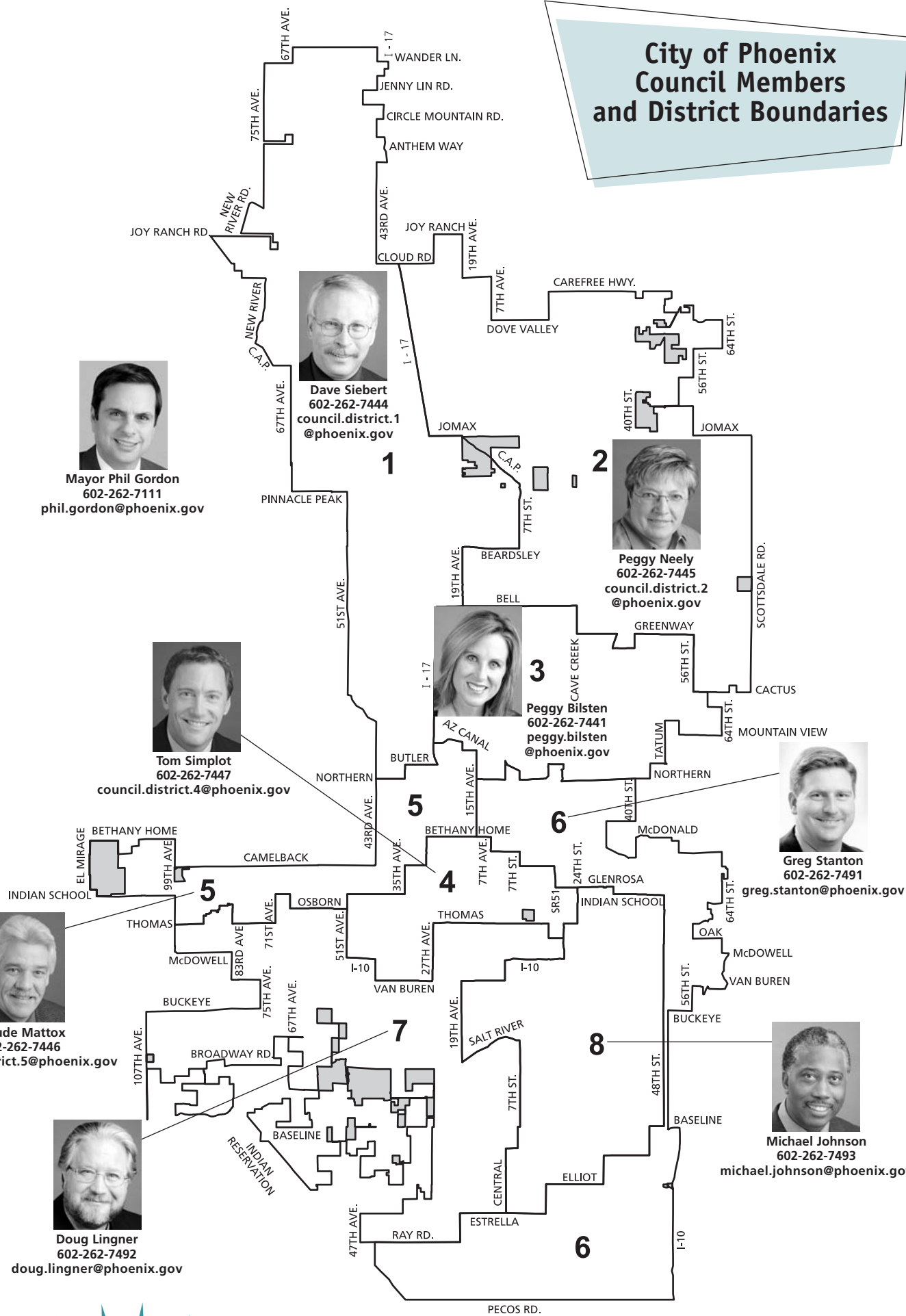
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City of Phoenix

Mayor and City Council

Phil Gordon
Mayor

Dave Siebert
Vice Mayor
District 1

Peggy Neely
District 2

Peggy A. Bilsten
District 3

Tom Simplot
District 4

Claude Mattox
District 5

Greg Stanton
District 6

Doug Lingner
District 7

Michael Johnson
District 8

Mayor's Office

Ed Zuercher
Chief of Staff

City Council Office

P.J. Jasso
Chief of Staff

Management Staff

Frank Fairbanks
City Manager

Alton Washington
Assistant City Manager

David Cavazos
Deputy City Manager

David Krietor
Deputy City Manager

Rick Naimark
Deputy City Manager

Ruth Osuna
Deputy City Manager

Cynthia Seelhammer
Deputy City Manager

Tom Callow
Transportation Manager

David E. Richert
Special Assistant
to the City Manager

Karen Peters
Intergovernmental Programs Director

Jack F. Harris
Public Safety Manager

Department Heads

Wylie Bearup
City Engineer

Ross Blakley
Acting Street Transportation Director

John Chan
Downtown Development Director

Carole Coles Henry
Equal Opportunity Director

Debbie Cotton
Public Transit Director

Kim Dorney
Housing Director

Toni Garvey
City Librarian

Jay Green
Convention Center Director

Sara L. Hensley
Parks and Recreation Director

Gloria Hurtado
Human Services Director

Robert Khan
Fire Chief

Mark E. Leonard
Public Works Director

Lionel Lyons
Development Services Director

Toni Maccarone
Public Information Director

Donald Maxwell
Community and Economic Development
Director

Jerome S. Miller
Neighborhood Services Director

Danny Murphy
Acting Aviation Director

Mario Paniagua
City Clerk

Tammy J. Perkins
Acting Water Services Director

Cecile Pettle
Budget and Research Director

Janet Smith
Personnel Director

Randy Spenla
City Auditor

Debra Stark
Planning Director

Charles Thompson Sr.
Chief Information Officer

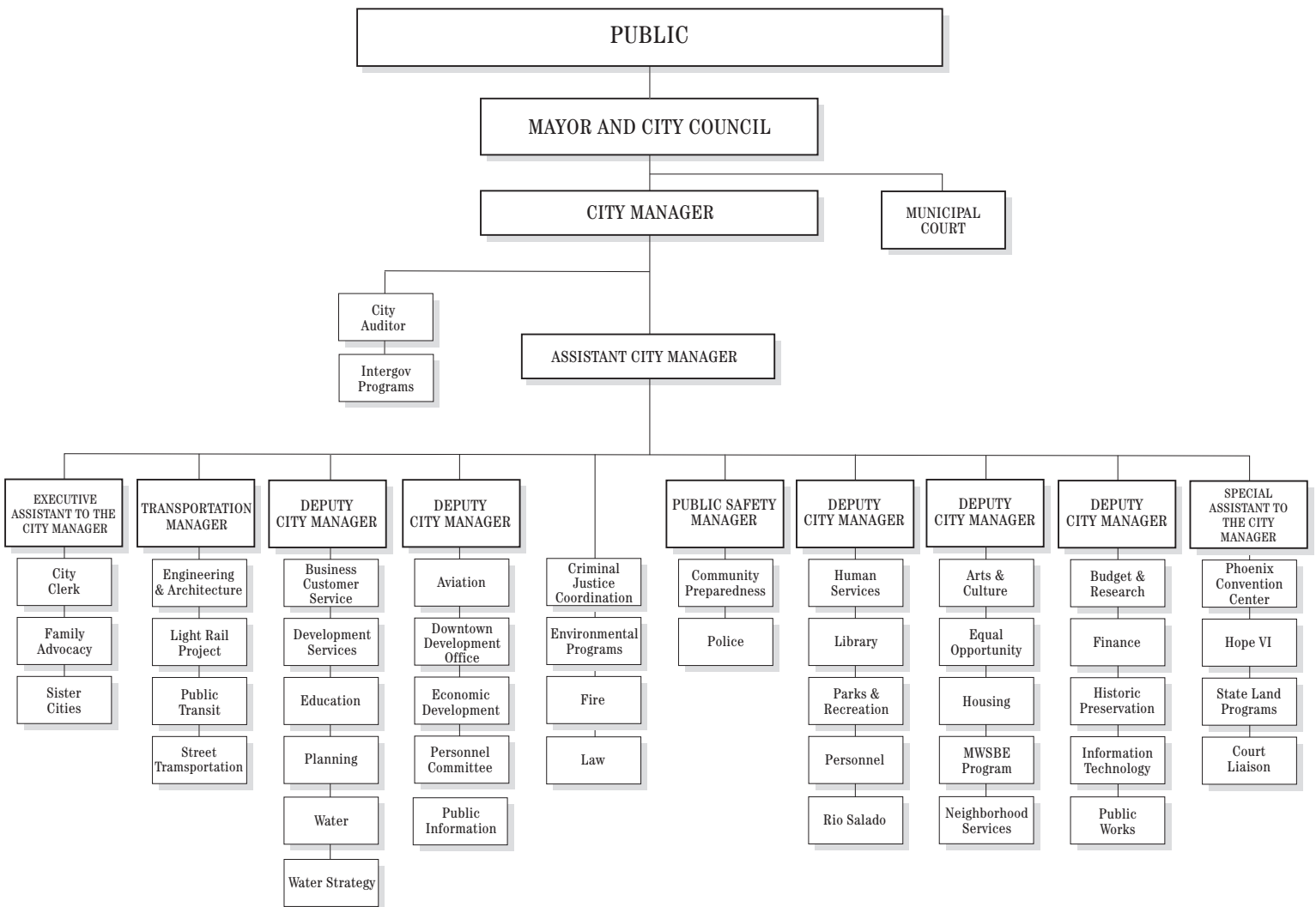
Gary Verburg
City Attorney

Bob Wingenroth
Finance Director

Chief Presiding Judge

Roxanne K. Song Ong

City of Phoenix Organizational Chart



Budget Document Overview

This overview outlines the 2007-08 Annual Budget. Copies of the document are available in the Phoenix Public Library or by contacting the city of Phoenix Budget and Research Department at 602-262-4805. Also, this document can be made available in alternate formats (large print, Braille, audio cassette or computer diskette) upon request. For information, contact the Budget and Research Department or city TTY relay at 602-534-5500.

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

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

Finally, the 2007-12 Capital Improvement Program provides Phoenix's planned construction program by project and detailed sources of funds.

A more detailed description of the 2007-08 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 of the 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 demographic, financial and infrastructure profile measures. Estimates or projections are provided for 2006-07 and 2007-08 as well as actual results for recent and historical periods.

2007-08 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 2007-08 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.

2007-08 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 2007-12 Capital Improvement Program.

SCHEDULES

The schedules provide a general statistical overview of the budget. Schedule I provides estimated beginning and ending balances for each major fund group. The remaining schedules summarize staffing complements and estimated resources and expenditures. For a more detailed 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 something in this document, please contact the Budget and Research Department at 602-262-4805.



Distinguished Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Phoenix
Arizona**

For the Fiscal Year Beginning

July 1, 2006

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, 2006.

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

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

Proposed 2007-08 Annual Budget



TO THE HONORABLE MAYOR AND CITY COUNCIL:

This letter transmits our recommended balanced budget for the upcoming 2007-08 fiscal year. No service reductions were necessary in this budget. For the first time in several years, we are able to recommend restoring some of the service cuts necessary in recent years as well as propose some new services. We continued our process of rigorous budget reviews and reduced spending where it had no impact on service delivery.

We are recommending a variety of community service improvements including opening the new police crime lab and the new Pecos Park Police Station; significantly increasing summer shelter capacity for homeless women and children; operating and maintaining new parks; improving maintenance at existing parks; increasing swimming pool and community center hours; preparing for the opening of a new library and restoring cut hours to existing libraries; increasing senior programming and food services; improving the abatement and enforcement of graffiti; restoring street maintenance funding; establishing a wash maintenance program and adding transit services.

I want to thank the Mayor and City Council, the community and city staff for working together to balance our budget. Also, I want to say thank you to the hundreds of residents who took the time to attend a budget hearing or send comments by e-mail and voice mail. For years, even when reductions were necessary, Phoenix has produced a balanced budget using collaboration and team work. I look forward to working with the Mayor and City Council in making final budget decisions.

OUR OUTLOOK FOR THE UPCOMING 2007-08 FISCAL YEAR

Estimated General Fund Revenues

Our General Fund revenue growth is expected to be moderate next year, but still reflect a solid local economy. Local economists are now saying that peak growth in the local economy occurred last summer. Overall, we estimate that General Fund revenues will grow by 9.2 percent. This is decreased three percentage points from the growth rate achieved in 2005-06, and is decreased one percentage point from the pre-census revenue growth estimated for this year.

This overall growth assumes that local sales tax revenues will grow by 6.9 percent and state-shared sales taxes will grow by 6.8 percent. State-shared income taxes, however, will grow by 24 percent as cities begin to share in peak state income taxes collected by the state last year.

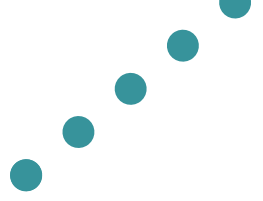

Estimated General Fund Costs

There are several critical public safety issues that we recommend be dealt with in this budget. As the job market becomes increasingly competitive, finding candidates for police and firefighter positions will be challenging. This budget recommends \$1.5 million to improve public safety starting salaries to help us attract the best candidates to our city. Also, \$1.6 million is required to begin a three-year program to replace police patrol mobile computer terminals. And, \$350,000 is

needed to replace an expiring victim's services grant. In addition, the following costs are recommended in this budget:

- The budget includes the costs of the second year of a two-year agreement with our employee groups as well as increased pension and other related benefit costs.
- The annual required contribution necessary to fully fund and comply with GASB 45 is included in this budget. Our employees worked hard to restructure their post employment health benefits in order to reduce the impact of GASB 45 while still adequately and fairly providing for health care for our current and future retirees. Our program is a model for other cities.
- The budget includes \$5.7 million required to transition 80 police officers from grants to the General Fund.
- We are recommending a catch-up level of vehicle replacements. This catch-up will avoid future repair costs and the future potential for mid-year disruptions in city operations. We also have included an increased level of funding for technology replacements and requirements.
- We are recommending \$2.2 million to partially restore Transit and Streets General Fund support. We also have proposed \$2.4 million to increase the contingency fund from 2.7 to 2.9 percent. Also, an additional \$700,000 is needed to pay Maricopa County's jail rate for 2007-08.
- We recommend stepping up the payment schedule to more quickly retire the debt financing used to acquire major equipment and repairs over the last several years. This will reduce interest costs in the long run.





The net effect is that a small balance is available in the General Fund to make some improvements to community services next year. Our recommendations are briefly described below. More detailed descriptions are provided later in this document.

RECOMMENDATIONS FOR THE GENERAL FUND

Police Department

Recommendations for the Police Department include funding for the critical issues described above and opening and operating the new crime lab and the new Pecos Park Police Station. Funding is proposed to implement the 800Mhz biannual radio maintenance program and additional communications operators are recommended to keep pace with call volumes and to provide trained operators in advance of two new precinct stations. Police officers assigned to expiring JAIBG, GREAT and COPS are proposed for General funding and a police sergeant will be added to the Airport and paid for with Airport fees.

Finally, we recommend that eight police officers and a sergeant along with civilian security guards be added with Transit 2000 funds to provide security for bus routes and park-and-ride facilities. The plan approved by the voters included increased security on our bus lines and in and near transit facilities.

Fire Department

The budget recommended for the Fire Department includes additional communications operators and matching funds required to continue Fire Crisis Response Units. Additional staff is proposed for fire inspections of child and elderly care facilities, hospitals and group homes. Further enhancements to the recruitment of minorities and women also are recommended. We recommend adding technical staff to maintain the regional dispatch system. This staff will be paid for by the fees paid by the other cities. Eight sworn fire positions are necessary to comply with the fourth mandatory paid leave day called for in our two-year agreement with the firefighters.

Finally, we recommend several fire prevention positions be added to keep pace with reviewing plans for new construction. These positions will be funded will new construction permit fees.

Other Public Safety and Criminal Justice

We recommend the addition of case work staff to the Family Advocacy Center to ensure continued compliance with Board of Behavioral Health rules and the addition of technology help to the Prosecutor's Office to keep the case management system operational. Also, the Prosecutor's Initial Arraignment pilot program has proven to reduce jail days. We recommend continued funding for this program that saves jail costs in the long run.

Finally, we recommend the courtroom dedicated to hearing complex property maintenance cases be restored. Also recommended for the Municipal Court is a technology position to complete improvements to court technology systems.

Parks Department

The recommended budget for the Parks Department includes the costs necessary to operate and maintain several new parks facilities and funding to begin restoring the parks and street landscape maintenance cuts necessary over the last few years. Also recommended is the restoration of the swimming pool season with pools staying open on the weekend after school starts until Labor Day. Funding also is recommended to improve after-school recreation.

Finally, due to the comments we heard during our budget hearings, we recommend that some community center hours be restored and that a small amount of funding be provided to begin making improvements to the historic cemetery at 15th Avenue and Durango Street.

Library Department

Recommendations for the Library Department include the costs for the staff necessary to prepare for the opening of the new Agave Library. Also recommended is the restoration of morning service. The libraries are recommended to open Monday through Saturday at 9 a.m. rather than the current 10 a.m.

Housing and Human Services


The recommended budget for the Housing Department includes the reuse of in lieu property taxes currently paid by federal housing funds. This will allow these federal dollars to be directed to public housing needs and help offset federal funding cuts. Also proposed is providing General funds to complete the HOPE VI project rather than using already scarce Housing funds.

In Human Services, increases in senior programming and food services are recommended. Funding to begin restoring summer youth jobs is recommended. Finally, funding to operate the Watkins Homeless Shelter for women and children during the summer months is recommended. Due to our very hot summers, the availability of shelter in the summer is as crucial as shelter during the winter months.

Other Community Service Increases

Increases also are recommended to respond to workload increases that accumulated during those years when funding was not available to keep pace with workload demands. Additions are proposed to improve code enforcement, especially the more difficult cases, to improve graffiti removal and enforcement, and to maintain code enforcement case management technology.

Funding is recommended to enhance management and coordination of dust control efforts and to improve historic preservation customer service. We also recommend staff be added to help manage the historic preservation bond program and the percent-for-art program. The restoration of some arts grants and sister cities funding is proposed as well as additional Planning and M//W/SBE staff to respond to current workloads.



Finally, we recommend establishing an ongoing wash maintenance program and increasing the rate of restoring street maintenance funding.

RECOMMENDATIONS FOR TRANSIT 2000 FUNDS

The budget recommends numerous fixed-route bus improvements; the implementation of five new neighborhood circulator bus routes and several improvements to Dial-a-Ride services. Also recommended are the costs necessary to operate and maintain the new West Maintenance Facility; warranty maintenance to keep costs as low as possible and the necessary internal control oversight to keep pace with the growing services being provided.

Finally, as described earlier, Transit 2000 funds also are proposed to pay for police officers and other security staff necessary to keep our routes and transit facilities safe. All of these recommendations follow the transit plan approved by the voters in 2000.

RECOMMENDATIONS FOR THE DEVELOPMENT SERVICES FUND

Our recommendations for the Development Service Fund include several initiatives recommended by a recent organizational analysis and additions to the customer counter to reduce wait times.

RECOMMENDATIONS FOR THE CONVENTION CENTER FUND

Recommended additions for the Phoenix Convention Center include the staff and costs necessary to operate and maintain the new West Building; staff and costs necessary to provide for the expanded service needs of those attending events; and additional fiscal staff necessary to provide proper fiscal oversight to the Convention Center's expanded operations.

RECOMMENDATIONS FOR WATER AND WASTEWATER FUNDS

The recommended Water and Wastewater budget includes a meter replacement program focused on aging and inaccurate meters; the addition of a rapid-response crew to perform emergency repairs and

staff to maintain service levels at the customer service call center. The pilot odor control program along Southern Avenue is proposed for ongoing funding.

RECOMMENDATIONS FOR SOLID WASTE FUNDS

Recommendations for Solid Waste funds include staff and costs necessary to keep pace with growth in residential units and staff necessary to clean up illegally dumped waste.

PRODUCTIVITY IMPROVEMENTS FUND NEEDED ADMINISTRATIVE SUPPORT

For many years we have given city departments the opportunity to use cost reductions within their budgets to fund needed administrative support. After several years of cuts concentrated in the administrative areas of the budget, administrative help is needed in most city departments. This budget recommends reallocation of already budgeted funds to accomplish important goals including improved boards and commissions support services; better compliance with environmental construction standards; and greater ability to keep up with workloads in recruiting, testing and labor relations. Also recommended is an ongoing vehicle impound program; better support of the GIS system and improved response to requests for utility inspections.

These self-funded positions will begin to deal with some of the significant administrative cuts these departments have endured over the past few years.

LOOKING AHEAD

Looking ahead, we have to continue our focus on protecting and expanding our revenue base. Like all Arizona cities, we rely on our local sales tax – especially local retail sales tax - to provide the revenues necessary to meet our resident's service demands. We have to continue to work to keep tax generators in Phoenix and to provide economic development to all areas of the community. We can't focus on just one geographic area of the city.

An important step is the five-year Phoenix Economic Development Plan that will be presented to the Mayor and City Council for their discussion and review on May 22. The plan, which results from months of work, addresses all aspects of economic development and all areas of the city. The plan is built around eight goals:

- Create and retain high-quality jobs focusing on key business sectors.
- Foster an environment for entrepreneurial growth.
- Revitalize the urban areas of Phoenix.
- Expand the city's revenue base.
- Develop and train qualified talent to meet the needs of business.
- Enhance and improve the quality of life for Phoenix residents.
- Pursue improvements in the foundations of economic vitality.
- Plan and strategize for the future.

CONCLUSION

Over the past few years it was necessary to reduce the employee resources available to deliver services to the community. Citizen surveys show that despite these reductions, city employees found ways to deliver the best in community services. I want to thank them for their hard work and dedication.



Frank Fairbanks
City Manager

May 1, 2007





Carol Finch, children and teen services coordinator for Phoenix Public Library, won the 2006 New York Times Librarian Award. Finch is among 25 librarians nationwide who were recognized for outstanding public service and the positive impact they had on their nominators.

Our Commitment To Excellence

We continue to provide our community with innovative public services: completing the light rail project, welcoming students to ASU's new downtown campus, and opening the Phoenix Convention Center's new West Building to name a few.

Customer service is a critical focus for us. Our customers are residents seeking information and assistance, companies looking to relocate to Phoenix, neighborhoods working to improve, city departments receiving internal services, and people who are visiting or driving through our city. Our employees practice continuous improvement as part of their daily business.

Phoenix employees work as individuals and on teams to deliver better services with fewer resources. They look for innovative ways to deliver services at the lowest cost. We partner with the community to make Phoenix a better place to live, work and play. We are proud to be among the very best and we serve the community with pride.

In addition to being recognized by the community for a job well done, the city and its employees continue to be recognized for their commitment to excellence. Following is a list of just a few of the awards and recognitions received by the city and its staff during the course of the fiscal year:

- Carol Finch, children and teen services coordinator for Phoenix Public Library, is a winner of the 2006 New York Times Librarian Award. Finch is among 25 librarians nationwide who are being recognized for outstanding public service and the positive impact they had on their nominators. The Times, which received more than 1,300 nominations from 45 states, will honor the winners Dec. 13 at a ceremony and reception in New York. Each will receive \$2,500 and a commemorative plaque.
- Phoenix Sky Harbor International Airport received the 2006 Air Carrier Airport Safety Award from the Federal Aviation Administration Western Pacific Airports District Office. Sky Harbor received the honor for its innovative solutions and partnerships that have resulted in enhanced airport safety.
- The Parks and Recreation Department won the ASA (Amateur Softball Association) Award of Excellence for conducting two of the highest-rated national championships in 2006. Parks and Recreation was presented the award at the group's annual business meeting in Colorado Springs. The city hosted the 2006 ASA Coed Major National Championship and the 18 and under 2006 Girls Western National Championship.
- Neighborhood Services Department was recognized by the National Association of State Chief Information Officers and the Public Technology Institute as one of 23 programs nationwide with a "Best in Tech" annual award for enhancing government services through innovative adaptations of technology.
- The Rio Salado Environmental Restoration Project won top honors – the President's Award – in the 26th Annual Valley Forward Environmental Excellence Awards program. Rio Salado, a five-mile urban wildlife and habitat project, was recognized for restoring life back to a once dry and barren Salt River and serving as a catalyst for revitalizing areas well beyond its banks.
- Phoenix City Librarian Toni Garvey received the Rosenzweig Distinguished Service Award from the Arizona State Library Association. The award is given to a library professional who has, over the past 10 years, exhibited effectiveness regionally and statewide in the promotion of libraries and library services. Garvey was recognized for her work with community partnerships such as the Phoenix Public Library Foundation, Friends of the Phoenix Public Library, the Arizona Republic, the Arizona Diamondbacks and other groups.



- United Blood Services presented the city with six “Valentines for Life” awards for donating 1,387 units of blood in 2006. The specific areas of the organization that were recognized for going above and beyond include: the Police Academy, Police Headquarters, Phoenix City Hall, the Aviation Department, Fire Department Administration and the Phoenix Convention Center.
- SustainLane, a group that compiles information on sustainability, has ranked Phoenix seventh in its listing of the top 10 large U.S. cities who are running the highest percentage of their municipal vehicle fleets on alternative fuels. The report found that Phoenix runs 28 percent of its fleet with compressed or liquid natural gas or biodiesel.
- Carole Coles Henry, Equal Opportunity Department director, was honored by the ASU West Black History Month Committee with the Pioneer Award. The annual award recognizes African-Americans who have made significant contributions to the life and culture of the Phoenix metropolitan area.
- The National Parks and Recreation Association awarded its “Excellence in Aquatics Award,” to the Phoenix Parks and Recreation Department at its annual National Aquatics Conference in Atlanta. The Phoenix Parks and Recreation Department earned the award for cities with more than 500,000 residents. This is the third time the department has won the award. The National Excellence in Aquatics Award honors agencies that demonstrate excellence in planning and managing diversified aquatic services. It is given to only one city in each size category and is recognition of the best-run aquatics system in the country.
- Aviation Department employee Johnnie Funderburg was recognized and honored by the Greater Phoenix Black Chamber of Commerce as Community Advocate of the Year. Johnnie is the outreach project manager for the Business and Properties area of the airport. She works in the community partnering with citizens and businesses that do business with the city.



The annual Diversity Celebration brings city employees together to showcase their department's best practices as well as their individual diversity.

We are Committed to Making Phoenix Better

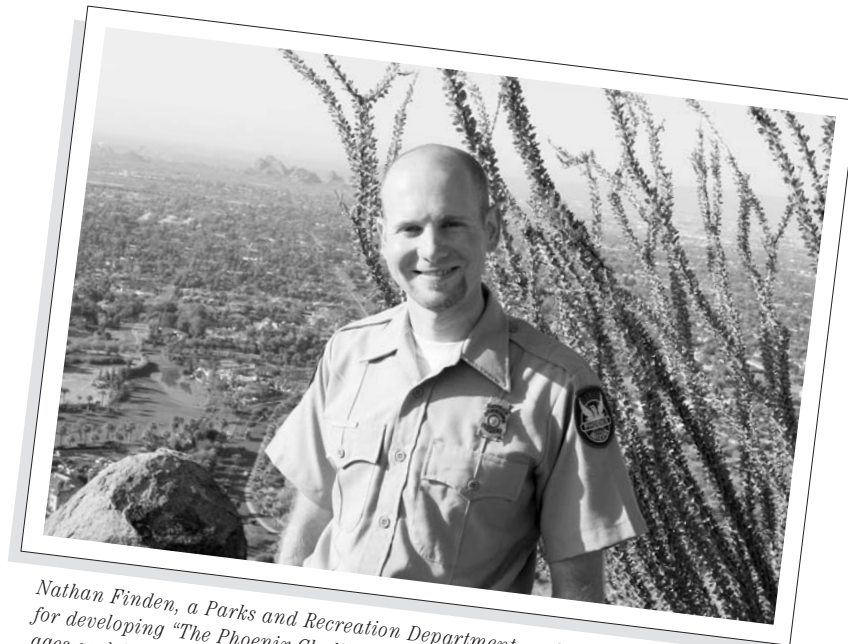
The city's Vision and Values statements continue to serve as a common source of motivation for city of Phoenix employees to do all that they can to make Phoenix better.

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

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

- The Valley of the Sun United Way recognized the city with an Innovative Campaign Partnership Award in 2006 when employees donated more than \$1,426,576 to the Community Service Fund Drive. The fund drive provides resources to hundreds of agencies that provide health and social services to our community.

- Matthew Bertram with Parks and Recreation personifies the Vision and Values statement, "We each do all we can" – even under the most tragic circumstances. Bertram works at the Longview Recreation Center. One of the center's participants, a young boy active in the center's youth basketball program, was diagnosed with a malignant brain tumor. When it came time to award team trophies, Bertram arranged to have the presentation at Phoenix Children's Hospital. He felt it was important that the youngster celebrate a successful season with his teammates.



Nathan Finden, a Parks and Recreation Department park ranger, was recognized for developing "The Phoenix Challenge," a non-competitive hiking event for all ages and fitness levels, even hikers with disabilities.

- In February 2007, the city held its fifth annual Diversity Celebration for city employees. The Diversity Celebration helps create a vision where all people's rights are respected and where every person can live and work as a valued member of the community. It also lets departments showcase practical ways to support, promote and utilize diversity to better serve the community. The event endorses and promotes the city's Vision and Value statement, "We value and respect diversity."
- Phoenix also has provided free wireless Internet service in several locations including Burton Barr Central Library, City Hall and the Municipal Court jury assembly room. Residents can use their laptop, personal digital assistant (PDA) or other wireless-ready devices to access filtered wireless Internet while they conduct business with the city, visit city facilities or to enhance their jury experience.

City of Phoenix Excellence Awards

Every year, the city of Phoenix recognizes individual employees and employee groups for excellence. The 2006 Employee Excellence Awards, which were presented May 30 at the Herberger Theater Center, honored eight individuals and 17 teams for their hard work and dedication.

The individual winners included Traffic Engineer Kerry Wilcoxon, Park Ranger Nathan Finden and Police Officer Santos Robles.

- Wilcoxon was recognized for his efforts to improve traffic safety. Wilcoxon, part of the "85009 Zip Code Child Seat Safety Campaign," received a \$25,000 grant to develop a public education campaign and the "Children Are Priceless Passengers" program that targets the area. In addition, he played a key role in identifying and selecting locations for the city's expanded photo

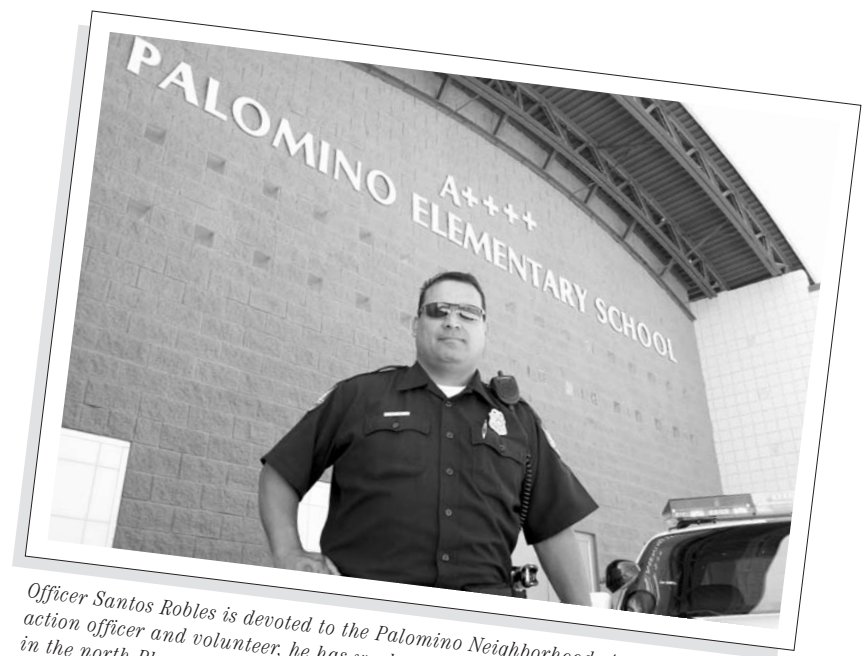
enforcement program and successfully applied for federal grants to improve safety in several high-crash locations.

- Finden was honored for developing and implementing "The Phoenix Summit Challenge," a non-competitive hiking event for all ages and fitness levels. Challenge participants have to scale a combination of all or some of the seven summits within the Phoenix desert preserve system in one to two days. Paid registration for the second annual challenge in 2006 filled up in just two hours. It was one of Arizona's most successful hiking events.



This Office of Environmental Program and Public Works team conceived a plan to recycle old computers and electronics instead of discarding them in city landfills. Knowing that computers contain heavy metals that are harmful to the environment, the team recommended adding computer and electronics to the city's existing recycling programs.

- Robles, a community action officer, was honored for his service to the Palomino Neighborhood. He has worked with the community and other city departments to fight crime and blight in the Palomino area and ensure the safety of children in the neighborhood. In one child neglect case, he insisted that the state take immediate action to protect two children who were left to care for themselves in an unsafe home. Paradise Valley Unified School District officials also praise Robles for his work with students in the district's alternative programs.
- The winning employee teams included three groups that strived to make Phoenix a better place for its residents.
- The Tampico Apartments Task Force, consisting of representatives from the Law, Neighborhood Services and Police departments, was recognized for coming up with a plan to reduce the number of sex offenders who clustered in a single Phoenix apartment complex. The owner of the complex routinely catered to felons because he didn't think anyone else would rent from him. Responding to neighborhood concerns, the task force educated the owner about good management practices that would reduce vacancies and provided him with information and resources. Because of their efforts, the owner has attracted new residents.
 - The Household E-Waste Recycling Team, which included Public Works and Office of Environmental Programs staff, created a program to recycle thousands of obsolete computers and other electronic equipment that were destined for city landfills. The team recommended that the city incorporate electronics recycling into the monthly Household Hazardous Waste and Appliance/Electronic Collection programs. The team found an international vendor that agreed to pay the city five cents a pound for recycling computer wastes. Most computers are taken apart for their usable parts or recyclable raw material. Older technology computers are shipped to Malaysia, where they are stripped of operating programs and files then reconditioned. Those computers are sold to individuals in Third World countries who would not otherwise have access to technology.



Officer Santos Robles is devoted to the Palomino Neighborhood. As a community action officer and volunteer, he has worked with residents to fight crime and blight in the north Phoenix neighborhood. His work with young people also has earned him praise from Paradise Valley School District officials.



- “Closer-To-Home,” the Fire Department’s 200 Compression Protocol CPR Project implemented a pilot program based on advances in cardiopulmonary resuscitation. Continuous chest compression CPR, or CCR, emphasizes chest compression and eliminates the need for mouth-to-mouth breathing. In early 2006, the department’s Emergency Medical Services battalion units began using CCR after undergoing training. The project’s preliminary results showed a dramatic increase in the survival rate of cardiac patients who were treated with CCR, which was developed by the University of Arizona. The Fire Department plans to expand the use of this innovative life-saving measure.

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 2006-07 fiscal year;

- Billy Moreno and Larry Bee reduced the amount of maintenance expense to manage the Salt River Outfall (SRO) station. In the past, the pumps at the SRO station would routinely get clogged and require significant personnel and material costs to repair.

These Water Services employees suggested the use of a chopper pump which has reduced the number of times the pumps must be pulled from almost weekly to only a few times a year saving the city \$33,000 annually.

- Orelio Moreno found a specialized tool to maintain the Ford Crown Victoria police vehicles. Moreno’s suggestion resulted in repairing stripped cylinder heads without removing the engine. Prior to utilizing the tool, Equipment Management mechanics had to pull the engines to repair cylinder heads which is labor intensive and increases down time for police vehicles. The implementation of his suggestion will result in an annual cost savings of \$28,000 and faster vehicle maintenance turnaround time.



This task force made up of employees from the Law, Neighborhood Services and Police departments was recognized for developing a plan to reduce the number of sex offenders clustered in a single Phoenix apartment complex.

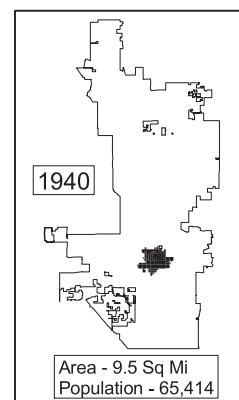
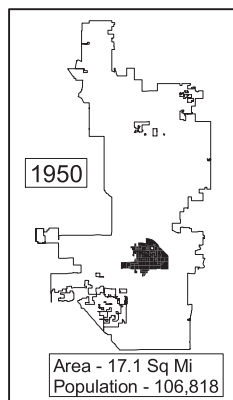
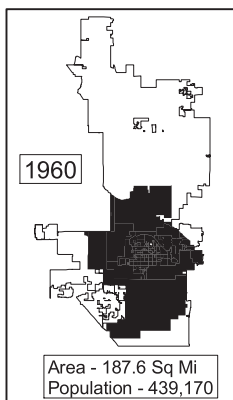
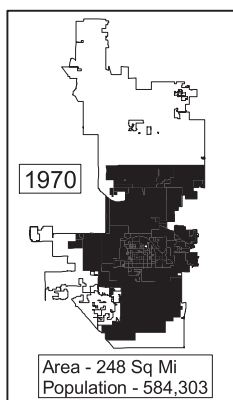
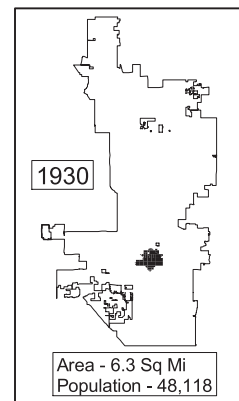
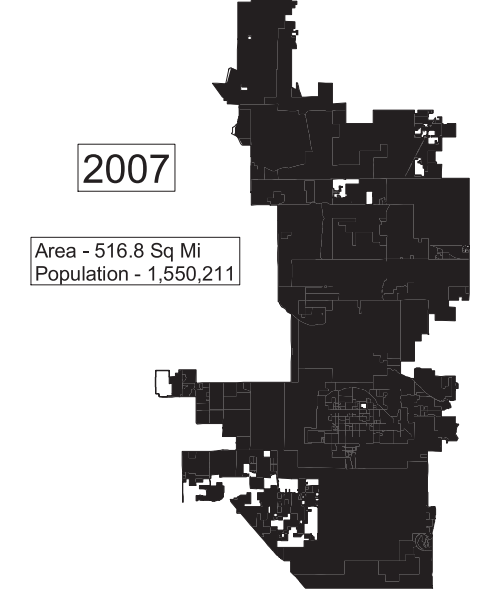
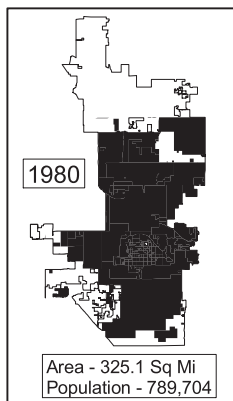
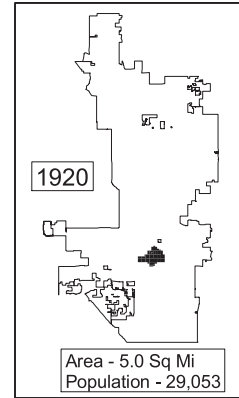
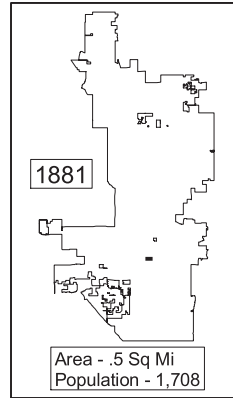
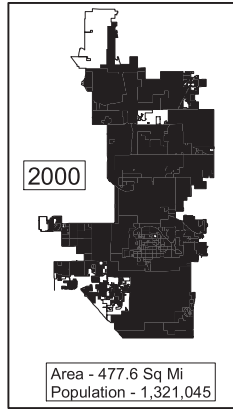
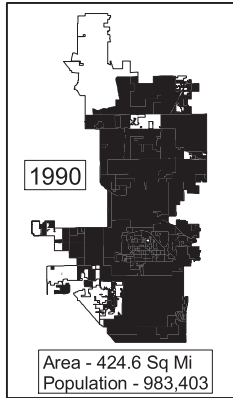


- Sergeant Craig Church suggested the use of bilingual crime scene tape. The use of the English and Spanish crime scene tape presents an opportunity to provide a vital service to the community and reduce the risk of citizens breaching crime scenes or interfering with police investigations due to language barriers.
- Michael Martinez suggested replacing reflective glass beads along the runways of Sky Harbor International Airport with a less expensive and more reflective product. Prior to Martinez's suggestion, these glass beads would have been replaced at a cost of approximately \$269,000. His suggestion to replace the glass beads with the new design resulted in an annual cost savings of approximately \$156,000.

We work hard to earn our reputation as a well-run city. We are 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.

Provided by
City of Phoenix
Planning Department
May, 2007

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 516.8 square miles, with a projected population of 1,550,211.

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 U.S. as a whole. One exception is construction employment which is over-represented due to rapid population growth and the demand for new housing. Another exception is under-representation in manufacturing employment. However, the Phoenix area's manufacturing mix is much more concentrated in high-technology than the U.S. The high-technology manufacturing sectors are more likely to grow at higher rates than other manufacturing sectors.


The primary employment sectors and their share of total employment in the Phoenix metropolitan area consist of trade (20%); professional and business services (17%); government (12%); education and health services (10%); construction (10%); leisure and hospitality (10%); 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, Arizona State University, Honeywell, US Airways, Wells Fargo and Company, Basha's, Intel Corporation and the U.S. Postal Service. The top two property taxpayers, based on secondary assessed valuation - Arizona Public Service Company and Qwest Communications - make up only 5% 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.





	1970-71	1980-81	1990-91	2000-01	Actual 2005-06	Estimated 2006-07	Projected 2007-08
Demographic Profile							
Population ¹	584,303	789,704	995,896	1,350,435	1,479,356	1,514,369	1,550,211
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 2005-06	Estimated 2006-07	Projected 2007-08
City Economic Profile							
Median Household Income ⁴	\$27,601	\$29,706	\$30,797	\$40,856	\$59,809	\$65,491	\$69,879
Personal Income Growth (Metro Phoenix)	13.6%	14.8%	4.6%	6.7%	10.5%	9.5%	6.7%
Assessed Valuation ('000s) ⁵	N/A	N/A	\$5,700,825	\$7,573,211	\$11,419,619	\$12,261,134	\$16,068,817
Employment Growth Rate ⁶	N/A	N/A	(3.0)%	3.7%	6.2%	5.1%	4.1%
Unemployment Rate	N/A	N/A	4.9%	2.7%	3.9%	3.5%	3.5%
Value of Residential Construction (Billions)	N/A	N/A	\$0.42	\$1.16	\$2.69	\$2.54	\$2.63
Value of Commercial Construction (Billions)	N/A	N/A	\$0.46	\$1.33	\$1.84	\$2.26	\$2.37
City Financial Profile							
Total Budget ('000s)	\$95,835	\$392,780	\$1,026,545	\$1,946,013	\$2,548,084	\$2,824,114	\$563,759
Total GF Budget ('000s) ⁷	\$62,343	\$221,106	\$591,021	\$953,324	\$932,228	\$1,032,414	\$1,199,298
Total Employees	5,670	9,435	11,388	14,352.0	15,928	16,517.5	16,890.5
Total Employees per 1,000 population	9.7	11.1	11.2	10.6	10.8	10.9	10.9
Non-Enterprise Employees per 1,000 population	N/A	N/A	N/A	8.6	8.7	8.8	8.8
Enterprise Employees ⁸ per 1,000 population	N/A	N/A	N/A	2.0	2.1	2.1	2.1
Property Tax Rate	1.75	1.75	1.79	1.82	1.82	1.82	1.82
G.O. Bond Rating (Moody's/Standard and Poor's)	A/A	Aa/AA	Aa/AA+	Aa1/AA+	Aa1/AA+	Aa1/AAA	Aa1/AAA
Number of PLT Licenses	N/A	37,943	43,756	51,000	58,254	55,785	57,000
City Retail Sales Tax Rate ⁹	1%	1%	1.2%	1.8%	1.8%	1.8%	1.8%
Infrastructure Profile							
Area (Square Miles)	247.9	329.1	427.1	483.5	516.0	516.8	516.8
Police							
Major Crimes	50,747	86,287	110,961	97,666	102,005	103,100	102,800
Dispatched Calls for Service	374,003	452,350	895,117	862,769	778,853	782,000	776,700
Authorized Sworn Police Officers	1,054	1,694	2,047	2,810	3,114	3,223	3,234
Fire							
Fire Stations	30	35	45	45	50	52	55
Fire Calls and All Other Calls ¹⁰	14,437	25,162	26,281	28,369	23,829	21,700	23,600
Emergency Medical Calls ¹⁰	—	46,122	75,112	101,396	129,208	136,000	139,000
Authorized Sworn Firefighters	572	838	1,042	1,315	1,553	1,625	1,651
Building Inspections							
Total Number of Inspections ¹¹	236,000	196,356	176,909	261,184	346,409	316,460	345,600
Streets							
Total Miles	2,270	3,084	3,800	4,299	4,782	4,850	4,900
Miles Resurfaced and Sealed	378	216	250	220	143	116	132
Total Miles of Bikeway ¹²	N/A	N/A	250	472	525	555	565



	1970-71	1980-81	1990-91	2000-01	Actual 2005-06	Estimated 2006-07	Projected 2007-08
Traffic Control and Lighting							
Signalized Intersections	423	555	761	906	976	1,000	1,000
Street Lights	23,097	39,097	50,825	70,750	82,971	90,000	92,500
Traffic Accidents	22,765	28,129	28,414	36,500	33,600	34,431	35,464
Aviation							
Passengers Arriving and Departing	2,925,700	6,500,000	22,175,000	35,900,000	41,700,000	43,000,000	44,000,000
Solid Waste Collection							
Residences Served	204,800	281,900	281,392	327,953	366,903	379,276	386,100
Tons Disposed at City Landfills	325,300	379,000	513,643	1,051,935	1,029,700	1,170,000	1,190,000
Municipal Parks							
Number of Municipal Parks ¹³	121	137	181	199	214	216	222
Developed Park Acres	N/A	1,303	2,206	3,332	4,395	4,506	4,634
Libraries							
Book Circulation	2,368,232	3,691,745	5,962,411	9,151,000	12,991,600	15,236,302	15,726,337
Total Book Stock	704,940	1,182,606	1,732,410	2,016,000	1,963,228	1,970,827	2,011,627
Equipment Management							
Number of Equipment Units in Fleet	2,637	4,497	4,776	6,080	6,883	7,000	7,175
Water							
Connections	172,100	282,048	321,996	350,967	394,155	402,047	409,293
Production (billions of gallons) ¹⁴	52.7	88.5	84.7	109.4	111.4	114.2	116.9
Wastewater							
Connections	169,255	250,199	311,980	327,051	364,555	371,846	378,353
Miles of Line	2,090	3,040	3,661	4,174	4,685	4,786	4,887

- 1 Population by age and race is only available in census years. Also, racial categories were modified by the Census Bureau in the 2000 Census.
- 2 Prior to the 2000 Census, Asian and Pacific Islander data were combined under the same category. Pre-2000 counts are included in the Asian category.
- 3 Pre-1980 census questionnaires did not include "Hispanic" or "Spanish" race categories.
- 4 Median Household Income is based on United States Census Bureau data for city of Phoenix geographic area and projected during non-census years using personal income growth percentages.
- 5 The formula for assessing valuation was changed significantly in 1980 making comparisons to years prior to 1980 not meaningful.
- 6 Employment growth rate figures (total non-farm employment) are calendar year and not fiscal year. Calendar 2005 is shown under FY 2005-06, and calendar 2006 is shown under FY 2006-07, and projected calendar 2007 is shown under FY 2007-08. Estimates are for the Phoenix metro area and are obtained from the Arizona Workforce Informer-Arizona Department of Economic Security.
- 7 As of FY 1998-99, Arizona Highway User Revenue funds are no longer included in the General Fund total.
- 8 Enterprise departments include Water, Aviation, Phoenix Convention Center, Golf and Solid Waste Management.
- 9 Voters approved a 0.1 percent increase in most city sales tax categories effective 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, to provide funds for parks enhancements and improvements, and to acquire land for a Sonoran preserve. Voters also approved a 0.4 percent increase in most city sales tax categories effective June 1, 2000, to provide funding for public transit improvements and light rail.
- 10 Prior to FY 1980-81, emergency medical, fire and all other calls were combined into one figure.
- 11 Includes building, electrical, mechanical, plumbing and general inspections. The lower numbers for recent years, as compared to 1970-71, are the result of the implementation of the general inspection program that combined several residential inspections, performed by one inspector, into a single permit.
- 12 The bikeway program was approved by the City Council in 1987. Figures include on-street bike lanes, bike routes, and paved and unpaved paths.
- 13 This number includes parks and areas maintained by the Parks and Recreation Department. For example, retention basins, canal projects and trails.
- 14 Includes water produced for city of Phoenix only.

2007-08 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2007-08 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 2007-08 budget, financed by operating funds, totals \$3,563,759,000. As shown in the accompanying pie chart, the General Fund portion of \$1,199,298,000 is approximately 34 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste, Convention Center and Golf, make up another 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 32 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 the following page 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 2007-08 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 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 following bar chart presents the General Fund budget on a department-by-department basis.

The table below provides a comparison of the 2007-08 budget to the 2006-07 adopted budget. Actual expenditures for the 2005-06 fiscal year also are included.

Citywide operating and maintenance expenditures increased from 2006-07 primarily due to the costs of the second year of a two-year agreement with our employee groups as well as increased pension and other benefit costs, the annual required contribution to fully fund GASB 45 (Statement 45 of the Governmental Accounting Standards Board addresses appropriate funding and

2007-08 Budget Compared to 2006-07 Adopted Budget (In Millions of Dollars)

	2005-06 Actual Expenditures	2006-07 Adopted Budget	2007-08		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,830.6	\$2,238.3	\$2,423.7	\$185.4	8.3%
Capital Expenditures	282.0	433.0	540.9	107.9	24.9
Debt Service	435.5	516.3	599.1	82.8	16.1
Total	\$2,548.1	\$3,187.6	\$3,563.7	\$376.1	11.8%



accounting for other post employment benefits) costs, operating costs related to operating and maintaining new capital facilities, and several budget additions. Increases also reflect rising costs for commodities such as fuel and utilities. The increase in debt service from 2006-07 is associated with the voter-approved 2001 and 2006 bond programs and the planned sale of Aviation revenue bonds.

2007-08 GENERAL FUND BUDGET OVERVIEW

The 2007-08 General Fund budget of \$1,199,298,000 provides for ongoing operating and maintenance and a modest level of pay-as-you-go capital expenditures. The table below compares the 2007-08 General Fund budget with the adopted 2006-07 budget.

Operating and maintenance expenditures are increased 9.3 percent compared to the 2006-07 adopted budget. The increase is primarily the result of employee compensation increases as described above; the General Fund portion of GASB 45; the planned transition of grant-funded public safety staff to the General Fund; reflecting full-year costs for facilities opened in 2006-07 plus new operating costs associated with capital facilities that will open in 2007-08; inflationary increases in the costs of fuel and utilities; an increased level of vehicle requirements; the continued restoration of General Fund support to Streets and Transit; an increase in the contingency fund and several budget additions. Budget

additions are described in detail in the Department Program Summary section of this document.

The following pie charts show the 2007-08 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.

2007-08 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 2007-08 beginning fund balances of \$938.7 million include \$70.9 million in General funds, \$438.7 million in Special Revenue funds and \$429.1 million in Enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$188.9 million; Water - \$158.0 million; Aviation - \$114.3 million; Wastewater - \$86.0 million; Convention Center - \$39.6 million; Parks and Preserves - \$87.8 million; Solid Waste - \$33.7 million; Grant funds - \$40.2 million; Arizona Highway User Revenue - \$29.9 million; Development Services - \$28.2 million; Sports Facilities - \$22.0 million and \$39.2 million in various other restricted funds.

2006-07 General Fund Estimated Ending Balance

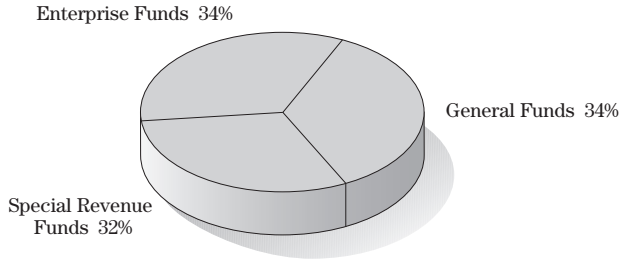
As shown in the following table, the estimated 2006-07 ending General Fund balance is \$70.9 million. The balance results primarily from a \$55.1 million decrease in operating expenditures, a \$5.5 million decrease in pay-as-you-go capital expenditures and a \$7.9 million higher beginning balance. The decrease in estimated 2006-07 General Fund expenditures is largely due to unused contingency funds, and expenditure savings in most departments due to salary savings. Also contributing to the increase is the carryover of \$10.5 million in General Fund expenditures from 2006-07. These carryovers represent planned expenditures in 2006-07 that will not be completed until 2007-08.

2007-08 General Fund Budget Compared to 2006-07 Adopted Budget (In Millions of Dollars)

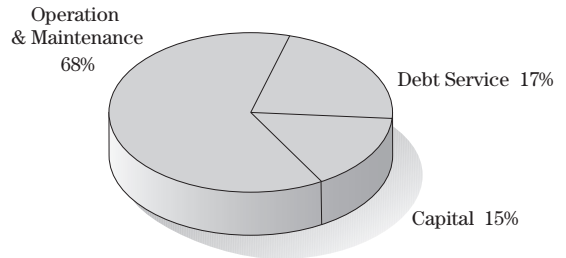
	2005-06 Actual Expenditures	2006-07 Adopted Budget	2007-08		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$928.7	\$1,083.3	\$1,184.2	\$100.9	9.3%
Capital	3.5	9.7	15.1	5.4	55.7%
Total	\$932.2	\$1,093.0	\$1,199.3	\$106.3	9.7%



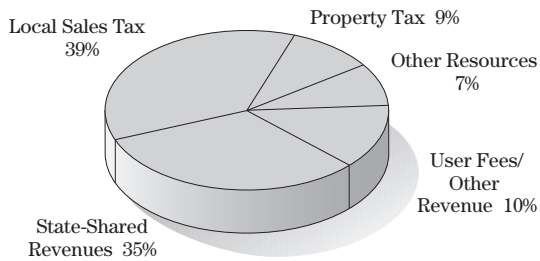
ALL SOURCES OF FUNDS
Total Resources – \$3.6 Billion



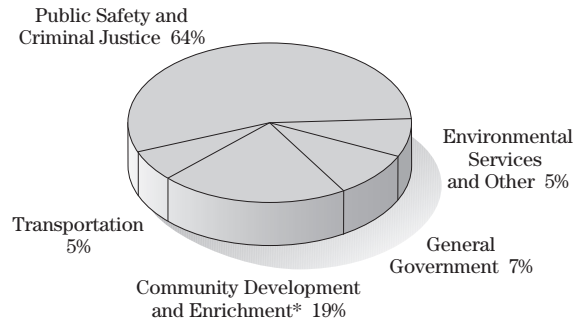
ALL SOURCES OF FUNDS
Total Expenditures – \$3.6 Billion



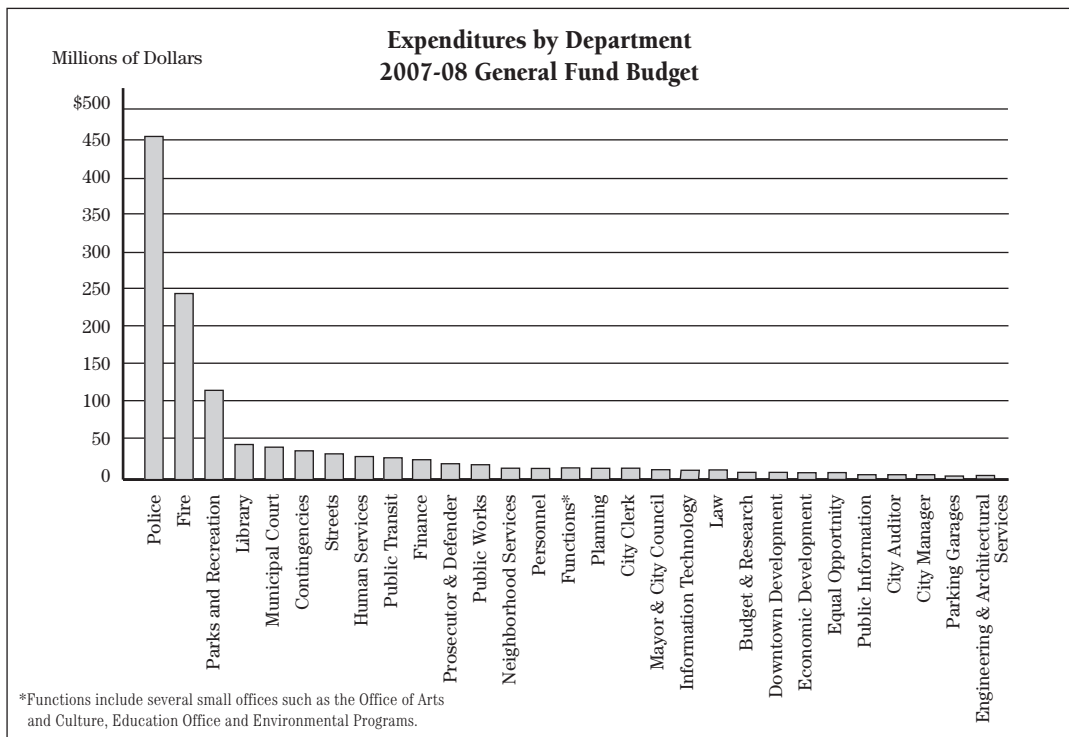
GENERAL FUNDS
Total Resources – \$1,199 Million



GENERAL FUNDS
Total Expenditures – \$1,199 Million



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





2007-08 Estimated Revenues

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2007-08 are estimated at \$3,107,249,000. This is \$225,434,000, or 7.8 percent above the 2006-07 estimate of \$2,881,815,000. General Fund revenues are estimated at \$1,117,954,000, which is \$95,977,000 or 9.4 percent more than the 2006-07 estimates. The following table provides a comparison of the 2007-08 estimated revenues to 2006-07 estimates and 2005-06 actual collections. Detailed explanations by category are provided in the 2007-08 Revenue Estimates section of this document.

The state and local economy experienced strong growth beginning in late 2004-05 and continuing through 2005-06, bolstered by increased retail spending, revived tourism spending and strong growth in contracting. Due to the recent downturn in the housing market, growth has continued in 2006-07, but at a slower pace. Estimated revenue growth for 2007-08 assumes the economy will continue to slow slightly as population and job growth absorb the available housing stock. As a result, local and state sales tax collections are expected to grow at a lower rate than in 2006-07.

Reduced sales tax growth rates is partially offset by an increase in state-shared income tax. Included in 2007-08 estimates for the Enterprise funds are full-year impacts of rate increases for Water and Wastewater services, effective March 2007. The 2007-08 estimate for Special Revenue funds includes a \$43.9 million increase in secondary property tax and a \$15.0 million increase in federal funds.

2007-08 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 2007-08 total \$47.0 million. This amount

reflects \$46.5 million from Enterprise and other funds to recoup central service costs and/or payments for in lieu property taxes from the Aviation, Water and Wastewater, Solid Waste, Convention Center and Development Services funds. Central service provides a repayment to the General Fund for services provided by departments such as Personnel, Finance, Law and other administrative support areas that are General funded. This transfer is calculated by the Finance Department in accordance with generally accepted full-cost accounting principles and is in accordance with long-established City Council-approved policy. The Enterprise transfers also include \$416,000 from the Golf Course Fund to recoup Parks, Recreation and Golf department direct administrative support costs. The Golf Fund does not pay citywide central service costs or in lieu property taxes.

Approximately \$0.1 million in miscellaneous transfers from other funds also is included. As a result, total transfers to the General Fund exclusive of excise tax-related items are \$47.0 million. A transfer of \$835.1 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.

2007-08 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 2007-08, \$34.2 million is included for the General Fund contingency and is discussed in more detail in the Contingency section of this document. As a result, budgeted General Fund resources equal expenditures. However, any unused contingency amounts at year-end fall to a General Fund ending balance. Generally, about 95 percent of the General Fund contingency remains unused each year.

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

The estimated 2007-08 ending balance of \$473.7 million includes: Transit 2000 - \$147.1 million; Water - \$83.7 million; Convention Center - \$9.8 million; Wastewater - \$47.6 million; Parks and Preserves - \$5.1 million; Solid Waste - \$10.7 million; Aviation - \$92.9 million; Development Services - \$9.4 million; Sports Facilities - \$29.1 million and \$38.3 million in various other Special Revenue and Enterprise funds. Beginning and ending fund balances are provided in more detail in Schedule 1.

In 2007-08, the Enterprise funds in the aggregate are programmed to decline from \$429 million at the beginning of 2007-08 to \$240 million at year end. Increased maintenance and planned replacement costs associated with aging infrastructure contribute to decreased fund balances in the Water, Wastewater and Solid Waste funds. The Water Fund balance also is decreasing due to increases in chemical costs and full-year costs associated with operating the Lake Pleasant Water Treatment Plant. Increased sledge hauling costs contribute to the decrease in the Wastewater Fund balance. Additional field services staff and new containers needed to handle growth contribute to the decline in the Solid Waste Fund. The Convention Center Fund balance is declining as planned as debt service and operating costs associated with the expanded facility begin to occur.

Special Revenue Fund balances in the aggregate are expected to decrease from \$439 million to \$233 million, primarily due

to the decrease in the Parks and Preserves Fund, the Transit 2000 Fund, the Arizona Highway User Revenue Fund and the Development Services Fund.

The Parks and Preserves program, a voter-approved 0.4 percent sale tax, is nearing the end of its 10-year plan to improve existing parks, construct new neighborhood parks and acquire preserve land. The Transit 2000 Fund balance is decreasing as the capital improvement portion of the program reaches its peak years and as planned service improvements are implemented. The Arizona Highway User Revenue Fund balance is decreasing as costs for street construction increase.

The Development Services Fund balance largely represents permit revenues received for which inspection services have not yet been performed. New permitting activities have begun to decline, the fund balance will be drawn down to support inspection services still due.

Negative Fund Balances

Two funds are budgeted with negative fund balances: Regional Transit and Golf. The Regional Transit negative fund balance represents a large encumbrance that was recorded in 2005-06. This encumbrance will be reimbursed to the city by Maricopa

County as actual cash expenditures are made. The reimbursement will take three years.

Golf Fund expenditures have exceeded revenues for several years. The Parks Department has a major restructuring of the golf system underway in order to return it to a competitive status. The Golf Fund will remain in a deficit position while this restructuring is underway.

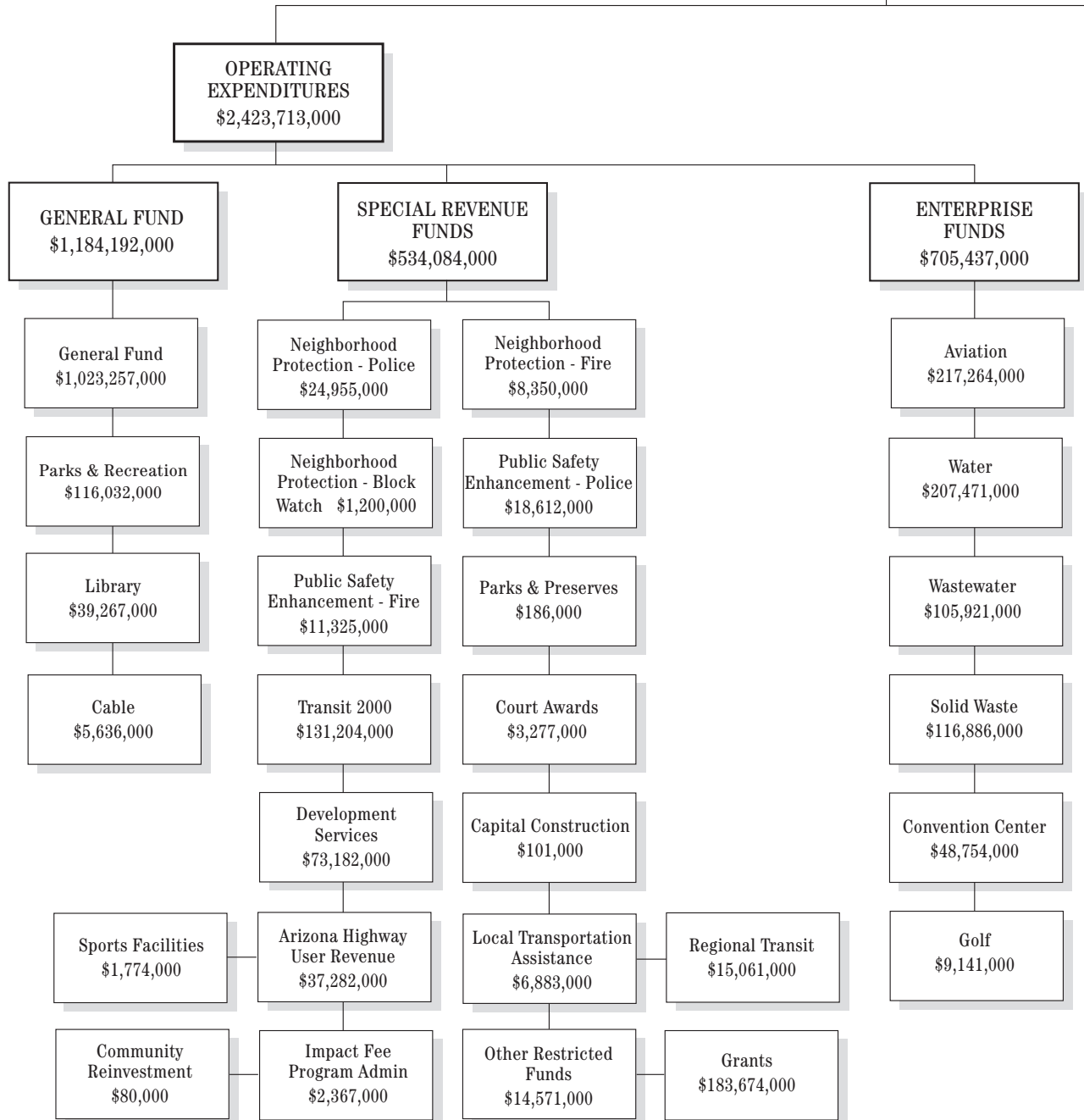
General Fund Balance Analysis (In Thousands of Dollars)

	2005-06	2006-07		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
Resources					
Beginning Balances	\$38,903	\$60,840	\$68,761	\$7,921	13.0%
Revenue	945,618	1,021,516	1,021,977	461	< 0.1%
Recoveries	961	1,500	1,500	—	—%
Transfers	15,508	9,156	11,097	1,941	21.2%
Total Resources	\$1,000,990	\$1,093,012	\$1,103,335	\$10,323	0.9%
Expenditures					
Operating Expenditures	928,702	1,083,304	1,028,201	(55,103)	(5.1) %
Capital	3,527	9,708	4,213	(5,495)	(56.6) %
Total Expenditures	\$932,229	\$1,093,012	\$1,032,414	\$(60,598)	(5.5) %
Ending Fund Balance	\$68,761	\$—	\$70,921	\$70,921	100.0+%

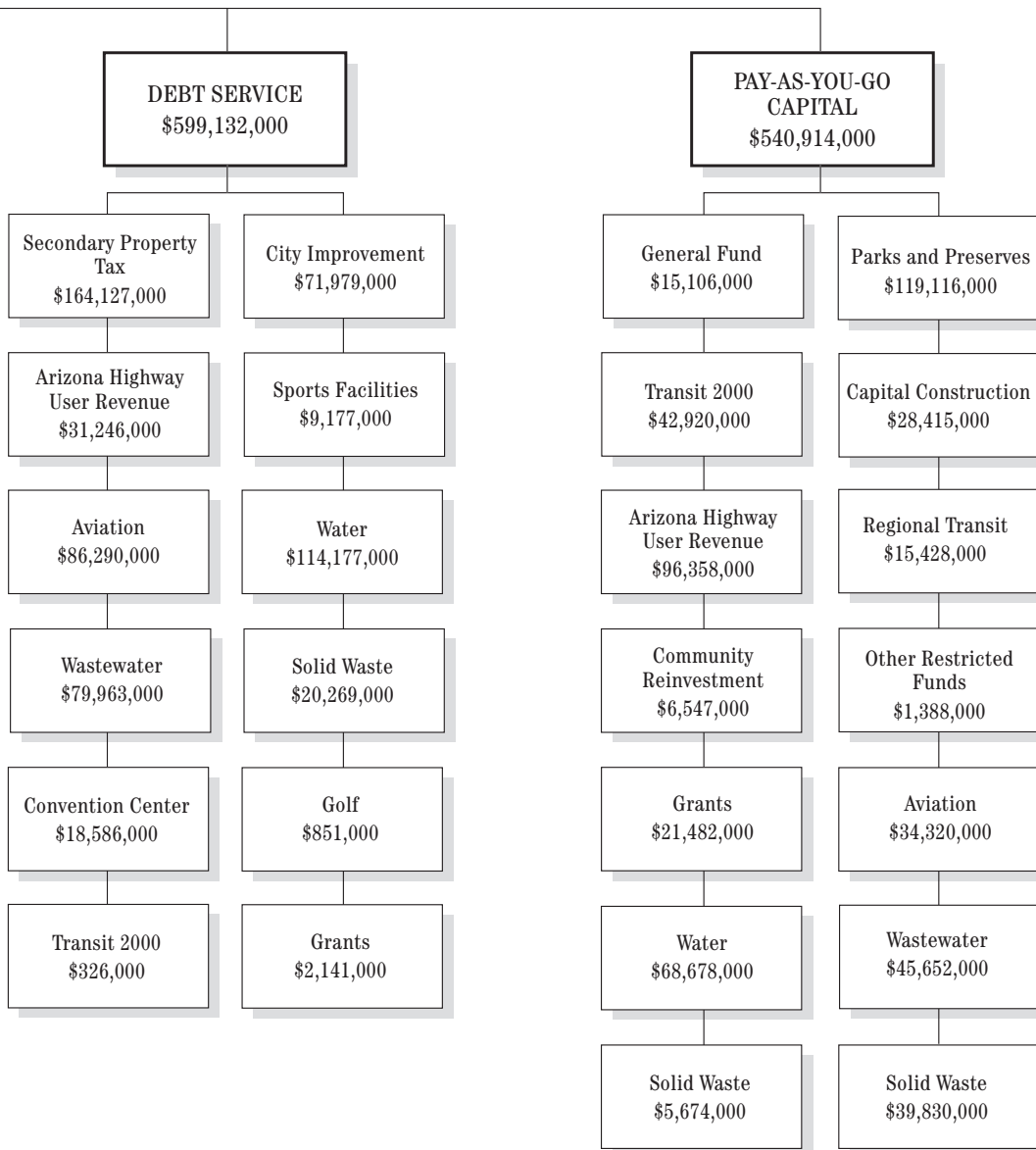
2007-08 Estimated Revenues Compared to 2006-07 Estimates (In Thousands of Dollars)

Fund Types	2005-06 Actuals	2006-07 Estimate	2007-08 Estimate	2007-08	
				Amount Change	Percent Change
General	\$945,618	\$1,021,977	\$1,117,954	\$95,977	9.4%
Special Revenue Funds	787,577	834,876	913,591	78,715	9.4%
Enterprise Funds	958,254	1,024,962	1,075,704	50,742	5.0%
Total	\$2,691,449	\$2,881,815	\$3,107,249	\$225,434	7.8%

2007-08 OPERATING BUDGET
\$ 3,563,759,000



City of Phoenix Financial Organizational Chart



Services to the Community

Phoenix is the seat of Maricopa County and the state's population and economic center. The city's area (approximately 516 square miles) increases periodically with annexations. With its attractive climate and affordable costs of living and doing business, the city has experienced sustained growth. Population has risen to 1.55 million, making Phoenix the nation's fifth-largest city.

The section outlines how, over the years, major services provided to Phoenix residents have been adjusted in response to local economic and financial conditions. In addition, 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 2005 International City/County Management Association's Center for Performance Measurement report.

No cuts were necessary for the 2007-08 budget. Instead, this year's budget provides our first opportunity in several years to restore some of the service cuts necessary over the past few years as well

as the opportunity to add some new community services. General Fund service additions amount to \$10.5 million with another \$4.4 million to open and operate newly constructed community facilities. In addition, Public Safety Enhancement funds and Proposition 301 Neighborhood Protection funds provide \$2.7 million in various public safety improvements.

Community service improvements affect all areas of the budget including: opening the new police crime lab and the new Pecos Park Police Station; adding police and fire communications operators; operating and maintaining new parks; improved maintenance of existing parks; increased swimming pool hours; the opening of a new library and the restoration of library hours; increases to senior programming; improvements to various neighborhood services; and restored levels of streets maintenance.

In the non-General Fund areas of the budget, funding is available to improve community services. Transit 2000 funds will provide numerous fixed-route bus improvements and the costs necessary to operate the new West Maintenance

Facility. Development Services funds will provide additions recommended by a recent organizational analysis as well as additions to the customer counter to reduce wait times. Convention Center funds will provide additional staff and costs necessary to operate and maintain the new West Building as well as additional fiscal staff to provide proper oversight to the center's expanded operations. Water and Wastewater funds will provide a meter replacement program as well as the addition of a rapid-response crew to perform emergency repairs and staff to maintain service levels at the customer service call center. Solid Waste funds will provide costs necessary to keep pace with growth in residential units and improved prevention of illegal dumping. Aviation funds will improve sustainability efforts at the airport.



**PROGRAM SERVICE LEVEL
IN 1996-97**

**SERVICE CHANGES
THROUGH 2006-07**

**SERVICE CHANGES
FOR 2007-08**

PUBLIC SAFETY

POLICE

Personnel Resources:

In 1996-97, the Police Department had 2,589 sworn officers and 771 civilian employees.

The 2006-07 budget included matching funding for the final allotment of 111 officer positions utilizing the Department of Justice's Universal Hiring Grant program. Over the past nine years a total of 400 officer positions were added to the department as a result of this program.

In addition, the 2006-07 budget included the creation of the Public Transit Safety Bureau with five sworn, one support and 50 civilian security positions. These positions were added to provide security for the transit system and prepare for the opening of light rail.

In January 2007, 12 positions were added to the crime lab to address increased demands and prepare for the opening of the new police crime lab in 2007-08.

The 2007-08 budget includes a competitive salary adjustment for sworn personnel and adds 10 new sworn positions. One of those is paid for with Aviation funds and will be stationed at the airport to provide TSA-mandated security. The other nine sworn positions will be assigned to the Public Transit Safety Bureau. The 2007-08 budget also includes 30 municipal security guards and one support staff position within the Public Transit Safety Bureau. These positions will be paid for with Public Transit funds.

The budget also includes funding for 24 radio and 911 police operators to improve service and prepare for the opening of two new police precincts. In addition, the budget includes funding for two support staff to operate the Pecos Park Police Station.

Finally, the budget also includes funding to replace expiring grant funds for civilian and sworn positions with General funds.

In 2007-08, the Police Department will have 3,234 sworn positions or 2.1 for every 1,000 residents, and 1,206 civilian employees.

Response Time Average:

Due to increased calls for service in 1996-97, response time for Priority 1 emergency calls increased to 5 minutes 24 seconds.

In 1994-95, because of increased service demand, budgeted response times for Priority 1 emergency calls had gradually increased from 4 minutes 54 seconds to 5 minutes 48 seconds in 2006 07. During this same time period, the percentage of 911 calls answered within 10 seconds has increased from 78 percent to 84 percent.

Based on 2005 ICMA data, city of Phoenix actual response times compare favorably to those of the benchmark cities as noted below:

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

San Antonio – 5 min 12 sec
PHOENIX – 5 min 41 sec
Austin – 7 min 59 sec
San Jose – 8 min 18 sec
Oklahoma City 9 min 21 sec
Tucson – no data available

The 2007-08 budget provides for a 5 minutes 42 seconds average response time for Priority 1 calls.



PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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PUBLIC SAFETY

FIRE

Response Time Average:

In 1996-97, the Fire Department maintained an average response time of 4 minutes 18 seconds for all fire and emergency medical calls.

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

The 2006-07 budget added 67 sworn and eight civilians to open and operate four new fire stations and the new Public Safety Driver Education facility. Also included was funding to retain five fire training captains to provide for the department's training needs over the next several years. Also, in 2006-07 18 positions were added to provide fire service for the Town of Paradise Valley. Finally, three fire prevention specialists were included for the Annual Facilities Program. These positions were funded with Development Services Fees.

Based on 2005 ICMA data, city of Phoenix response times compare favorably to those of other benchmark cities as noted below:

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

- Oklahoma City – 93 percent
- Long Beach – 86 percent
- PHOENIX – 83 percent**
- Austin – 76 percent
- San Jose – 72 percent
- San Antonio – 70 percent

The 2007-08 budget adds 10 fire emergency dispatchers to improve response to public calls for service. Also included are one administrative assistant I and matching funds for grants for the crisis response section which assist victims of crimes, fires and major emergencies. One fire prevention supervisor position will be added to improve fire inspections of child and elderly care facilities, hospitals, group homes and other licensed facilities. To enhance the hiring process of women and minorities, one fire captain position and related costs are being added. Finally, seven technical staff are included for maintenance of the regional fire dispatch system. These seven positions are paid for from revenues generated for providing this service to participating cities.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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PUBLIC SAFETY

FIRE

<p>Emergency Transportation: In 1996-97, the city of Phoenix had a total of 19 full-time and nine part-time ambulances in service.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The 2006-07 budget included funding for four paramedic rescues 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).</p>	<p>No changes are included in the 2007-08 budget.</p>
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PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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TRANSPORTATION

PUBLIC TRANSIT

Service Miles/Hours:

In 1996-97, 10,985,000 annual bus service miles were provided on weekdays and Saturdays in the city of Phoenix.

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

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

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

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

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

The 2007-08 budget funds the addition of two new routes, Route 154 along Greenway Road and Route 32 from Washington Street to Union Hills Drive along 32nd Street.

The 2007-08 budget will fund five new neighborhood circulator routes and increase service for the ALEX neighborhood circulator along with additional weekday RAPID trips.

The 2007-08 budget will fund additional weekday and holiday Dial-a-Ride service hours and improvements to the Dialysis Taxi Subsidy Program.

The 2007-08 budget will fund increased frequency on bus routes 8, 24, 27 and 156, extend weekday service hours to midnight on routes 8, 24, 43, 61 and 106, and increase Sunday frequency on Route 8, 27 and 156.

The 2007-08 budget will extend weekday afternoon peak hours on the Blue Line, and routes 7 and 12, extend Route 24 to Litchfield Park Road and route 17 to the city limit, and extend weekday service on Route 50 and 106.

The 2007-08 budget will fund the opening of the West Maintenance Facility and enhanced security at existing park-and-ride facilities and transit centers which sell fare media.

Average Weekday Bus Ridership:

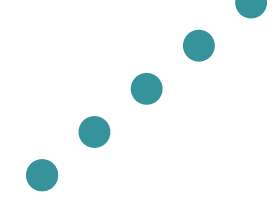
In 1996-97, the average weekday bus ridership was 113,200.

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

With continued enhancements and improvements, annual 2007-08 bus miles are estimated at 20,547,808 and Dial-a-Ride service hours are estimated at 350,180.

Under the 2007-08 budget, weekday ridership is estimated to rise to 170,250.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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TRANSPORTATION

STREET TRANSPORTATION

Major and Collector Street Sweeping and Maintenance:

In 1996-97, sweeping major and collector streets was scheduled for every three weeks.

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

The 2007-2008 budget adds funding for the maintenance of streets.

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.

No changes were included in the 2006-07 budget.

Residential Street Sweeping:

In 1996-97, the city of Phoenix provided street sweeping service three times a year.

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

No changes are included in the 2007-08 budget.

No changes were included in the 2006-07 budget.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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TRANSPORTATION

STREET TRANSPORTATION

Sealcoat:

In 1996-97, the city of Phoenix provided 92 miles of sealcoat.

In 1997-98, sealcoat miles increased to approximately 100 miles annually.

The 2007-08 budget provides for 46 miles of city streets to be sealcoated 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 the 2006-07 fiscal year, it is estimated that 40 miles of city streets will be sealcoated. This decrease is due to continued increases in material costs.

Based on 2005 ICMA data, city of Phoenix paved road rehabilitation expenditures per capita compare favorably to those of other benchmark cities as noted below:

**Paved Road Rehabilitation
Expenditures per Capita:**

- Tucson – \$40.10
- Austin – \$25.10
- San Antonio – \$17.00
- PHOENIX – \$16.20**
- Oklahoma City – \$12.60
- San Jose – \$8.10
- Kansas City – no data available

Asphalt Overlay:

In 1996-97, 86 miles of overlay were performed.

This program funded 95 miles in fiscal year 1997-98.

For FY 2007-08, the budget will be increased and provide for 80 miles of overlay.

Between fiscal years 1998-99 and 2003-04 an average of 131 miles of overlay were 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. This decrease in miles is primarily due to increased cost of materials.

For 2006-07, it is estimated that 73 miles of asphalt overlay will be completed. This decreased due to continued price increases.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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COMMUNITY DEVELOPMENT

HOUSING

<p>Scattered Sites Housing Program: In 1996-97, the Housing Department had 455 units.</p>	<p>This homeownership program allows eligible tenants the opportunity to purchase their home. The program expanded to a total of 470 homes in 1998-99. The 2006-07 inventory of 433 units reflects the sale of 37 homes to eligible tenants over the last few years.</p>	<p>Under the 2007-08 budget, the program is expected to sell 13 Scattered Sites homes, bringing the inventory down to 420 homes.</p>
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<p>Affordable Housing Program: In 1996-97, this program had 747 units for families and individuals.</p>	<p>This program began in 1990-91 and has expanded to a total of 1,382 city-owned units for families and individuals with 325 units added with 2001 bond funds, and 369 units added with other funding sources.</p>	<p>Under the 2007-08 budget, the program is expected to maintain its inventory of 1,383 affordable housing units for families and individuals.</p>
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<p>Conventional Housing Program: This program has been in effect since 1951-52. In 1996-97, there were 1,776 units.</p>	<p>The program's beginning inventory before the HOPE VI project was initiated was 1,776 units located at various sites. 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 1,495 units.</p> <p>In 2005-06, the department demolished the remaining 78 HOPE VI units and leased up 99 units from Phase I for a gain of 21 units and a year end total of 1,516 units.</p> <p>In 2006-07, Phase II of the HOPE VI project was completed which added 100 units to the conventional housing 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 at the end of 2006-07 was 1,602.</p>	<p>Under the 2007-08 budget, the program expects 68 units from Phase 3 of HOPE VI to be added and leased up. The total inventory is expected to increase to 1,670 units.</p>
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**PROGRAM SERVICE LEVEL
IN 1996-97**

**SERVICE CHANGES
THROUGH 2006-07**

**SERVICE CHANGES
FOR 2007-08**

COMMUNITY DEVELOPMENT

NEIGHBORHOOD SERVICES

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

In 1996-97, 151 days were needed to complete a neighborhood preservation case.

Over time, positions have been added to improve cycle times and implement a Landlord/ Tenant Education Slum Prevention program. Case cycle times improved from 83 days in 2001-02 to 53 in 2004-05 as staff added in previous years was fully trained and gained expertise in performing their duties. Case cycle times increased to 61 days in 2005-06 due to budget reductions of staff and abatement funding.

Case cycle time for 2006-07 reduced slightly to 60 days.

Based on 2005 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:**

- Austin – \$2.68
- PHOENIX – \$4.95**
- Long Beach – \$6.15
- Oklahoma City – not available

The 2007-08 budget is expected to maintain the case cycle time of 60 days.

ECONOMIC DEVELOPMENT

**Employment Growth Rate
Compared to Other Cities**

This is a new measure.

In 2006, Phoenix's employment growth rate was better than that of all of the following benchmark cities:

- PHOENIX - 4.07%**
- Austin - 3.32%
- San Antonio - 2.95%
- Dallas - 2.76%
- Ft. Worth-Arlington - 2.35%
- San Diego - 1.3%
- Kansas City - 1.14%
- San Jose - 1.14%
- Los Angeles/Long Beach -0.29%

It is anticipated employment will continue to grow in the 2007-08, although growth will be at a modest rate.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
COMMUNITY ENRICHMENT		
HUMAN SERVICES		
<p>Head Start Program: In 1996-97, the Human Services Department served 2,850 children.</p>	<p>The program is estimated to serve 3,765 children during 2006-07.</p>	<p>No changes are expected in the 2007-08 budget.</p>
<p>School-Based/School-Linked Program: In 1996-97, this program provided services at 20 school sites and served 6,500 youth.</p>	<p>The program began in 1990 with five school sites. With the 2006-07 school year, the program implemented a new service delivery model in 10 area high schools. The program assists with transitioning at-risk 8th grade students to the 9th grade. Follow-up services are provided for the remaining high school years to ensure graduation. It is expected that the program will serve approximately 800 youth.</p>	<p>No service changes are expected in 2007-08. The program is expected to serve 800 youth.</p>
<p>Senior Nutrition Program: In 1996-97, the Human Services Department served 489,000 congregate and home-delivered meals.</p>	<p>For 2006-07 the program is expected to serve more than 600,000 congregate and home-delivered meals having expanded space at the Devonshire (formerly Squaw Peak) Senior Center. In January 2007, Shadow Mountain, Westside and Pecos senior centers opened for business operations to the community. All three senior centers have experienced significant growth in their services. The centers are attracting new customers. The Pecos kitchen is operational and the site is preparing and serving congregate and home-delivered meals.</p>	<p>With the new Shadow Mountain, Westside and Pecos senior centers being open a full year, it is anticipated that the number of congregate and home-delivered meals will continue to increase.</p>





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
COMMUNITY ENRICHMENT		
PARKS AND RECREATION		
Swimming Pools: In 1996-97, 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. No changes were included in the 2006-07 budget.	No changes are included in the 2007-08 budget.
Swimming Pool Season: In 1996-97, swimming pools were open for 12 weeks during the summer months.	In 1996-97, eight lifeguards were added to maintain health and safety standards. In 2003-04, budget considerations forced the city to reduce the swim season to 10 weeks. All pools closed in mid-August to coincide with the beginning of the school year. The 2005-06 budget reduced the swim season by closing pools one week earlier, resulting in a nine-week season. No changes were included in the 2006-07 budget.	Changes included in the 2007-08 budget would add funding to increase the pool season at all 29 pools by adding weekend hours beginning in August and continuing through Labor Day.
Children's Summer Recreation Programs: In 1996-97, the city of Phoenix provided recreation programs at 121 schools for 24-30 hours of programming for 6-8 weeks during the summer months.	Six sites were added in 1999-00 for a total of 127 program sites. No changes were included in the 2006-07 budget.	No changes are included in the 2007-08 budget.
School Recreation Program During School Year: In 1996-97, funding provided for a total of 72 sites.	In 1996-97, 11 new sites were added citywide for a total of 72 sites. In 1998-99, four new sites were added for a total of 76 sites. Also at these four sites, Saturday programming was provided from 10 a.m. to 4 p.m. In 1999-00, 25 new sites were added for a total of 101. The 2000-01 budget added 32 new sites, for a total of 133. The 2001-02 budget added another 33 sites, raising the total to 166. No changes were included in the 2006-07 budget.	Funding is added in the 2007-08 budget to improve after-school programming.





**PROGRAM SERVICE LEVEL
IN 1996-97**

**SERVICE CHANGES
THROUGH 2006-07**

**SERVICE CHANGES
FOR 2007-08**

COMMUNITY ENRICHMENT

LIBRARY

Central Library:

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

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

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

No changes included in the 2006-07 budget.

Branch Libraries:

In 1996-97, the city had 11 branch libraries with a total of 681 hours of weekly library service.

Desert Sage Library opened in July 1997 for 70 service hours per week, increasing the number of branch libraries to 12 and the total hours of service to 751 during the school year. Beginning in 1998-99, five branches increased hours to 9 a.m. to 9 p.m. Monday through Thursday and 9 a.m. to 6 p.m. Fridays.

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

Beginning in 1999-00, seven branches that were only open on Sundays during the school year received funding to open on Sundays all year.

In 2000-01, all branch library hours were extended to 9 p.m. on school nights. As a result, every branch library was open 75 hours per week or 900 hours per week total for 12 branches.

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

The new 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.





PROGRAM SERVICE LEVEL IN 1996-97	SERVICE CHANGES THROUGH 2006-07	SERVICE CHANGES FOR 2007-08
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COMMUNITY ENRICHMENT

LIBRARY

**Comparisons with
Other Library Systems:**

This is a new measure.

Based on 2005 ICMA data, the Phoenix library system compared very favorably to other benchmark cities as noted below:

This trend is expected to continue during the 2007-08 budget.

Cost per Item Circulated:

PHOENIX – \$2.12

Austin – \$4.10

Tucson - \$4.10

San Antonio – not available

ENVIRONMENTAL SERVICES

WATER SERVICES

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

This is a new measure.

In a March 2007 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 2007-08.

San Jose – \$45.73

Kansas City – \$34.21

Austin – \$34.03

Dallas – \$33.35

Albuquerque – \$28.84

Tucson – \$28.53

PHOENIX – \$25.35

San Antonio – \$19.16

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

This is a new measure.

In a March 2007 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 2007-08.

Austin – \$50.87

Dallas – \$33.40

Kansas City – \$25.53

San Jose – \$21.63

San Antonio – \$20.78

Tucson – \$20.30

PHOENIX – \$19.06

Albuquerque – \$15.96



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

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

Modified Zero-Base Budgeting Process

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

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

Base reductions and supplemental requests include all 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.

When base reductions and supplemental requests are proposed, they are ranked together according to the department's priorities. The department's

ranking indicates whether making a base reduction to add a new program would be possible, and also indicates which supplemental programs and base reductions are most critical to the department. City Council members also are asked to submit their own ideas for budget changes.

The City Council then provides input to the city manager for the preparation of the Trial Budget, which is 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 to the City Council in mid-May. Public hearings are conducted throughout the community during day and evening hours. The City Council makes final budget recommendations after the city manager's preliminary budget is reviewed.

2007-08 BUDGET PROCESS

Early Discussions

In January 2007, Budget and Research staff presented an early review and discussion of the budget to the City Council. At this time, staff focused on the General Fund, providing financial results for the previous fiscal year, the latest available information on revenues and expenditures for the current year, and the limited information available about the upcoming 2007-08 fiscal year.

The Mayor and Council were advised that estimated General Fund revenue growth was positive but expenditures continued to provide challenges, including a spike in fuel prices and the essential costs associated with two high profile crime cases. Additionally, a number of significant costs for the next year were identified, including employee compensation, replacements for vehicles and police mobile terminals, the costs of opening new capital facilities as well as

the full-year impact of facilities opening this year, and the transition of 80 police officers from grants to the General Fund.

Also impacting the budget outlook were continuing previously approved restorations of Transit and Streets General funding cuts, the continued restoration of contingency fund levels, a citywide election, increased utility costs, and increased debt service payments necessary to retire the debt used during the prior four difficult budget years. Because this discussion came fairly early in the year, staff reported that it was expected that the next year's budget could be balanced without reductions to city services.

During this discussion, the Mayor and Council also were provided various options for conducting the 2007-08 budget process. The Mayor and Council recommended continuing the city's long-standing modified zero-base budgeting system that includes reviewing all costs on a line-item basis.

Initial Budget Status

In March 2007, staff returned to Mayor and Council with an initial budget status report. Staff reported that in the current year, sales tax growth, including holiday sales taxes were somewhat disappointing. Moderate revenue growth was estimated for the upcoming year. Additional factors impacting next year's budget included the need to improve the competitiveness of public safety starting salaries and the need to fund victim's services no longer covered by grant funds. However, overall expenditure estimates had improved and staff anticipated that funds would be available to address high priority public safety needs as well as other service restorations and enhancements.

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





Trial Budget

On April 3, a Trial Budget was presented to the Mayor and City Council. At that time, the Mayor and Council were advised that updated information on costs to operate newly constructed capital facilities provided additional funds for service restorations and enhancements. These cost savings resulted largely due to new information on opening and acquisition dates.

The Trial Budget continued the city's strong commitment to public safety by proposing to address three critical issues: allocating \$1.7 million to improve the competitiveness of public safety starting salaries, \$1.6 million to begin a three-year program to replace police patrol mobile computer terminals, and \$350,000 needed to replace grant funding for victim's services. Other proposed public safety additions included operating costs for the new crime lab, staff to open the new Pecos Park Police Station, increased 911 and police radio operators, transitioning of police officers to General funds from expiring grants, and adding a sergeant at Phoenix Sky Harbor Airport.

Additional proposed public safety enhancements included the addition of communications operators in the Fire Department, providing staff and matching funds for Fire Crisis Response Units grants, adding staff to improve fire inspection of a variety child and elderly care facilities, adding a fire captain and related costs to enhance hiring of women and minorities, and adding technical staff for maintenance of the regional fire dispatch system. Staff also was recommended to improve services at the Family Advocacy Center and support the case management system in the Prosecutor's Office.

In addition, the Trial Budget proposed funding the opening costs of several new parks facilities, including staff to maintain Enchanted Island improvements, security and maintenance for newly acquired mountain preserve areas, operations and maintenance of new recreational features at Rio Salado, maintenance of 30 miles of new trails, staff to operate and maintain the first phase of a new community park at 71st Avenue and Elwood Street, and staff

and materials to operate the Reach 11 Field of Dreams donated by the Arizona Diamondbacks. The proposed budget also provided staff and other operating costs for street landscaping maintenance of new streets citywide and maintenance of newly acquired but undeveloped parks land.

Restorations and enhancements to parks, youth, and senior services were also proposed in the Trial Budget. Staff and supporting expenditures to restore nearly 50 percent of general parks maintenance budget reductions was proposed. Street landscape maintenance crews eliminated in previous budget reductions were proposed to be restored and an additional maintenance crew added. Summer swimming pool hours were recommended to be partially restored, with funding to keep all pools open on weekends through Labor Day, beginning in August. An expansion to the city's after-school program also was proposed. The recommended budget also began to restore funding for the youth summer jobs program. Enhancement of senior services was proposed through the addition of programming staff and food service workers at various senior centers.

Additions and restorations also were proposed for cultural activities such as arts and libraries. Funding for setup at the new Agave Library at 33rd Avenue and Pinnacle Peak Road was proposed to enable a July 2008 opening date. Additionally, the proposed budget included restoration of morning hours at all libraries from 9 to 10 a.m. The proposed budget also began to restore arts grants reduced in previous budget cuts.

Staff restorations and additions were proposed for funding to develop system improvements to code enforcement, case management and customer services in the Neighborhood Services Department. Proposed restorations also included staffing for a courtroom dedicated to complex property maintenance cases and other city code violations. The proposed budget also included staff and equipment to improve speed and quality of graffiti removal and graffiti enforcement efforts.

Additional funding was proposed to address housing needs. Funding to complete the Matthew Henson HOPE VI

Project was proposed, as well as the refunding of in lieu taxes paid with federal housing funds to free up public housing federal funds. Funding also was proposed to begin to expand operations at the Watkins Overflow Shelter.

The creation of a wash maintenance program also was proposed, as well as increasing funds available for street maintenance. A variety of other funding items were proposed to address workload issues in a variety of departments throughout the city.

In the non-General Fund areas of the proposed budget, additional funding was recommended to improve community services. Transit 2000 funds were proposed to provide numerous improvements to transit services. Additional routes and improvements on a number of existing routes were proposed, and Dial-A-Ride services also were recommended for improvement. Funds to implement five new neighborhood circulator bus routes in Maryvale, Sunnyslope, the Desert Sky area, the Desert Ridge area, and the Northwest area also were proposed. Specific routes will be identified through a community input process. Improvements to security at park-and-ride lots and transit centers that sell fare media also were proposed. Additional staffing also was proposed to address workloads associated with the expansion of the transit system and to staff the newly opened West Maintenance facility.

Convention Center funds were proposed to improve operations at the new Phoenix Convention Center West Building as well as continue a program of enhancements to customer service. Development Services funds were recommended to fund administrative support and improve customer service at the Development Center customer service counter. Additional Aviation funds were proposed to identify more environmentally sensitive methods of operating.

The proposed Water Services budget provided staff and other resources to add technical support for security systems, implement a new meter replacement program to replace under-registering meters, and to maintain consistent

treatment processes at treatment plants. Also proposed is funding for staff and equipment to create a rapid-response crew to perform emergency repairs, develop and implement a strategic communications plan, and maintain service levels at the Water Customer Services Call Center and Water Distribution Communications Dispatch Center. In addition, funding was recommended for staff to improve staffing ratios, develop infrastructure master plans, and develop plans for the 2005 Water Resources Plan Update.

The proposed budget also provided funding for staff and resources to reduce overtime and meet equipment maintenance schedules at wastewater treatment plants, provide electrical maintenance for the new water-activated sludge thickening and chlorine system at the 91st Avenue wastewater treatment plant, and convert the odor control pilot program along the Southern Avenue Interceptor into an ongoing program. In addition, funding for staff and supplies were recommended to convert contracted vector truck service to an in-house service, improve supervision, and improve service levels for plan and new facility reviews.

Community Input

The proposed budget was presented at 12 budget hearings conducted throughout the community from April 5 through April 20 including special hearings for youth and 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 enhancements as well as a calendar of budget hearing dates. This publication was inserted in the April 8 edition of *The Arizona Republic* and the April 11 edition of the *Arizona Informant*. A Spanish version of this publication was included in *Prensa Hispana*. Copies of the inserts also were available at various locations throughout the city, including all budget hearings. In total, nearly 200,000 of the inserts were made available to residents throughout the city. Residents

also were invited to send comments and questions through the city's Web site. This publicity of the Trial Budget allowed the City Council and the community to comment on a balanced budget.

Comments from the community were incorporated into the City Manager's recommended budget that was presented to the Mayor and Council on May 1. As a result of community input the budget included funding to begin restoring community center hours and provided funding for modest capital improvements for Cementerio Lindo at 15th Avenue and Durango Street.

Also included in the budget were additional police officers to further enhance transit security and four fire prevention positions to respond to workloads associated with new development plans review. Finally, city departments were provided the opportunity to use cost reductions within their budgets to fund needed administrative support. These self-funded additions included improved boards and commissions support services; better compliance with environmental construction standards; and greater ability to keep up with workloads in recruiting, testing and labor relations.

TENTATIVE BUDGET ADOPTION – MAY 30

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

Final Budget Adoption - June 13

A public hearing and final adoption were conducted on June 13. Adoption of the property tax levy was scheduled no less than 14 days later on July 2 in accordance with state law.

The following chart is an overview of the 2007-08 budget calendar.

2007-08 Budget Calendar	
January 23	Early Budget Discussion and Options for Budget Review Process
March 6	Initial 2007-08 Budget Status Report
April 3	2007-08 Proposed Trial Budget and 2007-12 Preliminary Capital Improvement Program
Week of April 8	Budget Insert in Local Newspapers
April 5 – 20	Community Budget Hearings
April 24	2006 Bond Committee Meeting
May 1	City Manager's Recommended 2007-08 Budget
May 8	Final City Council Budget Review
May 30	Tentative Adoption of 2007-08 Budget and 2007-12 Capital Improvement Program
June 13	Final Budget Adoption
July 2	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 general obligation.

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 2007-08 budget development process are as follows:

Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2007-08 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 3
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 1
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 May 16
Publish notice of public hearing which must be held prior to adoption of five-year Capital Improvement Program by resolution.	Publish in newspaper of general circulation at least two weeks prior to first public hearing.	No requirement.	Publish May 16



Action Required	City Charter Prescribed Deadline	Arizona State Statute Prescribed Deadline	2007-08 Budget Dates
Public hearing immediately followed by tentative budget adoption with or without amendment.	On or before the last day of June.	On or before the third Monday of July.	May 30
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 June 4 and 11
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 7 days but not more than 10 days before required hearing.	Publish May 28 and June 4
Public hearing plus truth-in-taxation hearing immediately followed by final budget adoption.	No requirement.	No later than second Monday in August.	June 13
Property Tax Levy Adoption.	No later than the last regularly scheduled Council meeting in July.	No sooner than two weeks following final budget adoption and no later than the third Monday in August.	July 2

Amendments to the Budget After Final Adoption

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

In certain instances, however, the budget may be amended after adoption. All budget amendments require City Council approval. These are (1) transfers from any contingency appropriation, (2) increases in funds exempt from the Arizona State Constitution expenditure limit and (3) reallocations of amounts included in the original budget. An amount for contingencies is included in

the General Fund and in many other restricted funds. Informal reservations of contingencies are made throughout the fiscal year as approved by the City Council. Actual expenditures are recorded in the appropriate departmental budget. Then, at the end of the fiscal year, contingency amounts actually needed are transferred by City Council formal action to the appropriate departmental budget.

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


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

PROPERTY TAXES AND BONDED DEBT LIMIT

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

Primary Property Tax Restrictions

Primary property tax levies are restricted to an annual 2 percent increase plus an allowance for growth attributable to previously unassessed properties (primarily new construction). Growth in primary assessed valuation is restricted annually to the greater of 10 percent, or 25 percent of the difference between primary



and secondary values, plus an allowance for previously unassessed properties. The City Charter requires that 8 cents of the primary property tax levy be allocated to the Parks and Playground Fund.

Secondary Property Tax Restrictions

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

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

Bonded Debt Limit

Arizona cities can issue general obligation bonds for purposes of water, sewer, lighting, open space preserves, parks, playgrounds, recreational facilities, public safety, 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 six local home rule options in 1981, 1985, 1991, 1995, 1999 and 2003. Before 1999, the home rule options generally excluded enterprise operations such as Aviation, Water, Wastewater and Solid Waste from the expenditure limitation. In 1999, and again in 2003, the voters approved establishing the city's annual budget as the spending limit. Due to the current home rule option expiring at the end of fiscal year 2007-08, the 2007 Spending Limit Task Force recommended that the Mayor and City Council refer a local alternative expenditure limitation to the Sept. 11, 2007, ballot that sets the limit equal to the budget after the Mayor and Council have publicly reviewed the budget in hearings for each Council district. That limit would be in effect for four fiscal years from 2008-09 through 2011-12 and would 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.

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

BUDGET BASIS OF ACCOUNTING

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

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

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





GENERAL FINANCIAL POLICIES

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

Form of Budget Adoption


- 1. Ordinances** - Three budget ordinances are adopted each fiscal year: (1) the operating funds ordinance, (2) the capital funds ordinance and (3) the re-appropriated funds ordinance. The last ordinance is required because unexpended amounts, including those encumbered, lapse at the end of the fiscal year. Since all expended amounts must be included in the budget adoption ordinance, the city re-budgets all encumbrances outstanding at year's end.
- 2. Allocation of Appropriations** - Funds appropriated by the City Council are allocated to programs, offices, departments, divisions, sections, projects and type of expenditure by the city manager or as delegated to the Budget and Research director to provide managerial control and reporting of budgetary operations.

- 3. Contingency Amounts** - A contingency allowance (also known as a "rainy day fund") is appropriated to provide for emergencies, mid-year community service requests, unanticipated expenditures and revenue shortfalls. Expenditures may be made from contingencies only upon approval by the City Council with recommendation by the city manager. In 1995-96, the City Council adopted a policy to provide a contingency equal to 3 percent of operating expenditures in the General Fund. However, in 2003-04, the City Council reduced the General Fund contingency to 2.5 percent of operating expenditures in order to close a budget deficit. The 2004-05 and 2005-06 budgets maintained the General Fund contingency at 2.6 percent; 2006-07 was at 2.7 percent and the 2007-08 budget amount will increase the contingency allowance to 2.9 percent of operating expenditures. Enterprise and Special Revenue funds have varying levels of contingency funding consistent with the variability in revenues and expenditures associated with the services provided.

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

Cost Allocation and Expenditure Policies

- 1. Central Services Cost Allocation** - The Finance Department annually calculates the full cost of central services provided to Enterprise funds. Except for the Golf Fund, these allocated costs are recouped from the Enterprise funds through fund transfers to the General Fund.
- 2. Administrative Cost Recovery** - The Finance Department prepares an indirect cost allocation plan that conforms to federal guidelines for grant reimbursement of appropriate administrative costs. The allocated costs are charged to eligible federal grant funds through a fund transfer to the General Fund.
- 3. Internal Cost Accounting Allocation** - Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs 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 more than 20 years from the end of the current fiscal year.

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

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

Revenue Management

All local governments struggle to generate the funds necessary to provide, maintain and enhance the service demands of their community. Due to the legal limitations on property taxes in Arizona, and due to the pre-emption of city-imposed income, luxury and gas taxes, Arizona cities and towns largely rely on local sales taxes and state-shared sales, income and vehicle license taxes. In Phoenix, 42 percent of the General Fund comes from the local sales tax. This reliance on sales tax collections results in a highly cyclical revenue base.

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

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

Finally, utility taxes that are levied against the sales of electricity, natural gas, telecommunications, water and sewer make up about 20 percent of our local sales tax base. Generally, utility taxes are not responsive to economic conditions and provide us with a fairly significant revenue source that remains stable during periods of economic downturn. In addition, several detailed revenue policies are listed below.



1. 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 1.8 percent. The rate varies for certain other specialized taxing categories as outlined in the Operating Fund Revenues section of this document.

2. Property Taxes

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

3. In Lieu Property Taxes – In lieu property taxes are charged to the Water, Wastewater 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 and Fire Neighborhood Protection

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


Police and Fire Public Safety Enhancement

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

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

City Improvement – This fund is used to account for 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 to be used for pay-as-you-go capital projects.



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

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

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

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

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

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

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

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

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

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

Grant Funds

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

Enterprise Funds

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

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

Fiduciary Funds

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



Revenue Estimates

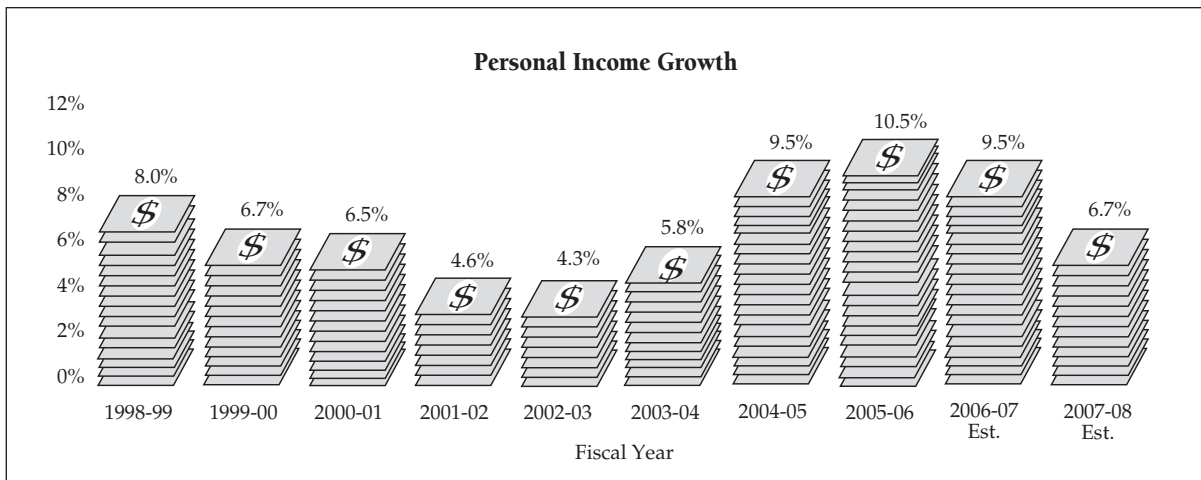
Revenue estimates for 2007-08 are based on assumptions about the local economy and population changes, on underlying cost estimates for cost-recovery rates and fees, and on the continuation of current state revenue collection and sharing practices. Adjustments to fees, such as those for water, sewer 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.

The state and local economy achieved strong growth in 2004-05 and 2005-06, bolstered by strong growth in construction, retail sales, and business and personal income taxes. Growth has slowed in 2006-07 as the local housing market has

cooled. It is assumed that growth rates will moderate for the balance of the year and throughout next year. Personal income is a major driver for estimating state and local sales taxes, and state-shared income taxes. Consistent with projections by local economists, the chart below shows that personal income is expected to grow by 6.7 percent in 2007-08, down from the 9.5 percent estimated for 2006-07.

In non-General Fund revenues, the 2007-08 estimates for Water, Wastewater and Solid Waste systems reflect full year impacts of 2006-07 fee increases.



GENERAL REVENUES BY MAJOR SOURCE

(In Thousands of Dollars)

Revenue Source	2005-06 Actuals	% of Total	2006-07 Estimate	% of Total	2007-08 Budget	% of Total	Increase/(Decrease) from 2006-07 Est.	
							Amount	Percent
Local Taxes								
Sales Tax	\$406,153	43.0%	\$437,808	42.8%	\$468,056	41.9%	30,248	6.90%
Privilege License Fees	2,332	0.2%	2,355	0.2%	2,355	0.2%	—	0.00%
Subtotal	\$408,485	43.2%	\$440,163	43.1%	\$470,411	42.1%	\$30,248	6.90%
State-Shared Revenues								
Sales Tax	141,194	14.9%	144,348	14.1%	154,234	13.8%	9,886	6.80%
State Income Tax	138,313	14.6%	167,579	16.4%	207,826	18.6%	40,247	24.00%
Vehicle License Tax	63,108	6.7%	60,584	5.9%	63,007	5.6%	2,423	4.00%
Subtotal	\$342,615	36.2%	\$372,511	36.5%	\$425,067	38.0%	\$52,556	14.10%
Primary Property Tax	89,721	9.5%	95,660	9.4%	102,317	9.2%	6,657	7.00%
User Fees/Other Revenues								
Licenses & Permits	2,486	0.3%	2,580	0.3%	2,603	0.2%	23	0.90%
Cable Communications	8,662	0.9%	9,850	1.0%	10,018	0.9%	168	1.70%
Fines & Forfeitures	20,726	2.2%	22,515	2.2%	25,573	2.3%	3,058	13.60%
Court Default Fee	850	0.1%	810	0.1%	864	0.1%	54	6.70%
Engineering & Architectural Services	2,694	0.3%	2,600	0.3%	1,400	0.1%	-1,200	-46.20%
Fire	28,664	3.0%	32,390	3.2%	37,407	3.3%	5,017	15.50%
Hazardous Materials Inspection Fees	1,419	0.2%	1,325	0.1%	1,325	0.1%	—	0.00%
Library Fees	1,481	0.2%	1,629	0.2%	1,726	0.2%	97	6.00%
Parks & Recreation	4,564	0.5%	5,040	0.5%	5,036	0.5%	-4	-0.10%
Planning	1,952	0.2%	1,683	0.2%	1,683	0.2%	-	0.00%
Police	12,415	1.3%	13,773	1.3%	14,004	1.3%	231	1.70%
Street Transportation	2,429	0.3%	2,470	0.2%	2,472	0.2%	2	0.10%
Other Service Charges	14,340	1.5%	15,551	1.5%	14,680	1.3%	-871	-5.60%
All Others	2,115	0.2%	1,427	0.1%	1,368	0.1%	-59	-4.10%
Subtotal	\$104,797	11.1%	\$113,643	11.1%	\$120,159	10.7%	\$6,516	5.70%
TOTAL GENERAL FUND	\$945,618	100.0%	\$1,021,977	100.0%	\$1,117,954	100.0%	\$95,977	9.40%

GENERAL FUNDS

Total 2007-08 General Fund revenues are estimated to be \$1,118.0 million or 9.4 percent more than 2006-07 estimates of \$1,022.0 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 2007-08 revenue estimates.

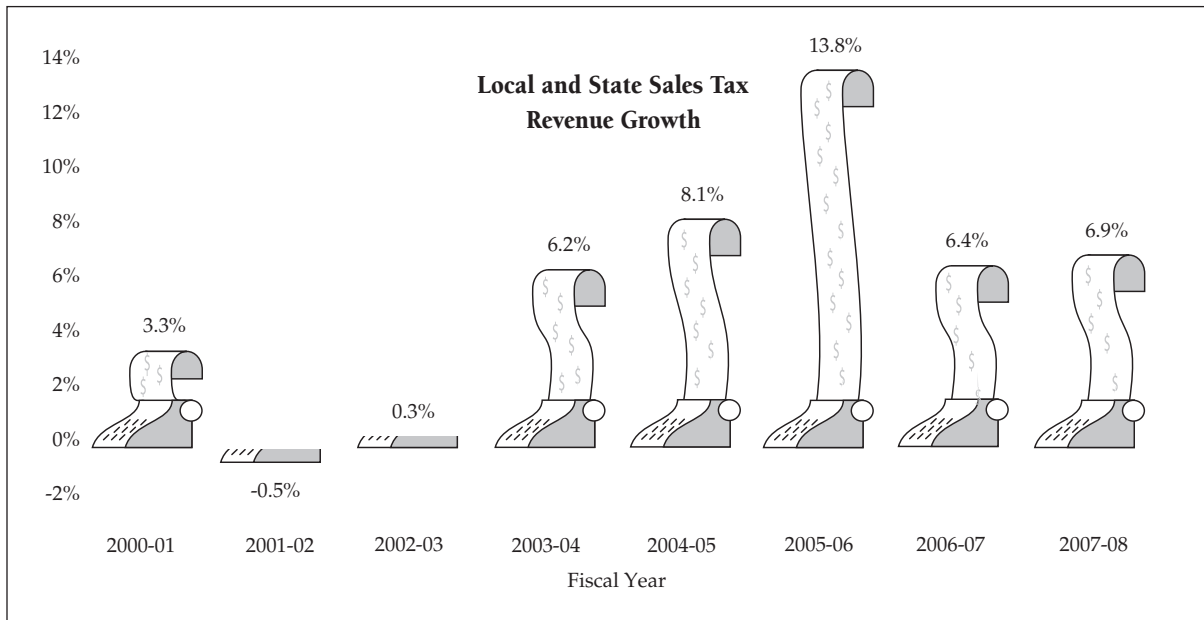
Local and state sales tax collections represent approximately 56 percent of General Fund revenues. Local sales taxes for 2007-08 are expected to grow by 6.9 percent over 2006-07 estimates. This is a decrease from the 7.8 percent growth rate in local sales taxes anticipated in 2006-07.

Phoenix's share of state sales taxes for 2007-08 is expected to grow by 6.8 percent over 2006-07 estimates. This is increased from the 2.2 percent growth in Phoenix's share anticipated in 2006-07. However, the

Phoenix share in 2006-07 was impacted by the 2005 census, which resulted in a significant reduction in Phoenix's share of state sales tax revenues.

Combined local and state sales revenues for 2007-08 are expected to grow by 6.9 percent over 2006-07 estimates. Combined rates of growth since 2000-01 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 2007-08 estimate is \$470.4 million, which is \$30.2 million or 6.9 percent greater than the 2006-07 estimate of \$440.2 million. The assumptions used to estimate local sales taxes follow.

Local Sales Tax

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

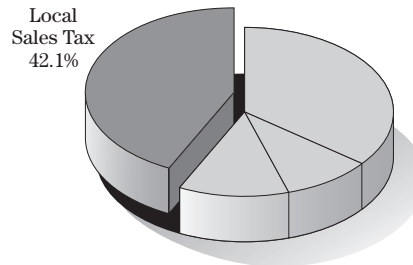
Of the 15 categories collected as a percentage of income, all except advertising provide General Fund resources and contribute to voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising category are restricted 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 \$470,411,000 for 2007-08. This is an increase of \$30,248,000 or 6.9 percent from the 2006-07 estimate of \$440,163,000. The increase in local sales tax revenue is based on estimated growth of 5.5 percent in the retail sales category, and reflects slower growth consistent with predictions of local economists. Projected increases in other categories include 9.7

GENERAL FUNDS
Total Revenues – \$1,118.0 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

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

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

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

percent for utility and franchise; 7.8 percent for commercial rentals; 7.8 percent for restaurants and bars; and 10.3 percent for hotel/motel room rentals.

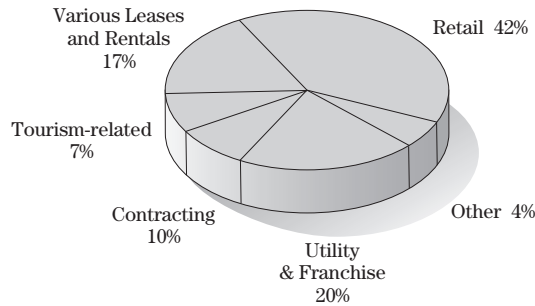
As shown in the pie chart on the right, the retail category represents approximately 42 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 6.7 percent for 2007-08. Overall, sales tax growth tends to follow a growth pattern similar to personal income growth.

General Fund sales tax revenue is collected on three rental categories: leases and rentals of personal property, commercial real property rentals and apartment rentals. For 2007-08, these categories are expected to increase 8.7 percent, 7.8 percent and 5.9 percent respectively. These three categories combined are approximately 17 percent of General Fund sales tax revenue.

The contracting category is expected to increase by 12.2 percent. The city has experienced tremendous growth rates in this category over the past several years, led by booming residential and commercial construction. The expected 2006-07 growth is 14.2 percent. For 2007-08, indicators for job creation and population growth predict that residential construction activity will continue to slow. This slowing, however, will be offset by significant public sector commercial construction projects such as the Convention Center expansion, the downtown hotel and light rail. This category represents approximately 10 percent of the General Fund sales tax revenue.

The restaurants and bars category is expected to increase 7.8 percent and the hotel/motel category is expected to increase 10.3 percent in 2007-08. These two categories, combined with revenue from short-term motor vehicle rentals, are closely related to tourism activity and continue to benefit from the rebounding tourism industry. The expected growth rate for these categories for 2006-07 are 8.0 percent and 10.5 percent respectively.

**GENERAL FUNDS
Local Sales Taxes**



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

The utility tax category is approximately 20 percent of General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2007-08 estimate for utility sales and franchise tax revenue is \$90,975,000, which is an increase of 7.8 percent over the 2005-06 estimate. The increase is partly due to recent and expected future rate increases for water and wastewater.

A use tax is assessed on the purchase of tangible personal property, which is stored, used or consumed within the city, and for which a local sales tax has not been paid at an equivalent rate to the city of Phoenix rate. The tax also applies to items purchased for resale and subsequently used or consumed in the business. The 2007-08 estimate of \$16,004,000 for use tax is 7.9 percent or \$1,172,000 more than the 2006-07 estimate. This category is subject to variation in purchasing practices, as well as economic drivers. The use tax category is approximately 3 percent of General Fund sales tax revenue.

The following table shows General Fund sales tax collections since 2003-04.

The amounts shown exclude the two additional utility tax items that are collected based on water service accounts.

The first of the two additional utility tax items collected on water service accounts was implemented on Oct. 1, 1990. The 2007-08 estimate of \$6,712,000 for this category is 2.5 percent higher than the 2006-07 estimate of \$6,549,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2007-08 estimate of \$1,344,000 for this tax is 2.5 percent greater than the 2006-07 estimate of \$1,311,000. This increase provides for modest growth in accounts.

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

Fiscal Year	Revenues	% Change From Previous Year
2003-04	\$325,547	5.8%
2004-05	349,120	7.2
2005-06	398,319	14.1
2006-07 (Est.)	429,779	7.9
2007-08 (Est.)	459,827	7.0

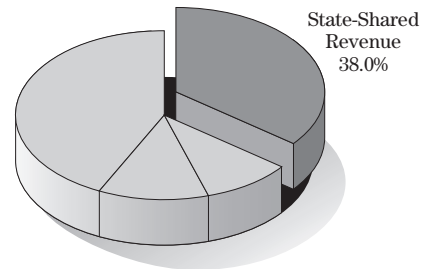
Privilege License Fees

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 2007-08 estimate for privilege license fee revenue of \$2,355,000 represents no change from the 2006-07 estimate. Historically, the net change in the number of licensed businesses is small.

STATE-SHARED REVENUES

This major revenue category consists of the city's share of the state sales tax, the state income tax and vehicle license tax. The 2007-08 estimate for this category is \$425.1 million, which is \$52.6 million or 14.1 percent more than the 2006-07 estimate of \$372.5 million. The increase is mainly due to projected growth rates of 6.8 percent in state-shared sales taxes and 24.0 percent in state-shared income taxes. The increase in the income tax collections reflects personal and corporate income growth in 2005-06. State-shared vehicle license tax revenue for 2007-08 is estimated to grow at 4.0 percent over the 2006-07 estimate.

GENERAL FUNDS
Total Revenues – \$1,118.0 Million



State Sales Tax

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

Under the current formula, incorporated cities receive 25 percent of the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2007-08 is estimated at 30.4 percent.

The city's share of the state sales tax for 2007-08 is expected to be \$154,234,000, which is \$9,886,000 or 6.8 percent more than the 2006-07 estimate of \$144,348,000. This estimate is based on the assumption that, similar to the local economy, the state economy will continue to show growth but at a moderated pace. At the state level, retail sales are anticipated to

STATE SALES TAXES (In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix's Share		
	Total	% Change	Percent	Amount	% Change
2003-04	\$340,536	7.6%	32.6%	\$111,594	7.9%
2004-05	376,213	10.5	32.5	123,788	10.9
2005-06	435,568	15.8	32.5	141,194	14.1
2006-07 (Est.)	471,431	8.2	30.4*	144,348	2.2
2007-08 (Est.)	505,030	7.1	30.4	154,234	6.8

*Impact of 2005 census population changes.

increase about 5.2 percent over the current fiscal year. The table below shows the cities' share of state sales taxes, Phoenix's allocation and annual increases since 2003-04. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year.

State Income Tax

Since in 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 2007-08, is expected to be \$684.5 million. The distribution represents actual individual and corporate income tax collections by the state in the 2005-06 fiscal year. The anticipated \$684.5 million is a 24.2 percent increase from the previous fiscal year. The large increase is a result of rapid growth in personal income and corporate profits two years ago. Personal income tax payments grew by 24.1 percent and corporate income tax payments grew by 24.5 percent. The city of Phoenix's portion of the state income tax is estimated to be approximately 30.4 percent of the 15 percent share distributed to cities. This equates to \$207,826,000 for 2007-08 and is an increase of \$40,247,000 or 24.0 percent from the 2006-07 estimate of \$167,579,000.

The table on the right shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2003-04. Similar to sales tax sharing, population is changed only on the basis of a census count with periodic corrections made throughout the year.

Vehicle License Tax

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

Currently, 37.61 percent of collections are allocated to the Arizona Highway Users Revenue fund. The remainder is allocated by percentage to various state funds as well as to the counties and cities. The state is responsible for distributing funds to cities according to their relative population within the county. Based on the 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.

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
2003-04	14.8%	\$365,842	(14.9)%	32.6%	\$119,118	(15.3)%
2004-05	15.0	373,073	2.2	32.5	121,440	1.9
2005-06	15.0	425,229	13.9	32.5	138,313	14.0
2006-07 (Est.)	15.0	551,231	29.6	30.4*	167,579	21.2
2007-08 (Est.)	15.0	684,539	24.2	30.4	207,826	24.0

*Impact of 2005 census population changes.

VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2003-04	\$116,050	46.1%	\$53,522	\$5,764	12.1%
2004-05	122,619	46.1	56,552	3,030	5.7
2005-06	136,835	46.1	63,108	6,556	11.6
2006-07 (Est.)	142,182	42.6	60,584	(181)	(0.3)
2007-08 (Est.)	147,870	42.6	63,007	2,423	4.0

Phoenix's share of the vehicle license tax for 2007-08 is anticipated to be \$63,007,000, which is \$2,423,000 or 4.0 percent more than the 2006-07 estimate of \$60,584,000.

The table on the previous page shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2003-04.

PRIMARY PROPERTY TAX

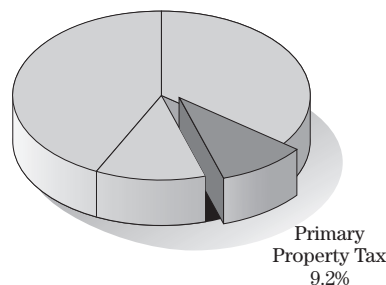
Arizona property taxes are divided into two levies. The primary levy is used for general operation and maintenance expense. The secondary levy can only be used for voter-approved general obligation bond debt service.

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).

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.

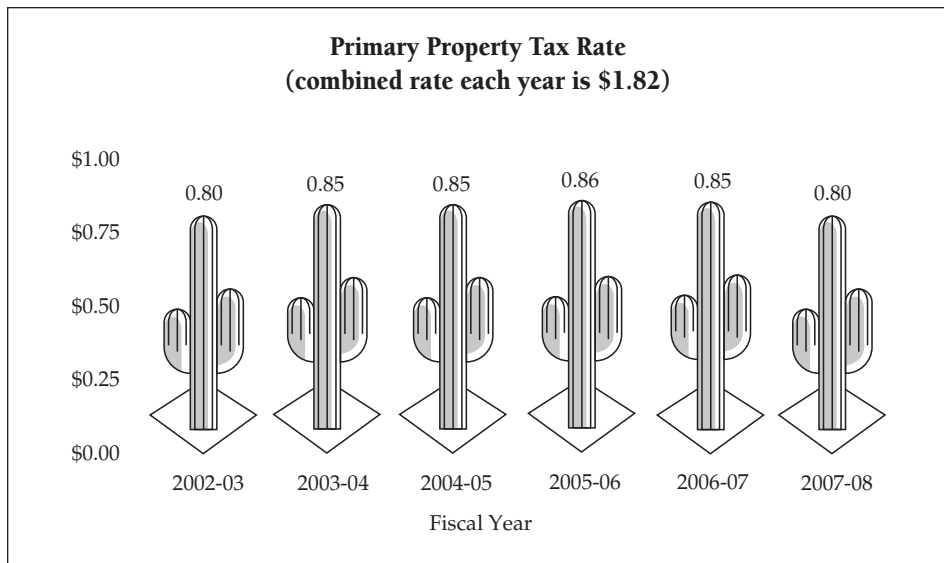
By 1996-97, the application of this revenue policy had driven the combined rate down to the adopted minimum of \$1.82. By Council policy, the \$1.82 rate remains in effect today. The 2006 Bond Committee recommended that maximum allowable primary property taxes be levied in order to help support operating and maintenance costs resulting from 2006 bond-funded capital projects.

GENERAL FUNDS Total Revenues – \$1,118.0 Million



PRIMARY PROPERTY TAX

Fiscal Year	Primary Assessed Valuation (in Billions)	% Change	Primary Levy (in Thousands)	% Change	Rate per \$100 Assessed Valuation
2003-04	\$9,049	9.4%	\$76,392	17.3%	\$.8500
2004-05	9,800	8.3	83,304	9.0	.8500
2005-06	10,637	8.5	91,311	9.6	.8584
2006-07 (Est.)	11,431	7.5	96,622	5.8	.8453
2007-08 (Est.)	12,890	12.8	103,664	7.3	.8042



The chart above shows the changes in the primary property tax rate since 2002-03. The primary property tax rate begins trending down in 2006-07 because the levy is capped at 2 percent regardless of the growth in property values.

The estimated 2007-08 primary property tax levy is \$103,664,000, which is the maximum amount allowed by the Arizona Constitution. This is a 7.3 percent increase over the 2006-07 levy of \$96,622,000. The change in the primary levy reflects an estimated \$5,008,000 increase for collections associated with new properties entering the rolls, plus \$2,034,000 for the State Constitution allowed 2 percent increase on the prior year levy. The primary assessed valuation of \$12.89 billion is approximately 12.8 percent above the 2006-07 primary

assessed valuation of \$11.43 billion. Of this increase about 44 percent is from new properties.

Historically, actual property tax collections are slightly lower than the amount levied. For 2007-08, actual collections for primary property tax are estimated to be \$102,317,000 or 98.7 percent of the levy amount.

The 2007-08 levy results in an estimated primary property tax rate of \$0.8042 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$1.0158 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 2003-04.



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 2007-08 estimate for this category is \$120.2 million, which is \$6.5 million or 5.7 percent higher than the 2006-07 estimate of \$113.7 million. Following are descriptions of the various categories and explanations of the revenue estimates.

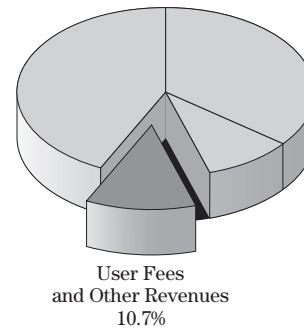
Licenses and Permits

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 2007-08 estimate of \$2,603,000 is 0.9 percent higher than the 2006-07 estimate, given the historically slow growth in this category.

Cable Communications

The city imposes a 5 percent fee on the gross receipts of cable television licensees in return for the use of streets and public rights of way by cable companies in the provision of cable television service. The 2007-08 estimate of \$10,018,000 is \$168,000 or 1.7 percent greater than the 2006-07 estimate of \$9,850,000. The increase assumes conservative growth in the customer base, plus a moderate rate increase of 2 percent for one of the cable providers. The license for the other cable provider was recently renegotiated and provides that the amount will remain at calendar year 2006 levels. The only revenue increase for that provider relates to the elimination of the public access channel revenue offset.

GENERAL FUNDS Total Revenues – \$1,118.0 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 2007-08 estimate of \$25,573,000 is \$3,058,000 or 13.6 percent more than the 2006-07 estimate of \$22,515,000. The estimate reflects increases in all categories. Several traffic enforcement programs, a driving under the influence pilot program, and increased collections are expected to contribute to increased revenues.

Court Default Fee

A \$25 default fee was implemented in 1993-94 in order to recover court costs associated with defendants who fail to appear for court appearances or fail to pay previously imposed sanctions on civil traffic violations. The 2007-08 estimate for this revenue category is \$864,000, which is 6.7 percent higher than the 2006-07 estimate. The estimate is based on year-to-date actuals and historical growth patterns.

Engineering and Architectural Services

This user fee category includes permits for utility construction and fiber optic construction in the public rights of way. It also includes revenues from fees for pavement cut activity. The 2007-08 estimate of \$1,400,000 is \$1,200,000 or 46.2 percent less than the 2006-07 estimate of \$2,600,000. The decrease in 2007-08 is due to an anticipated large bad debt write-off due to a customer's bankruptcy.



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 2007-08 estimate for ETS is \$28,000,000, which is \$1,736,000 or 6.6 percent greater than the 2006-07 estimate of \$26,264,000. The primary reason for the projected increase is due to anticipated higher collection rates as a result of bringing the collection activity in-house. The 2007-08 projected revenue also includes rate increases approved by the Arizona Department of Health Services 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 2007-08 estimate for other fire services is \$9,407,000 which is 53.6 percent above 2006-07. Increased fees for computer-aided dispatch 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 2007-08 estimate is \$1,325,000, which is the same as 2006-07 estimate. Revenues in this category have been historically consistent.

Library Fees

Library fee and fine revenue for 2007-08 is expected to be \$1,726,000, which is \$97,000 or 6.0 percent above the 2006-07 estimate. The increase is due to increased library fine collections. Collection fine trends indicate consistent growth with additional fine revenue coming from the new Cesar Chavez Library.

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 2007-08 estimate of \$5,036,000 is \$4,000 or 0.1 percent below the 2006-07 estimate. The decrease in 2007-08 is due to a slight decrease in projected property rental fees.

Planning

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances. The 2007-08 estimate of \$1,683,000, reflects no change from the 2006-07 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. Finally, based on recent changes to governing statutes, a fee-recovered vehicle impound program began in 2005-06 which has contributed to Police revenue. For 2007-08, the estimate of \$14,004,000 is 1.7 percent more than the 2006-07 estimate of \$13,773,000.

Street Transportation

This user fee category includes permit fees for utility construction in the public rights of way as well as utility ordinance inspections. The 2007-08 estimate of \$2,472,000 is just slightly more than the 2006-07 estimate of \$2,470,000.

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 2007-08 estimate of \$14,680,000 is \$871,000 or 5.6 percent less than the 2006-07 estimate of \$15,551,000. This is primarily due to a projected decrease in interest earnings.

All Other Fees

This fee category consists of miscellaneous service charges in the Finance, Housing, Human Services and Neighborhood Services departments and miscellaneous categories. The 2007-08 estimate of \$1,368,000 is \$59,000 or 4.1 percent less than the 2006-07 estimate of \$1,427,000.





NON-GENERAL FUNDS

Non-General Fund revenues consist of two major categories: Special Revenue and Enterprise funds. The following sections provide descriptions of the various revenue sources in each category and explanations of 2007-08 revenue estimates. The table on the next page provides the 2006-07 and 2007-08 estimates and 2005-06 actual revenue amounts for revenues within these two categories.

SPECIAL REVENUE FUNDS

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

Neighborhood Protection Sales Tax

This 0.1 percent sales tax rate was approved by the voters in October 1993 and implemented in December 1993. As presented to the voters, the 0.1 percent increase is specifically earmarked for Police neighborhood protection programs (70 percent), Police Block Watch programs (5 percent) and Fire neighborhood protection programs (25 percent). The 2007-08 estimate of \$34,366,000 is \$2,457,000 or 7.7 percent greater than the 2006-07 estimate of \$31,909,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$211,000 is estimated for interest earnings in 2007-08.

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 2007-08 estimate of \$25,902,000 is \$2,679,000 or 11.5 percent greater than the 2006-07 estimate of \$23,223,000. 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 approved by voters in September 1999 and implemented in November 1999. Revenues from the 0.1 percent tax are allocated to park improvements and acquisition of desert preserves. Sixty percent of the revenues are to be used for preservation, 30 percent for regional parks, and 10 percent for neighborhood and community parks. The 2007-08 estimate of \$34,364,000 is \$2,453,000 or 7.7 percent more than the 2006-07 estimate of \$31,911,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. Also, \$2,600,000 is estimated for interest earnings in 2007-08.

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 2007-08 estimate of \$137,456,000 is \$9,805,000 or 7.7 percent greater than the 2006-07 estimate of \$127,651,000. 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 2007-08 fare box revenue estimate of \$27,263,000 is 9.0 percent greater than the 2006-07 estimate. The 2007-08 estimate also includes interest earnings and other miscellaneous revenue of \$9,009,000 which is a 12.9 percent decrease from 2006-07 estimate of \$10,348,000. The decrease in interest earnings is primarily the result of the planned reduction in the Light Rail Fund balance as construction continues.

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 2007-08 is \$3,174,000.

NON-GENERAL FUND REVENUES BY MAJOR SOURCE

(In Thousands of Dollars)

Revenue Source	2005-06 Actual	2006-07 Estimate	2007-08 Budget	Increase/(Decrease) from 2006-07 Est.	
				Amount	Percent
Special Revenue Funds					
Neighborhood Protection	\$29,894	\$32,133	\$34,577	\$2,444	7.60%
Public Safety Enhancement	20,330	23,223	25,902	2,679	11.50%
Parks and Preserves	31,867	34,511	36,964	2,453	7.10%
Transit 2000	156,167	163,015	173,728	10,713	6.60%
Court Awards	4,217	5,584	3,174	-2,410	-43.20%
Development Services	59,220	56,100	58,800	2,700	4.80%
Capital Construction	19,562	19,720	20,677	957	4.90%
Sports Facilities	15,808	17,005	18,743	1,738	10.20%
Arizona Highway User Revenue	127,835	130,967	136,058	5,091	3.90%
Local Transportation Assistance	7,034	6,969	6,880	-89	-1.30%
Regional Transit Revenues	10,409	27,507	24,936	-2,571	-9.30%
Community Reinvestment	3,133	1,893	2,580	687	36.30%
Secondary Property Tax	108,652	120,209	164,127	43,918	36.50%
Impact Fee Program Administration	2,934	1,980	1,190	-790	-39.90%
Court Special Fees	1,683	1,748	1,883	135	7.70%
Monopole Rental	138	133	133	-	0.00%
Tennis Center	23	21	21	-	0.00%
Heritage Square	12	20	20	-	0.00%
Affordable Housing Program	2,155	1,737	1,765	28	1.60%
Other Restricted (gifts/trusts)	11,614	8,468	4,536	-3,932	-46.40%
Grants					
Public Housing Grants	68,376	68,261	66,567	-1,694	-2.50%
Human Services Grants	44,224	36,026	34,256	-1,770	-4.90%
Community Development	18,225	16,195	37,634	21,439	132.40%
Criminal Justice	12,491	18,266	14,767	-3,499	-19.20%
Public Transit Grants	7,853	9,384	13,046	3,662	39.00%
HOPE VI Grant	9,517	8,587	8,325	-262	-3.10%
Other Grants	14,204	25,214	22,302	-2,912	-11.50%
Subtotal - Grants	\$174,890	\$181,933	\$196,897	\$14,964	8.20%
Total Special Revenue Funds	\$787,577	\$834,876	\$913,591	\$78,715	9.40%
Enterprise Funds					
Aviation	290,127	314,175	322,973	8,798	2.80%
Water System	297,711	304,205	333,327	29,122	9.60%
Wastewater System	177,169	200,065	203,069	3,004	1.50%
Solid Waste	118,670	123,913	126,929	3,016	2.40%
Convention Center	67,784	74,287	80,849	6,562	8.80%
Golf Courses	6,793	8,317	8,557	240	2.90%
Total Enterprise Funds	\$958,254	\$1,024,962	\$1,075,704	\$50,742	5.00%
TOTAL NON-GENERAL FUND REVENUE	\$1,745,831	\$1,859,838	\$1,989,295	\$129,457	7.00%

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 2007-08 estimate is \$58,800,000, which is \$2,700,000 or 4.8 percent more than the 2006-07 estimate of \$56,100,000. This is primarily due to an anticipated reduction in the backlog of work, which will result in a decrease in deferred revenue. It is also due to an increase in projected interest earnings.

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 2007-08 estimate is \$19,927,000, or a 4.8 percent increase over the 2006-07 estimate. These funds are used primarily for right of way improvements in the Street Transportation Capital Improvement Program.

The 2007-08 estimate also includes interest earnings, for which, \$700,000 is estimated in 2006-07 and \$750,000 is estimated in 2007-08.

Sports Facilities

Sports facilities revenues consist of a 1 percent portion of the 4.8 percent hotel/motel tax category, a 2 percent tax on short-term motor vehicle rentals, and interest revenue generated by the fund. The 2007-08 estimate is \$18,193,000, which is \$1,788,000 or 10.9 percent more than the 2006-07 estimate of \$16,405,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2007-08 estimate includes \$8.1 million for the hotel/motel portion and \$9.9 million for the short-term car rental portion. Also, \$550,000 is estimated in 2007-08 for interest revenue.

ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2003-04	\$111,757	\$7,161	6.9%
2004-05	117,464	5,707	5.1
2005-06	124,791	7,327	6.2
2006-07 (Est.)	127,967*	3,176	2.5
2007-08 (Est.)	133,458	5,491	4.3

*2005 Census adjustment to population is reflected.

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 2007-08, it is anticipated that Phoenix will receive \$108.0 million from the 27.5 percent share and \$25.4 million from the 3 percent share.

The total 2007-08 AHUR estimate of \$136,058,000 is \$5,091,000 or 3.9 percent above the 2006-07 estimate of \$130,967,000. Included in the estimate is

interest earnings of \$2,200,000 in 2006-07 and \$1,800,000 in 2007-08. The state-shared increase is based on average annual increases at the state level of 3.0 percent in gasoline tax collections, 10.0 percent in motor carrier tax collections (trucking), 5.8 percent in vehicle license tax collections and 2.5 percent in vehicle registrations. The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2003-04.

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 2007-08 estimate for LTA revenue is \$6.9 million which assumes the \$23 million maximum 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 2007-08 estimate of \$24,936,000 matches reimbursements due from RPTA for the Regional Transportation Plan. The plan is funded by the Maricopa County transportation tax that was extended through December 2025 by Proposition 400.

Community Reinvestment

The 2007-08 estimate of \$2,580,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements in Sky Harbor Center and 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 2007-08 primary property tax rate is \$0.8042. To maintain our current \$1.82 total rate, the resulting secondary rate is \$1.0158 per \$100 of assessed value for 2007-08. The 2007-08 secondary property tax levy of \$163,227,000 is based on this rate and secondary assessed valuation of \$16.07

SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per
	Valuation (in Billions)	% Change	(in Thousands)	% Change	\$100 Assessed Valuation
2003-04	\$ 9,792	11.2%	\$ 94,984	5.6%	\$0.9700
2004-05	10,490	7.1	101,756	7.1	0.9700
2005-06	11,420	8.9	109,811	7.9	0.9616
2006-07 (Est.)	12,261	7.4	119,509	8.8	0.9747
2007-08 (Est.)	16,069	31.1	163,227	36.6	1.0158

billion. This resulting levy is \$43,718,000 or 36.6 percent greater than the 2006-07 levy of \$119,509,000. The increase is primarily because of a 31.1 percent increase in net assessed property values for Phoenix plus the increase in the secondary rate described above. This large increase in net assessed valuation reflects two years of growth on existing residential properties and \$635 million in new values entering the rolls.

Also included in the 2007-08 estimate is \$900,000 in interest earnings, a 28.6 percent increase above 2006-07.

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2003-04. The total property tax rate of \$1.82 for 2007-08 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 2006-07 and 2007-08 revenue estimates are \$1,980,000 and \$1,190,000 respectively. Effective Feb. 19, 2007, a reduction to the administrative fee from 3 percent to 1 percent of the gross impact fee was approved. As a result, it is expected that administrative fee revenue will decrease by \$790,000 in 2007-08.

Other Restricted Fees

Included in this category are revenues associated with the Court Technology Enhancement fee and the Judicial Collection Enhancement Fund, Heritage Square, the Tennis Center at Washington Park, Affordable Housing Program revenues and monopole rentals from several city parks. Also included is revenue from restricted fees for recreation and other programs, and donations specified for various city programs.

The 2007-08 estimate of \$8,358,000 is \$3,769,000 below the 2006-07 estimate of \$12,127,000. The decrease is primarily due to the payment in 2006-07 of \$3,500,000 as the private fund-raising match for constructing the Children's Museum.



Public Housing Grants

The 2007-08 Public Housing grants revenue included in the annual operating budget is \$66,567,000, which is a 2.5 percent decrease from 2006-07. 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 2007-08 revenue estimate of \$34,256,000 is \$1,770,000 less than the 2006-07 estimate of \$36,026,000. This category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants and Head Start funds.

Community Development Block Grant

Each year since 1974, the city has received Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. These funds are used to support a variety of projects and programs that must meet the following national objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet other urgent community development needs. The 2007-08 CDBG entitlement is \$37,634,000.

Criminal Justice Grants

The 2007-08 grant revenue for criminal justice programs is estimated to be \$14,767,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$5.2 million, \$8.1 million in other Police Department grants, and renewals of ongoing state grants.

Public Transit Grants

The 2007-08 Federal Transit Administration Grant estimate is \$13,046,000 reflecting an increase of \$3,662,000 above the 2006-07 estimate of \$9,384,000.

HOPE VI Grant

In October 2001, the U.S. Department of Housing and Urban Development awarded \$34 million in HOPE VI funding to the city for the revitalization of the Matthew Henson public housing development. The revenue estimate assumes that \$8,325,000 of that grant will be expended and earned in 2007-08.

Other Grants

The 2007-08 budget also includes \$22,302,000 for federal, state and other grants that provide funding for some parks and recreation and library activities as well as unique programs such as urban area security.

ENTERPRISE FUNDS

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

Aviation

Aviation revenue estimates include landing fees, concession revenues and interest income at Sky Harbor International, Deer Valley and Goodyear airports. Total Aviation revenue for 2007-08 is anticipated to be \$322,973,000, which is \$8,798,000 or 2.8 percent greater than the 2006-07 estimate of \$314,175,000. The 2007-08 estimate anticipates conservative growth in airline fees, landing fees, concessions and parking revenues.

The table on the next page shows Aviation revenue by major category and annual percent change since 2003-04.

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 2007-08 is projected to be \$333,327,000, which is \$29,122,000 or 9.6 percent more than the \$304,205,000 estimate for 2006-07. The 2007-08 estimate reflects a full year's impact from the March 2007 rate increase for water sales and a projected increase for water miscellaneous user fees. It also reflects modest account growth coupled with a slightly lower overall consumption per account.

The table on the next page shows water system revenues by major category since 2003-04.



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The table on the next page shows water system revenues by major category since 2003-04.



SUMMARY OF AVIATION REVENUES
(In Thousands of Dollars)

	2003-04	2004-05	2005-06	2006-07 (Est.)	2007-08 (Est.)
Airline Operation	\$78,910	\$84,039	\$89,005	\$90,900	\$93,032
Concessions and Rentals	120,032	126,490	153,814	174,055	181,550
Rental Car Facility			32,919	33,346	34,343
Interest	6,758	6,644	6,850	8,000	6,400
Other/Federal Grants	9,668	7,304	3,041	2,583	2,680
Goodyear	1,773	1,820	1,725	2,129	2,123
Deer Valley	2,445	2,650	2,773	3,162	2,845
Total Aviation Revenue	\$219,586	\$228,947	\$290,127	\$314,175	\$322,973
Change From Prior Year	2.9%	4.3%	26.7%	8.3%	2.8%

SUMMARY OF WATER SYSTEM REVENUES
(In Thousands of Dollars)

	2003-04	2004-05	2005-06	2006-07 (Est.)	2007-08 (Est.)
Water Sales	\$179,639	\$177,569	\$200,390	\$208,371	\$236,587
Environmental Consumption Charge	15,956	19,350	26,662	31,170	34,953
Raw Water Charge	16,514	15,150	16,563	16,085	17,177
Interest	8,571	6,074	16,602	14,540	14,657
Development Fees	9,038	10,655	9,901	7,500	6,500
Combined Service Fees	1,740	2,108	2,215	4,629	4,548
Val Vista	4,690	5,047	6,942	7,284	6,762
All Other	13,898	16,690	18,436	14,626	12,143
Total Water Revenue	\$250,046	\$252,643	\$297,711	\$304,205	\$333,327
Change From Prior Year	(0.1%)	1.0%	17.8%	2.2%	9.6%



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 \$203,069,000 in 2007-08, which is \$3,004,000 or 1.5 percent greater than the 2006-07 estimate of \$200,065,000. The 2007-08 estimate is based on moderate account growth of 1.8 percent and the full year's realization of the March 2007 rate increase on sewer services. The table below shows Wastewater revenue by major category and annual percent change since 2003-04.

Solid Waste

This category includes revenues from the monthly residential collection and landfill tipping fees. The 2007-08 estimate of \$126,929,000 is an increase of \$3,016,000 or 2.4 percent greater than the 2006-07 estimate of \$123,913,000. The increase assumes continuance of the January 2007 rate increase and a conservative growth in housing units of 1.8 percent.

Convention Center

The majority of Convention Center revenues are from earmarked sales taxes including a 0.5 percent tax on advertising, a 0.5 percent portion of the 1.8 percent tax on restaurant and bar sales, construction, publishing, printing, and transportation and towing, plus a 2 percent portion of the 4.8 percent hotel/motel tax on rooms

rented for 30 days or less.

Earmarked sales taxes are expected to produce \$69,881,000 in 2007-08, an increase of 10.5 percent above 2006-07. Convention Center operating revenues are expected to be \$5,849,000, parking revenue is expected to be \$3,619,000, and interest revenue is expected to be \$1,500,000, for total revenue estimates of \$80,849,000. This is \$6,562,000 or 8.8 percent more than the 2006-07 total estimated revenue of \$74,287,000. The increase is primarily from increases in the earmarked sales tax categories. Tax estimates are consistent with General Fund sales tax estimates for the categories included in Convention Center.

The table on the next page shows the Convention Center excise tax collections since 2003-04.

SUMMARY OF WASTEWATER SYSTEM REVENUES (In Thousands of Dollars)

	2003-04	2004-05	2005-06	2006-07 (Est.)	2007-08 (Est.)
Sewer Service Charge	\$88,461	\$99,121	\$110,902	\$121,228	\$131,214
Environmental Charges	22,862	21,820	24,939	30,933	29,248
Development Fees	8,487	10,168	9,335	7,500	7,000
Interest	3,909	3,285	9,471	11,423	9,267
Multi-City	17,118	16,705	17,261	20,954	21,552
Other	5,968	7,971	5,261	8,027	4,788
Total Wastewater Revenue	\$146,805	\$159,070	\$177,169	\$200,065	\$203,069
Change From Prior Year	10.6%	8.4%	11.4%	12.9%	1.5%

Overall growth rates differ from General Fund sales taxes due to the smaller number of categories, differing proportions of the total and their more volatile nature. As shown in the pie chart below, contracting and tourism represent 89 percent of the sales tax revenue to this fund. Both industries are considered volatile; the tourism industry in particular has experienced dramatic changes in the last several years. In the General Fund, however, contracting and tourism represent only 17 percent of the sales tax revenue. Because of this, any changes to these more volatile industries have a greater impact in this fund's sales tax revenue than in the General Fund's sales tax revenue.

The growth rates anticipated for 2006-07 and 2007-08 reflect the continued improvement in the tourism industry. They also assume continued growth in contracting, however, at a less strenuous pace than that experienced over the past few years. While growth in the housing market is expected to slow, additional revenue is anticipated from significant commercial construction projects such as the Convention Center expansion and light rail.

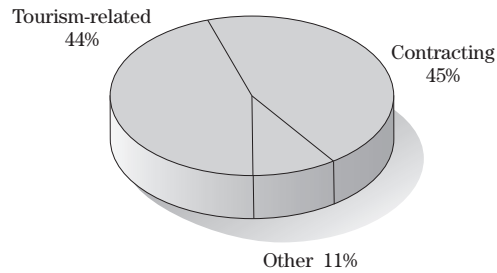
Golf Courses

Revenue sources in the Golf Course category include greens fees, golf cart rentals, and pro shop sales at city golf courses which include Aguila, Cave Creek, Encanto, Maryvale, Palo Verde and Papago courses. The 2007-08 estimate of \$8,557,000 is \$240,000 or 2.9 percent above the 2006-07 estimate. This is due to an expected increase in total rounds of golf and a full year's impact of the city's assuming operations of three pro shops previously run by concessionaires.

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

Fiscal Year	Amount Collected	Increase/(Decrease)	
		Amount	Percent
2003-04	\$40,322	\$3,473	9.4%
2004-05	48,003	7,681	19.0
2005-06	56,889	8,886	18.5
2006-07 (Est.)	63,224	6,335	11.1
2007-08 (Est.)	69,881	6,657	10.5

**2007-08 CONVENTION CENTER
Earmarked Sales Taxes**





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

General Government

MAYOR

Program Goal

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

Budget Allowance Explanation

The Mayor's operating budget allowance of \$2,388,000 is \$151,000 or 6.8 percent more than 2006-07 estimated expenditures and reflects normal inflationary increases. The budget also provides for the conversion of a contract position to part-time clerical staff to reduce turnover and enhance customer service.

Mayor Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
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)	779	999	1,100
Number of constituent cases (completed)	801	978	1,050

*Based on 10 months of actual experience.

**Based on 2006 Community Attitude Survey which is administered even-numbered years.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$2,354,000	\$2,237,000	\$2,388,000
Total Positions	21.0	20.0	20.5
Source of Funds:			
General	\$2,247,000	\$2,216,000	\$2,365,000
Grants	57,000	20,000	20,000
Other Restricted	50,000	1,000	3,000



CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from odd-numbered districts expire in January 2008. Terms for council members from even-numbered districts expire in January 2010. The City Council serves as the legislative and policy-making body of the municipal government and has responsibilities for enacting city ordinances, appropriating funds to conduct city business and providing policy direction to the administrative staff. Under the provisions of the City Charter, the City Council appoints a city manager, who is responsible for carrying out its established policies and administering operations.

Budget Allowance Explanation

The 2007-08 City Council operating budget allowance of \$4,744,000 is \$173,000 or 3.8 percent more than 2006-07 estimated expenditures. This increase reflects normal inflationary increases.

City Council Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
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***	N/A	86	86
Number of citizen cases per <i>CitizenServe</i> ***	N/A	5,400	5,400

*Based on ten months of actual experience.

**Based on 2006 Community Attitude Survey which is administered even-numbered years.

***This is a new measure. Prior year data is not available.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$4,202,000	\$4,571,000	\$4,744,000
Total Positions	55.0	55.0	55.0
Source of Funds:			
General	\$4,250,000	\$4,523,000	\$4,744,000
Other Restricted	(48,000)	48,000	—



The Phoenix executive management team includes (from left) David Cavazos, David Krietor, Frank Fairbanks, Rick Naimark, Ruth Osuna, Cynthia Seelhammer and (not pictured) Alton Washington, Jack Harris, Tom Callow, David Richert and Lisa Takata.

CITY MANAGER

Program Goal

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

Budget Allowance Explanation

The City Manager's operating budget allowance of \$1,214,000 is \$84,000 or 7.4 percent more than 2006-07 estimated expenditures. This increase reflects normal inflationary adjustments.

City Manager's Office Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Public satisfaction with city services **	89%	89%	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***	96%	96%	96%

*Based on 10 months actual experience.

**Based on 2006 Community Attitude Survey which is administered even-numbered years.

***Based on 2005 Employee Survey which is administered odd-numbered years.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$1,132,000	\$1,130,000	\$1,214,000
Total Positions	6.0	6.0	6.0
Source of Funds:			
General	\$1,132,000	\$1,130,000	\$1,214,000

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 2007-08 operating budget allowance of \$2,071,000 is \$218,000 or 11.8 percent more than 2006-07 estimated expenditures. The increase is the result of normal inflationary adjustments.

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

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06*	2006-07*	2007-08
Action items processed for City Council subcommittee consideration	N/A	N/A	240
Number of community and nonprofit meetings attended	N/A	N/A	95
Percent of targeted program improvements implemented	N/A	N/A	99%

*This is a new measure. Prior year data is not available.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$1,611,000	\$1,853,000	\$2,071,000
Total Positions	22.0	23.0	23.0
Source of Funds:			
General	\$1,403,000	\$1,526,000	\$1,724,000
Water	208,000	327,000	347,000

INTERGOVERNMENTAL PROGRAMS

Program Goal

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

Budget Allowance Explanation

The Intergovernmental Programs 2007-08 operating budget allowance of \$1,512,000 is \$123,000 or 8.9 percent more than 2006-07 estimated expenditures. This increase reflects normal inflationary increases.

PUBLIC INFORMATION

Program Goal

The Public Information Office disseminates information on city governmental services to residents, and assists them in using and understanding the information. The office also encourages participation in city government, and develops programming for the government access cable television channel.

Budget Allowance Explanation

The Public Information operating budget allowance of \$3,522,000 is \$52,000 or 1.5 percent less than 2006-07 estimated expenditures. The decrease reflects the replacement of camera equipment for the PHX 11 government access cable channel in 2006-07 partially offset by normal inflationary increases.

Intergovernmental Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of governments, communities, regional and private sector agencies, neighborhood associations, commissions and organizations communicated with during the year.	508	508	500
Number of Arizona state legislative bill versions and amendments evaluated and prepared to support or oppose.	3,517	3,500	3,500

*Based on 10 months actual experience.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$1,196,000	\$1,389,000	\$1,512,000
Total Positions	6.3	6.3	6.3
Source of Funds:			
General	\$1,188,000	\$1,386,000	\$1,512,000
Other Restricted	8,000	3,000	—

Public Information Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of news releases, media advisories and public service announcements issued	350	350	350
City publications reviewed and produced (i.e., City Council newsletters, City Page, City Connection, Notes and various brochures for city departments)	232	235	235
PHX 11 television programs produced			
- Standard programs	138	140	140
- Requested unscheduled programs	148	146	146
- Requested planned programs	21	21	21

*Based on 10 months actual experience.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$3,217,000	\$3,574,000	\$3,522,000
Total Positions	31.0	31.0	31.0
Source of Funds:			
General	\$3,213,000	\$3,565,000	\$3,514,000
Other Restricted	4,000	9,000	8,000

CITY AUDITOR

Program Goal

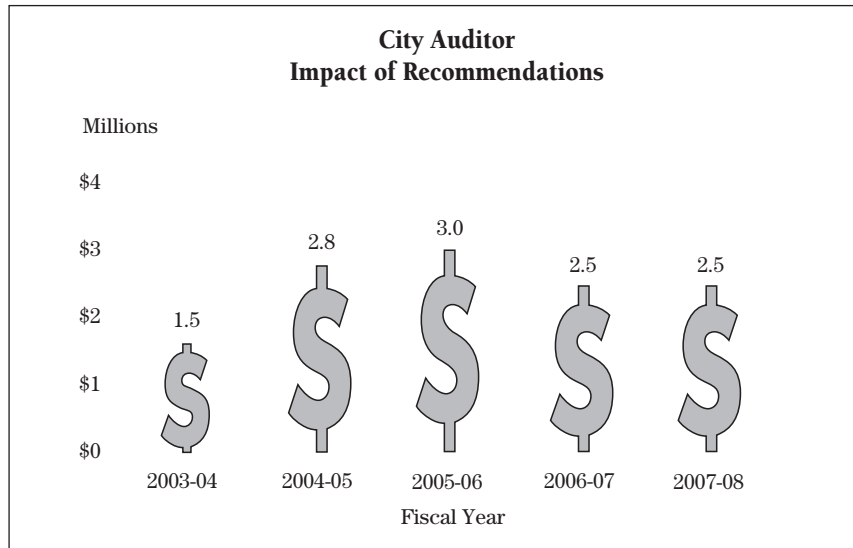
The City Auditor Department supports the city manager and elected officials in meeting residents' needs for quality government, products and services by providing independent and objective feedback on the city's programs, activities and functions. The city auditor's work is vital in maintaining trust 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 2007-08 operating budget allowance of \$3,353,000 is \$327,000 or 10.8 percent more than 2006-07 estimated expenditures. This increase is primarily due to funding for additional technology audits and normal inflationary adjustments.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$2,751,000	\$3,026,000	\$3,353,000
Total Positions	38.5	38.5	38.5
Source of Funds:			
General	\$2,751,000	\$3,026,000	\$3,353,000



City Auditor Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Performance audit and management reports issued	145	155	155
Percentage of commitment dates met	90%	92%	92%
Percentage of rulings issued timely	100%	100%	100%
Audit cycle time (calendar days)	138	125	125
Cost per audit	\$21,000	\$18,000	\$18,000
Customer satisfaction	8.4	8.5	8.5

*Based on 10 months actual experience.

EQUAL OPPORTUNITY

Program Goal

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

Budget Allowance Explanation

The Equal Opportunity operating budget allowance of \$4,229,000 is \$217,000 or 5.4 percent more than 2006-07 estimated expenditures. This increase includes the addition of a position to meet workloads associated with the M/W/SBE goals compliance program and normal inflationary increases. Also contributing to the increase is the carry forward of unspent funds for the Minority/Women/Small Business Enterprise database.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$3,658,000	\$4,012,000	\$4,229,000
Total Positions	40.0	38.0	39.0
Source of Funds:			
General	\$3,341,000	\$3,636,000	\$3,846,000
Community Development			
Block Grant	153,000	184,000	201,000
Federal and State			
Grants	113,000	137,000	128,000
Other Restricted	51,000	55,000	54,000

Equal Opportunity Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Discrimination complaints in employment, public accommodations, housing and Americans with Disabilities Act (ADA) accessibility, investigated and closed**	235	241	241
Minority-owned, woman-owned and disadvantaged and small business enterprise (M/W/D/SBE) outreach presentations to area businesses and M/W/D/SBE organizations	37	37	37
Number/percent of M/W/D/SBEs certified or recertified based on goal of 800 firms	737 / 92%	755 / 94%	744 / 94%
Number/percent of SBEs certified or recertified based on goal of 500 firms	651 / 130%	668 / 134%	668 / 134%
Contracts monitored for use of M/W/D/SBE subcontractors**	1,996	2,270	2,270

*Based on 10 months actual experience.

**Contracts monitored fluctuate depending on the amount of construction work included in the annual Capital Improvement Program. The number of construction contracts monitored is estimated to increase in 2007-08 due to the continuation of several large multi-year projects, including the Phoenix Convention Center, the downtown hotel and light rail projects.

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.

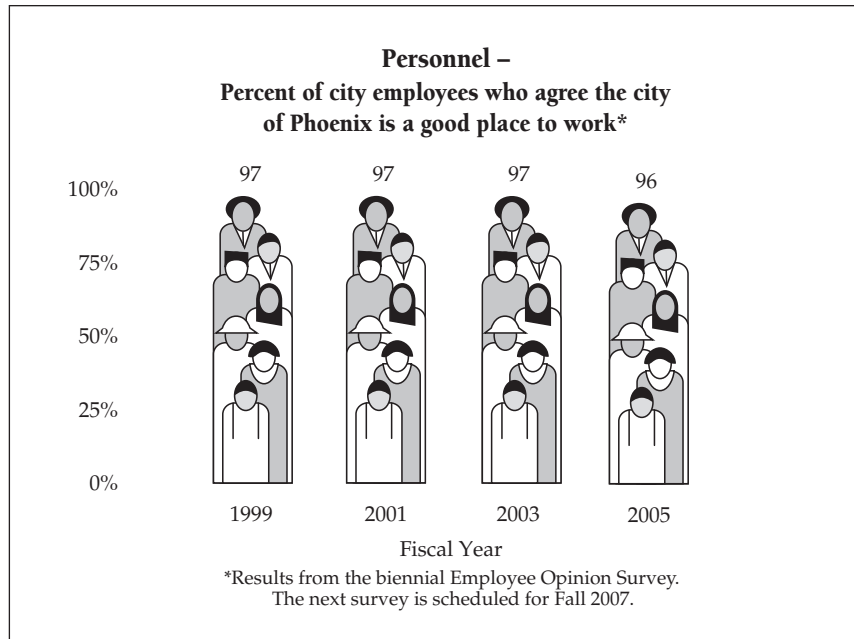
Budget Allowance Explanation

The Personnel Department 2007-08 operating budget allowance of \$17,477,000 is \$1,059,000 or 6.5 percent more than 2006-07 estimated expenditures.

The 2007-08 budget includes the conversion of a temporary deputy personnel director, a personnel analyst II and a personnel aide to regular status. The deputy personnel director will address the growing labor relations needs of public safety employees and organizations. The personnel analyst and personnel aide will support the increase in workloads related to higher recruitment and selection processes, and career counseling requests.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$15,152,000	\$16,418,000	\$17,477,000
Total Positions	113.4	116.4	116.4
Source of Funds:			
General	\$13,803,000	\$15,070,000	\$16,157,000
City Improvement	1,073,000	1,077,000	1,076,000
Other Restricted	276,000	271,000	244,000



Personnel Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Annualized employee turnover rate	5.71%	6.00%	6.00%
Average work days from vacancy-to-fill date	78	80	80
Number of recruitment processes	843	900	900
Average work days for recruitment from opening to creation of eligibility list	22	24	24
Employees participating in city-sponsored and language classes	10,000	9,200	9,500
Number of industrial injuries per 200,000 man hours worked.	13	13	13

*Based on 10 months actual experience.

PHOENIX EMPLOYMENT RELATIONS BOARD

Program Goal

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

Budget Allowance Explanation

The Phoenix Employment Relations Board 2007-08 operating budget allowance of \$228,000 is \$31,000 or 15.7 percent more than 2006-07 estimated expenditures. This increase is primarily due to normal inflationary adjustments.

RETIREMENT SYSTEMS

Program Goal

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

Budget Allowance Explanation

The Retirement Systems gross operating budget allowance of \$2,045,000 is \$215,000 or 11.7 percent more than 2006-07 estimated expenditures. This increase is due primarily to increased costs for software and software maintenance, legal services and normal inflationary adjustments. The budget also converts a temporary technology position to regular status to meet system workloads.

Phoenix Employment Relations Board Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of cases filed**	17	7	17

*Based on 10 months actual experience.

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

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$185,000	\$197,000	\$228,000
Total Positions	2.0	2.0	2.0
Source of Funds:			
General	\$185,000	\$197,000	\$228,000

Retirement Systems Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
COPERS' general city retirements	297	335	353
COPERS' public safety retirements	236	363	383
COPERS' general city and public safety member contacts			
Appointments	NA	655	680
Walk-in service	NA	2,007	2,040
Telephone calls	NA	11,545	12,000

*Based on 10 months actual experience.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense (Gross*)	\$1,679,000	\$1,830,000	\$2,045,000
Total Positions	15.0	16.0	16.0
Source of Funds:			
General (Gross*)	\$1,679,000	\$1,830,000	\$2,045,000

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

LAW

Program Goal

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

Budget Allowance Explanation

The Law Department 2007-08 operating budget allowance of \$23,543,000 is \$2,058,000 or 9.6 percent more than 2006-07 estimated expenditures. The increase is primarily due to the addition of new positions to the Prosecutor's Office. The positions include a technology specialist to manage the Prosecutor's Case Management System and an attorney and court legal clerk to staff a courtroom to prosecute complex property maintenance cases and other city code violations. Also, two caseworkers were added in the current year to maintain compliance with legislation related to victim's rights.

The budget also continues the Initial Arraignment Court pilot program and converts temporary staff to regular status.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$20,170,000	\$21,485,000	\$23,543,000
Total Positions	246.0	252.0	255.0
Source of Funds:			
General	\$19,344,000	\$20,775,000	\$22,915,000
Court Awards	141,000	166,000	178,000
Grant	574,000	469,000	390,000
Other Restricted	111,000	75,000	60,000

Law Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Annualized employee turnover rate	5.71%	6.00%	6.00%
Criminal cases sent to diversion	3,314	3,160	3,000
Pre-trial disposition conferences set	69,855	52,000	52,000
New civil cases opened in the fields of condemnation, collection, taxes and civil litigation, excluding liability and other cases assigned to outside counsel	787	1,064	900
Number of defendants submitted for charging review	41,250	36,228	36,228
Number of civil cases closed, including those assigned to outside counsel and handled through the alternative dispute resolution process	905	1,210	1,100
Ordinances and resolutions for City Council adoption drafted and reviewed	1,088	1,033	1,000
Number of jury trials prosecuted	303	265	265

*Based on 10 months actual experience.

A number of indicators are down, primarily due to the Prosecutor's Office staffing the Arraignment and Initial Appearance (IA) Court beginning in FY 2006-07. The success of these recently implemented programs allows cases to be adjudicated prior to setting these matters to PDC or holding trial.

INFORMATION TECHNOLOGY

Program Goal

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

Budget Allowance Explanation

The Information Technology Department operating budget allowance of \$7,126,000 is \$511,000 or 6.7 percent less than 2006-07 estimated expenditures. The decrease reflects the one-time costs in 2006-07 to upgrade critical network infrastructure and is partially offset by normal inflationary increases, the carryover of costs associated with critical business systems and budget additions.

The budget additions include technical staff to implement a biannual maintenance program for the Phoenix Regional Wireless Network and maintenance costs for system security and network management software purchased with bonds.

Information Technology Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Percentage of on-time operations center services	99.9%	99.9%	99.0%
Number of ITD-supported network devices	14,680	17,200	17,200
Critical systems availability percentage:			
Enterprise network	99.9%	99.9%	99.0%
Business systems	99.8%	99.9%	99.0%
Internet services	99.9%	99.9%	99.0%
Telephone network	99.9%	99.9%	99.9%
Microwave network	100%	100%	100%
Number of visits to phoenix.gov	12,200,000	14,000,000	15,000,000
Average cycle time of telephone service requests	2 weeks	2 weeks	2 weeks
Average number of CityCom phone calls processed daily	100,815	103,000	102,000
Average cycle time of wireless communication repairs	1.0 hours	1.0 hours	1.0 hours
Units of portable and mobile radio equipment	20,882	19,855	18,000

*Based on 10 months actual experience.

Number of devices has increased due to network redesign and inventory of nodes and devices. Increased visits to phoenix.gov are due to the expansion of e-commerce, the increase in the amount of information provided to citizens by city departments, and the increase in Internet users.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense*	\$1,943,000	\$7,637,000	\$7,126,000
Total Positions	213.0	214.0	216.0
Source of Funds:			
General	\$403,000	\$5,912,000	\$5,313,000
City Improvement	1,010,000	1,013,000	1,014,000
Other Restricted	306,000	275,000	275,000
Aviation	224,000	228,000	234,000
Water	—	168,000	223,000
Federal and State Grants	—	41,000	67,000

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

Budget Allowance Explanation

The City Clerk operating budget allowance of \$7,413,000 is \$911,000 or 14.0 percent more than 2006-07 estimated expenditures. The increase primarily reflects funding of a regularly scheduled citywide election and normal inflationary increases. The budget also converts a temporary position which serves as a liaison to all citywide boards and commissions to regular status.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$8,059,000	\$6,502,000	\$7,413,000
Total Positions	129.2	130.2	130.2
Source of Funds:			
General	\$7,893,000	\$6,339,000	\$7,248,000
City Improvement	166,000	163,000	165,000

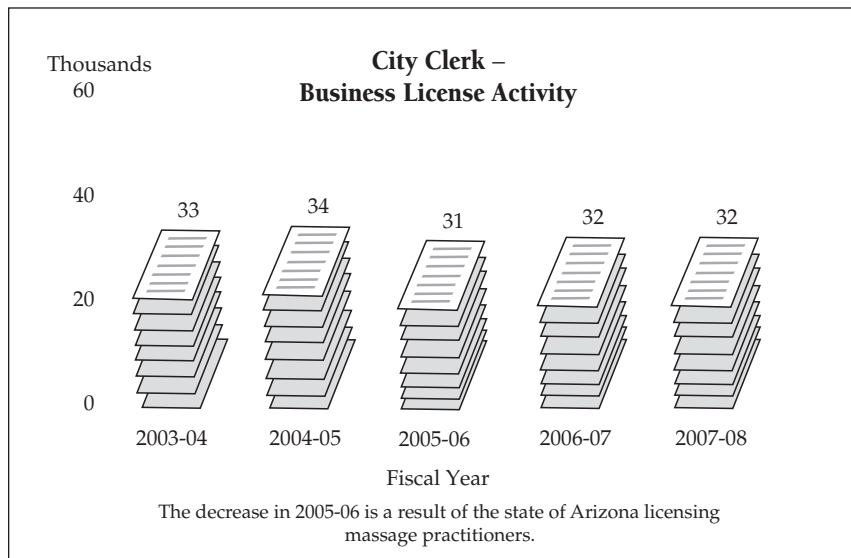
City Clerk Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of Council formal and special meeting agenda items	3,152	3,500	3,500
Minute pages prepared	3,115	3,100	3,100
Open meeting law notices posted **	3,089	5,000	6,000
Water bills and other items presorted for mailing	8.2 M	8.2 M	8.2 M
Average number of days to process a business license	24	24	24
Property ownership updates completed within five working days of receipt from county	100%	100%	100%
Total printing and copy impressions (including rapid copy)	34.7 M	35.0 M	35.0 M
Total number of jobs processed	5,334	5,400	5,400
City Council regular and special elections held	2	0	1
Time to complete ballot processing and tabulation to obtain final unofficial results	3 days	3 days	3 days
Percent of "how to" questions resolved by Office Systems Help Desk	97%	95%	95%
Customer satisfaction with department	97%	97%	97%

*Based on 10 months actual experience.

**The number of open meeting law postings include meeting notices and meeting result postings as required by state law as of September 2006.



FINANCE

Program Goal

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

Budget Allowance Explanation

The 2007-08 Finance operating budget allowance of \$27,313,000 is \$2,136,000 or 8.5 percent more than 2006-07 estimated expenditures. This reflects budget additions and normal inflationary increases. Budget additions include a purchasing position to address financial transaction workloads, and converting contracted common carrier services to regular city staff. This position will deliver city fuel to all city facilities, including those specifically governed by Homeland Security access requirements. The budget also includes General funding for an accounting position transferred from the HOPE VI project.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$23,047,000	\$25,177,000	\$27,313,000
Total Positions	313.5	316.5	319.5
Source of Funds:			
General	\$21,566,000	\$23,515,000	\$25,497,000
Water	702,000	764,000	808,000
Wastewater	692,000	730,000	808,000
Sports Facilities	32,000	128,000	131,000
Public Housing	3,000	(12,000)	12,000
City Improvement	52,000	52,000	57,000

Finance Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Investments by portfolio:			
Treasurer's Group Portfolio -			
Dollars invested	\$1,490 mil.	\$1,742 mil.	\$1,600 mil.
Average yield	3.90%	4.61%	4.8%
Average life (years)	1.49	1.67	1.75
Yield Restricted Portfolio -			
Dollars invested	\$266 mil.	\$106 mil.	\$93 mil.
Average yield	3.33%	3.63%	3.40%
Average life (years)	0.06	.12	.14
Other Non-Yield Restricted Portfolio -			
Dollars invested	\$1,570 mil.	\$1,251 mil.	\$1,300 mil.
Average yield	3.98%	5.17%	5.20%
Average life (years)	0.17	0.19	0.25
Dollar value of accounts payable warrants processed	\$2.8 bil.	\$3.0 bil.	\$3.0 bil.
Bond ratings:			
General obligation - Standard & Poor's	AA+	AAA	AAA
General obligation - Moody's	Aa1	Aa1	Aa1
Water revenue - Standard & Poor's	AA	AA	AA
Water revenue - Moody's	Aa3	Aa3	Aa3
Airport revenue - Standard & Poor's	AA-	AA-	AA-
Airport revenue - Moody's	Aa3	Aa3	Aa3
Senior lien street revenue - Standard & Poor's	AAA	AAA	AAA
Senior lien street revenue - Moody's	Aa3	Aa3	Aa3
Senior lien excise tax - Standard & Poor's	AAA	AAA	AAA
Senior lien excise tax - Moody's	Aa2	Aa2	Aa2
Risk management claims received and closed	3,504	4,000	4,000
Receivables:			
Dollar value of receivables billed	\$498 mil.	\$520 mil.	\$525 mil.
Percentage outstanding (as of June 30)	3.1%	4.0%	4.0%
City sales (excise) tax collected	\$667 mil.	\$708 mil.	\$708 mil.

*Based on 10 months actual experience.

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 2007-08 operating budget allowance of \$4,597,000 is \$467,000 or 11.3 percent more than 2006-07 estimated expenditures. This increase is due to the addition of a position to assist with data security and privacy as well as normal inflationary increases.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$3,682,000	\$4,130,000	\$4,597,000
Total Positions	33.0	33.0	34.0
Source of Funds:			
General	\$3,306,000	\$3,674,000	\$4,101,000
Other Restricted	376,000	456,000	496,000

Budget and Research Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Percent variance of actual versus estimated expenditures for each major fund (data for the General Fund is shown)	(0.1)%	0% -± .5%	0% -± .5%
Percent variance of actual versus estimated revenues for each major fund (data for the General Fund is shown)	0.7%	0% -± .5%	0% -± .5%
Percent of Requests for Council Action processed in one day	N/A	75%	75%
Cost savings and/or operational improvements identified (millions)	\$4.8	\$6.0	\$6.0
Customer satisfaction with research reports and other analyses (scale of 1-10)	9.2	10.0	10.0
Customer satisfaction with communication about budget decisions (scale of 1-10)	8.7	10	10
Customer satisfaction with capital budget development and impact fee support (scale of 1-10)	8.8	10	10
Percent of Capital Improvement Program budget encumbered	65.7%	65%	65%

*Based on 10 months actual experience.

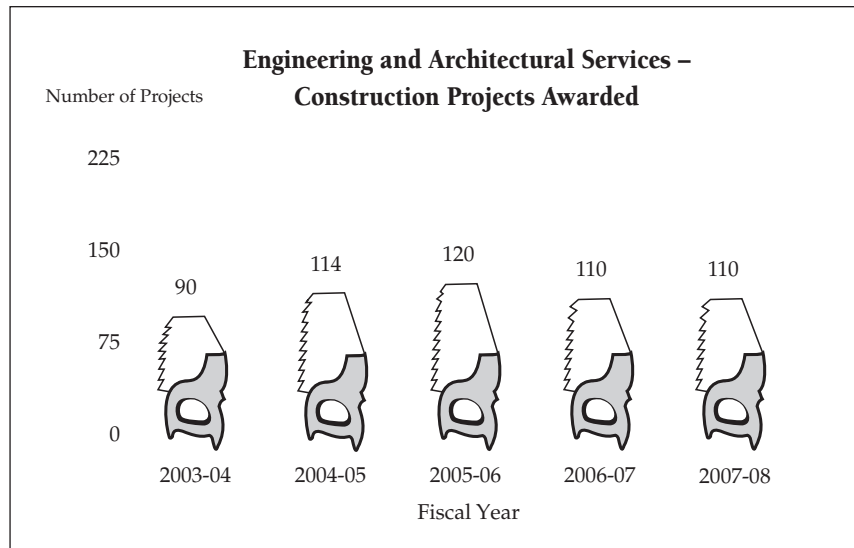
ENGINEERING AND ARCHITECTURAL SERVICES

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 gross operating budget allowance of \$13,284,000 is \$709,000 or 5.6 percent more than 2006-07 estimated expenditures. The budget includes the addition of two positions to ensure compliance with environmental standards. The gross cost of these positions will be recovered from fees charged to capital projects. The gross operating budget also reflects normal inflationary increases.



Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense (Gross*)	\$11,326,000	\$12,575,000	\$13,284,000
Total Positions	112.1	116.1	118.1
Source of Funds:			
General (Gross*)	\$11,326,000	\$12,557,000	\$13,191,000
Other Restricted	—	18,000	93,000

*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 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of construction contract bids awarded	341	300	300
Number of engineering and architectural consultant contracts awarded	120	110	110
Construction dollars as a percentage of total dollars awarded			
Minority-owned business enterprises	4.0%	3.0%	3.0%
Woman-owned business enterprises	4.0%	3.2%	3.0%
Small business enterprises	2.0%	4.0%	5.0%
Percentage of utility permits reviewed and approved by target date**	85%	80%	80%

*Based on 10 months actual experience.

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

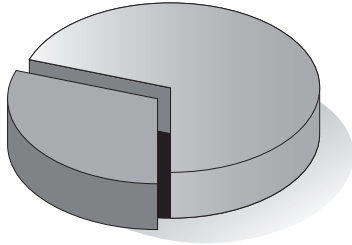




Phoenix Police Chief Jack Harris said police investigated thousands of tips and leads that led to the arrest of a suspect in connection with one of two serial predator cases in the Phoenix area.

Public Safety

The Public Safety Program Represents 31.9% 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 Emergency Operations Center.

Budget Allowance Explanation

The Office of the Public Safety Manager's 2007-08 operating budget allowance of \$391,000 is \$253,000 more than 2006-07 estimated expenditures and reflects a full year's operating costs for the newly created function.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$ —	\$138,000	\$391,000
Total Positions	—	2.0	2.0
Source of Funds:			
General	\$ —	\$138,000	\$391,000

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 2007-08 operating budget allowance of \$521,174,000 is \$51,189,000 or 10.9 percent more than

2006-07 estimated expenditures. This increase is primarily due to costs associated with opening and operating the new crime lab, a competitive officer starting salary adjustment, funding for the replacement of mobile computer terminals in police vehicles, a Maricopa County jail fee increase and other budget additions.

Budget additions include 24 police communications operators to address increased workload and prepare for the opening of two new police precincts, two support staff for the Pecos Park Police Station and funding to replace expiring

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

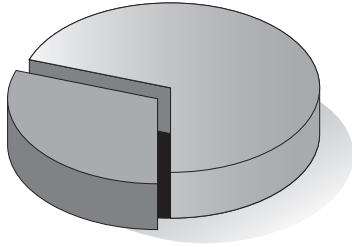
	2005-06	2006-07*	2007-08
Average Response Time (Minutes)			
Priority 1 - Emergency	5.6	5.8	5.7
Priority 2 - Non-Emergency	21.2	22.5	21.6
Priority 3 - All Others	62.6	66.7	64.7
Telephone Callbacks	58.3	96.7**	76.9
Percentage of phone calls to 911 and Crime Stop answered within 10 seconds	83%	84%	84%
Cases accepted by the county attorney for issuance of complaint	23,317	21,100	22,200
Moving violation citations issued	264,314	242,100	255,400
Traffic accidents	32,220	35,300	34,700
Percentage of cases cleared:			
Murder	36%	43%	40%
Rape	25%	19%	20%
Robbery	19%	16%	17%
Aggravated Assault	40%	40%	40%
Burglary	5%	5%	5%
Theft	13%	13%	13%
Auto Theft	10%	8%	9%
Arson	6%	8%	7%

*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, has resulted in longer response times to calls.

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Police Major Performance Measures and Service Trends

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	2005-06	2006-07*	2007-08
Average Response Time (Minutes)			
Priority 1 - Emergency	5.6	5.8	5.7
Priority 2 - Non-Emergency	21.2	22.5	21.6
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state and federal grants.

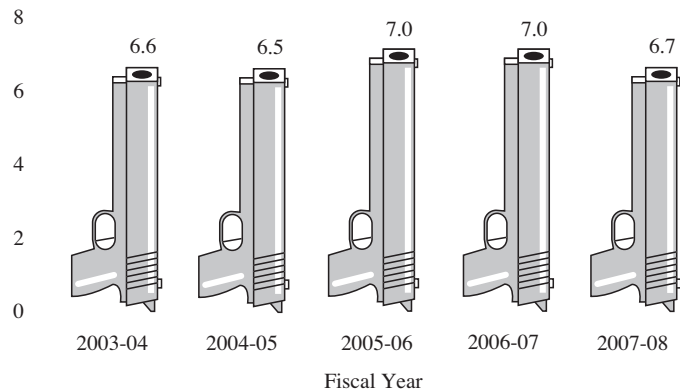
Also added is an Aviation-funded police sergeant to assist with TSA-mandated security at Sky Harbor Airport. Finally, 30 municipal security guards, one secretary, eight police officers and a police sergeant are added to increase security at park-and-ride facilities and the new Transit West Maintenance Facility. These positions will be funded by voter-approved Transit 2000 funds.

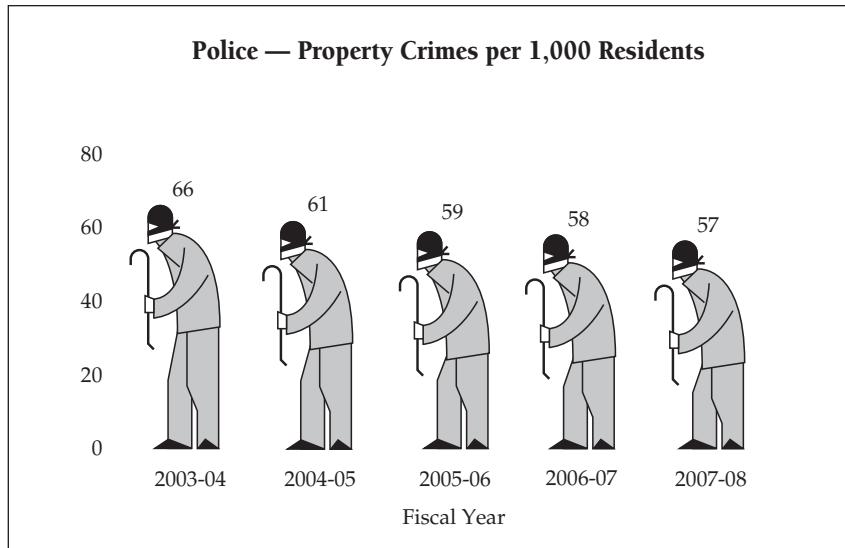
The budget also converts three temporary staff to regular positions and adds an accountant to the Vehicle Impound Program.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$421,175,000	\$469,985,000	\$521,174,000
Total Positions	4,168.7	4,371.7	4,439.7
Source of Funds:			
General	\$368,060,000	\$404,482,000	\$452,488,000
Neighborhood Protection	21,428,000	22,162,000	26,155,000
Public Safety Enhancement	9,352,000	14,382,000	17,666,000
Federal and State Grants	11,900,000	17,797,000	14,378,000
City Improvement	1,813,000	3,889,000	5,325,000
Court Awards	3,790,000	5,193,000	3,099,000
Sports Facilities	993,000	993,000	993,000
Convention Center	782,000	782,000	782,000
Other Restricted	3,039,000	287,000	288,000
Human Services Grant	18,000	18,000	—

Police — Violent Crimes per 1,000 Residents





The Phoenix Police Department Laboratory Services Bureau is a nationally accredited forensic laboratory that provides technical assistance and training, evaluates and analyzes evidence, interprets results and provides expert testimony related to the full spectrum of physical evidence recovered from crime scenes.



FIRE

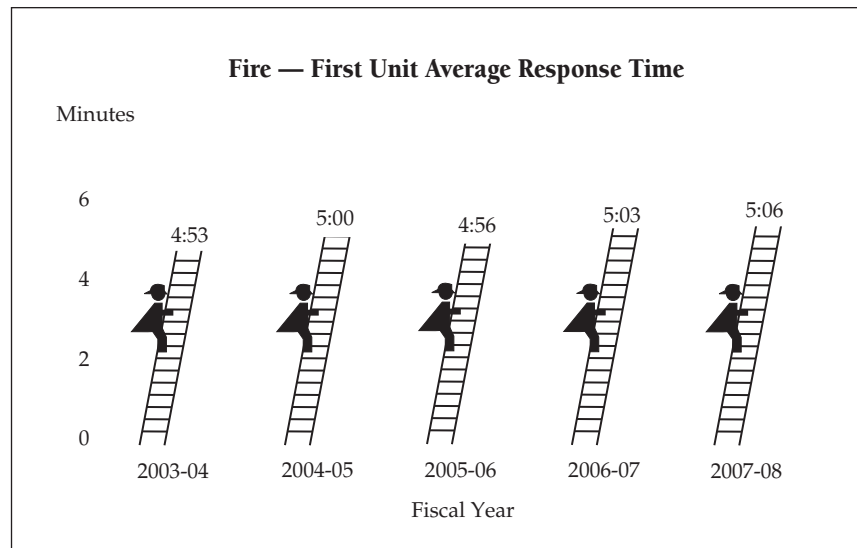
Program Goal

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

Budget Allowance Explanation

The 2007-08 Fire operating budget allowance of \$273,282,000 is \$28,385,000 or 11.6 percent more than 2006-07 estimated expenditures. This increase reflects the carryover of the funds needed to replace the department's self-contained breathing apparatus, normal inflationary adjustments, and several budget additions.

Budget additions include seven additional technical staff for maintenance of the regional fire dispatch system. These positions will be funded by participating cities. Also included are 10 emergency dispatchers to improve response times; staff and matching funds for grants for Fire Crisis Response Units; staff to improve fire inspection of licensed facilities; a fire



This Fire Department team is responsible for piloting a revolutionary method of CPR known as continuous chest compression, or CCR. Developed by the University of Arizona, the new technique emphasizes chest compressions and eliminates the need for mouth-to-mouth breathing.

captain to enhance hiring of women and minorities, and funding for a firefighter competitive starting salary adjustment.

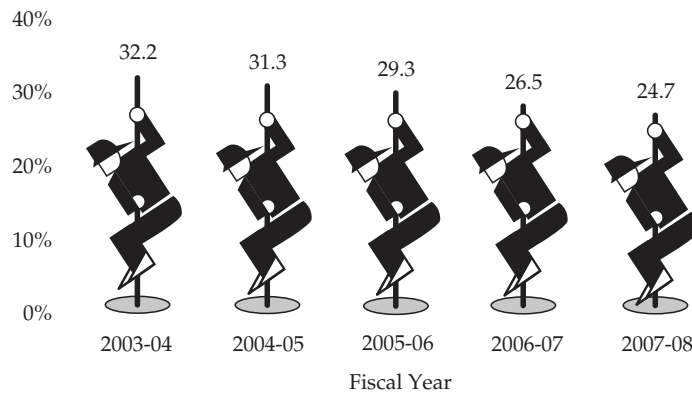
Four additional fire prevention staff are added to assist in review of new construction plans for fire protection systems and emergency access plans. These positions are funded with Development Services funds. The budget also converts six temporary positions to regular status to address a critical need to provide quality training, classroom instruction and supervision of a large number of probationary firefighters. These positions are funded by the Public Safety Enhancement Fund. Finally, the budget reflects eight additional positions to provide four paid leave days annually for firefighters, fire engineers and fire captains as part of the second year of a two-year labor agreement.

In total, the 2007-08 budget adds nine sworn and 23 civilian positions to the Fire Department.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$217,931,000	\$244,897,000	\$273,282,000
Total Positions	1,886.2	2,008.2	2,040.2
Source of Funds:			
General	\$194,211,000	\$215,815,000	\$244,403,000
Public Safety Enhancement	6,152,000	8,545,000	10,985,000
Fire Neighborhood Protection	6,735,000	8,470,000	8,350,000
Development Services	2,422,000	2,010,000	2,638,000
Grants	6,064,000	6,512,000	3,351,000
Other Restricted	147,000	103,000	92,000
City Improvement	2,200,000	3,442,000	3,463,000

Fire — Percentage of Time First Unit Arrives on Scene in Four Minutes or Less



Fire Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Percent of fire and emergency medical call responses within four minutes	29.3%	26.5%	24.7%
Patient transports to Valley hospitals via emergency medical vehicles	57,377	58,000	58,500
Percentage of time Advanced Life Support (ALS) medical calls are responded to with paramedic units within five minutes	46.6%	43.8%	44.0%
Number of fire investigations to determine cause only	839	930	1,260
Number of calls by type:			
Emergency Medical	129,208	136,000	139,000
Fire	16,872	16,200	17,100
Other (mountain/swift water/trench/tree rescues/other)	6,957	5,500	6,500

*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 2007-08 operating budget allowance of \$839,000 is \$31,000 or 3.8 percent more than 2006-07 estimated expenditures. The increase reflects normal inflationary increases and is partially offset by a reduction in grant funding.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$807,000	\$808,000	\$839,000
Total Positions	6.5	6.5	6.5
Source of Funds:			
General	\$437,000	\$302,000	\$375,000
Public Safety Enhancement	257,000	364,000	386,000
Grants	113,000	142,000	78,000

Emergency Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Customer satisfaction with homeland security efforts and security related communications	9	9	9

*Based on 10 months actual experience.

FAMILY ADVOCACY CENTER

Program Goal

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

Budget Allowance Explanation

The Family Advocacy Center operating budget allowance of \$1,003,000 is \$151,000 or 17.7 percent more than 2006-07 estimated expenditures. The increase reflects normal inflationary increases and one casework services coordinator to ensure continued compliance with regulatory requirements.

Family Advocacy Center Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Phone calls received	4,620	3,076	3,200
Victim contacts	7,260	5,798	6,000
Services provided**	3,276	4,190	4,300
Presentation participants	1,953	2,198	2,300

*Based on 10 months actual experience.

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

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$1,073,000	\$852,000	\$1,003,000
Total Positions	7.0	7.0	8.0
Source of Funds:			
General	\$1,014,000	\$788,000	\$940,000
Other Restricted	59,000	64,000	63,000



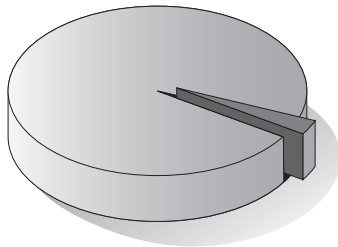
The Family Advocacy Center provides victims the opportunity to obtain a variety of services without having to travel to multiple locations, including a comforting environment where medical exams for evidence collection are conducted in a private setting.



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

Criminal Justice

The Criminal Justice Program Represents 2.7% 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 2007-08 operating budget allowance of \$43,049,000 is \$4,067,000 or 10.4 percent more than 2006-07 estimated expenditures. The increase is due to the restoration of a courtroom reduced in a previous budget year and normal inflationary increases.

Staffing for the courtroom includes a court clerk, bailiff and pro-tem judge. The courtroom is dedicated to complex property maintenance cases and other city code violations. In addition, a major computer enhancement to the Court Management System and a position to

Municipal Court Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Criminal filings	72,278	78,000	78,000
Civil filings	277,903	260,550	270,000
Average number of days from arraignment to hearing for minor traffic cases	32.7	33	33
Number of criminal cases with a pending trial date at year end	1,751	2,000	1,800
Percent of trials/hearings appealed	2.8%	3.6%	3.6%
Percent of appeals affirmed	94.4%	92.7%	92.5%
Average cycle time for sending out restitution and bail refund checks	1.4 days	1.4 days	1.8 days
Average hold time for incoming information calls to the Customer Call Center	8.0 minutes	8.0 minutes	8.0 minutes

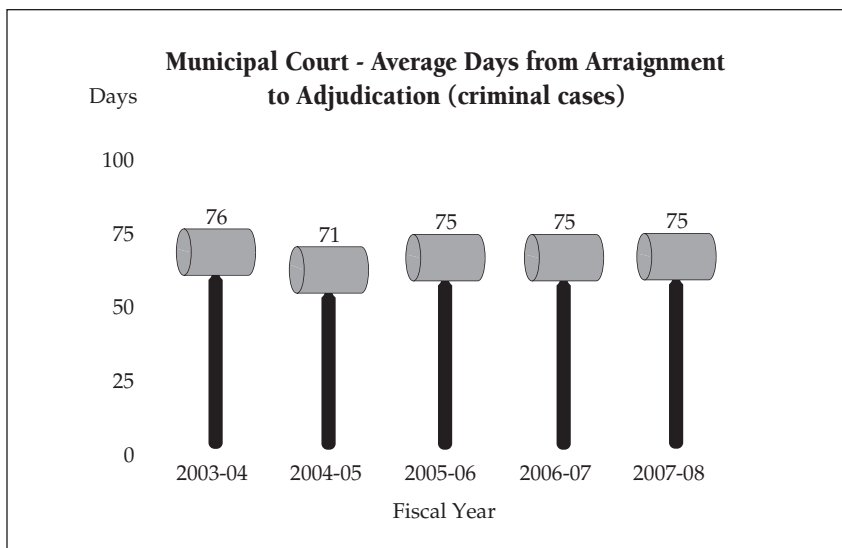
*Based on 10 months actual experience.



enhance the coordination of information technology-related improvements are funded by the Court Technology Enhancement Fund.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$36,053,000	\$39,982,000	\$43,049,000
Total Positions	384.9	384.9	388.9
Source of Funds:			
General	\$29,505,000	\$32,085,000	\$34,537,000
Grants	17,000	—	—
Other Restricted	727,000	1,091,000	2,709,000
City Improvement	5,804,000	5,806,000	5,803,000



In March 2007, the Municipal Court began offering free Internet WiFi service in the Jury Assembly Room and in the first floor lobby of the Phoenix Municipal Court.

PUBLIC DEFENDER

Program Goal

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

Budget Allowance Explanation

The 2007-08 operating budget allowance for the Public Defender Program of \$4,753,000 is \$367,000 or 8.4 percent more than the 2006-07 estimated expenditures. This increase is primarily due to normal inflationary adjustments and a full year's cost of the forensic technology expert position filled during the current year.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$3,975,000	\$4,386,000	\$4,753,000
Total Positions	9.0	9.0	9.0
Source of Funds:			
General	\$3,975,000	\$4,386,000	\$4,753,000

Public Defender Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Defendants charged with misdemeanor crimes represented in Phoenix Municipal Court	12,819	11,064	11,000
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)	22,687	24,574	21,000

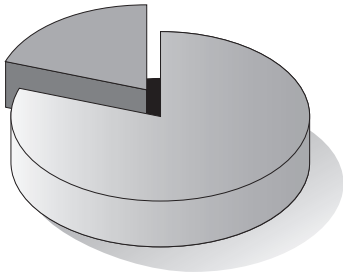
*Based on 10 months actual experience.



Phoenix Sky Harbor International Airport has a \$72 million daily economic impact.

Transportation

The Transportation Program Represents 19.4% of the Total Budget.



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

STREET TRANSPORTATION

Program Goal

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

Budget Allowance Explanation

The Street Transportation 2007-08 operating budget allowance of \$68,811,000 is \$3,462,000 or 5.3 percent more than 2006-07 estimated expenditures. This increase is primarily due to budget additions, normal inflationary adjustments and the carry-forward of unspent 2006-07 funds for a pavement management system.

Budget additions include funding for a wash maintenance program to clear overgrown vegetation in city washes. Continued restoration of General Fund support to the department also is included. Restoring these General funds will free up gas tax funds for street construction and major maintenance.

Street Transportation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Street miles swept	191,000	192,000	190,000
Miles of streets per street maintenance field employee	15.3	15.5	15.6
Percent of scheduled requests for street maintenance service completed within target**	83%	72%	80%
Percent of major/collector street miles with satisfactory rideability	98%	98%	98%
Requests for services completed by the Operations Division***	8,000	8,500	9,500
Customer satisfaction on traffic operations requests for service (scale 1 to 10)	9.0	9.0	9.0
Number of neighborhoods actively working with the Neighborhood Traffic Management Team	220	210	200
Miles of major streets constructed****	11.0	5.4	5.8
Customer satisfaction on mid-block streetlight requests	96%	97%	95%

*Based on 10 months actual experience.

**The decrease in 2006-07 is due to high number of vacancies and difficulty in filling key positions.

***2005-06 thru 2006-07 experienced an unusually high number of turnovers. 2007-08 figure is expected to improve once training of new staff is completed.

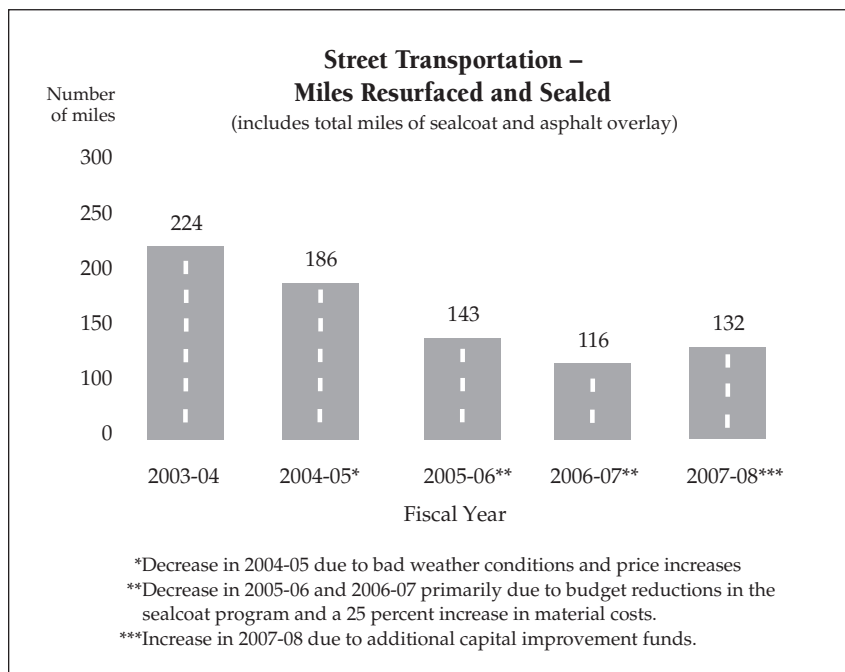
****Decreases since 2005-06 are due to significant increases in material costs.



The budget also converts several contracted services to regular positions. Contract technology positions will be converted to full-time regular positions for the support of a department-wide GIS initiative. Contractual administrative support will be converted to regular positions to address the increased workload in utility inspection requests and improve efficiency in planning work assignments. Finally, contracted safety services are converted to a regular position to conduct critical safety training, evaluate hazards, and implement safety standards for the department. Costs for these conversions are offset by a reduction in contract services.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$58,557,000	\$65,349,000	\$68,811,000
Total Positions	776.7	781.0	787.0
Source of Funds:			
General	\$19,951,000	\$26,610,000	\$31,029,000
Arizona Highway User Revenue	38,134,000	38,239,000	37,282,000
City Improvement	399,000	398,000	400,000
Federal and State Grant	11,000	39,000	33,000
Other Restricted	62,000	63,000	67,000



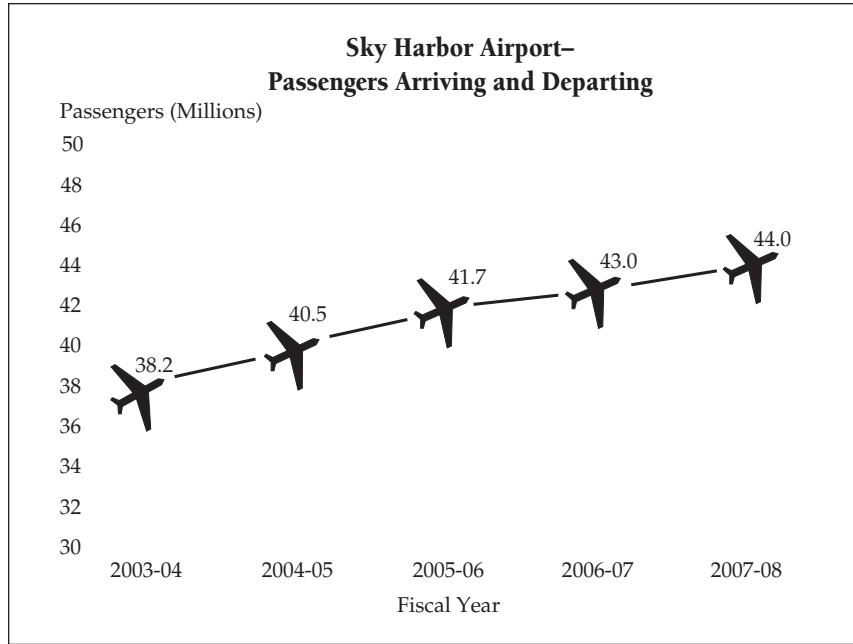
AVIATION

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 operating budget allowance of \$202,962,000 is \$7,390,000 or 3.8 percent more than 2006-07 estimated expenditures. This increase is largely due to full year's costs for the new in-line explosive detection system and normal inflationary increases.



More than 41 million passengers traveled through Sky Harbor International Airport in 2006.

The 2007-08 budget also adds one police sergeant to assist with TSA-mandated security, converts a temporary assistant aviation director to regular status, and includes funding to enhance the departments sustainability efforts.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$165,636,000	\$195,572,000	\$202,962,000
Total Positions	803.7	853.7	853.7
Source of Funds:			
Aviation	\$165,636,000	\$195,572,000	\$202,962,000

Aviation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Sky Harbor passengers arriving and departing	41.7 million	43.0 million	44.0 million
Airline rental rates (cost per square foot):			
Terminal 2	\$50.76	\$52.56	\$53.88
Terminal 3	\$56.76	\$56.16	\$57.96
Terminal 4	\$62.28	\$63.72	\$66.72
Gross sales per departing passenger:			
Terminal 2	\$6.48	\$5.68	\$5.79
Terminal 3	\$10.37	\$10.17	\$10.28
Terminal 4	\$6.96	\$7.59	\$7.87
Aircraft takeoffs and landings (Sky Harbor Airport only)	544,854	545,000	547,000
Total international passengers	1,801,602	1,805,000	1,809,000
Air cargo processed (in tons)	322,842	325,000	330,000

*Based on 10 months actual experience.

PUBLIC TRANSIT

Program Goal

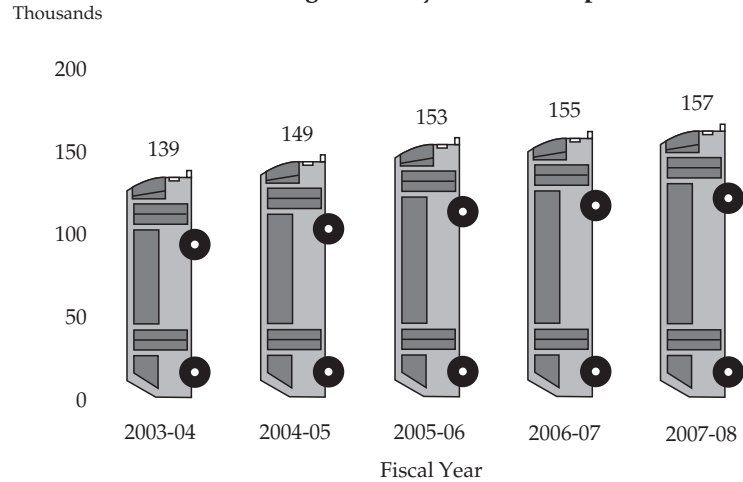
The Public Transit Department provides improved public transit services and increased ridership in the Phoenix urbanized area through the operation of a coordinated regional fixed-route and paratransit bus transportation system.

Budget Allowance Explanation

The Public Transit operating budget allowance of \$213,275,000 is \$28,736,000 or 15.6 percent more than 2006-07 estimated expenditures. This increase is primarily due to full-year costs of service added in 2006-07, service enhancements and normal inflationary increases. The budget also includes the carry-forward of unspent 2006-07 funds for the development of bus stop and facility maintenance software systems.

The budget provides funds to implement Route 154 on Greenway Road from 59th Avenue to Scottsdale Road and Route 32 on 32nd Street from Washington Street to Union Hills Drive. In addition, the budget includes funds for five new neighborhood circulator routes and an extension of the Ahwatukee neighborhood circulator. The budget also includes funds to increase weekend and holiday frequency from 60 minutes to 30 minutes on Route 24 (24th Street/Glendale Avenue), extend Route 24 from 67th Avenue to Litchfield

Transit-
Average Weekday Bus Ridership



The RAPID service take commuters to and from downtown Phoenix Monday through Friday mornings and afternoons. The 2007-08 budget includes funds to add even more trips to this very popular transit service.

Road, extend weekday service on Route 50 (Camelback Road) from 44th to 64th streets, extend weekday service on Route 106 (Peoria/Shea Boulevard) from Tatum Boulevard to 64th Street, extend weekday afternoon peak hours on the Blue Line, Route 7 (Seventh Street), and Route 12 (12th Street), increase Sunday frequency from 60 minutes to 30 minutes on Routes 8 (Seventh Avenue), 27 (27th Avenue), and 156 (Chandler Boulevard), extend Route 17 (McDowell Road) from 75th Avenue to the city limits at about the Loop 101, and extend weekday service to midnight on Routes 8, 24, 43 (43rd Avenue), 61 (Southern Avenue), and 106. Also, the budget funds an increase in the Dialysis Taxi Subsidy Program, an increase in Dial-a-Ride service hours (weekday and weekend/holiday), and additional RAPID trips.

The budget provides a police sergeant, eight police officers, and other staffing resources to provide security on the bus system, at park-and-ride facilities, and at transit centers that sell fare media. Positions will be assigned to the Public Transit Safety Bureau of the Police

Department. Also added are staff and resources to provide fare media and revenue processing formerly performed by contract providers, increase administrative support to accommodate the growth of the department, implement an environmental management system, and improve passenger communication. In addition, staff and other resources are added to operate and maintain the new West Maintenance facility. Positions will be assigned to the Public Transit Safety Bureau of the Police Department and the Public Works Department. The budget also includes funds to improve warranty administration for transit vehicles formerly performed by contract providers.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$158,457,000	\$184,539,000	\$213,275,000
Total Positions	92.0	99.0	127.0
Source of Funds:			
General	\$25,146,000	\$26,146,000	\$27,146,000
Transit 2000	84,518,000	95,371,000	119,348,000
City Improvement	27,353,000	38,126,000	39,995,000
Local Transportation Assistance	6,928,000	6,860,000	6,777,000
Other Agency	8,958,000	12,421,000	15,061,000
FTA Grant	5,533,000	5,615,000	4,948,000
Federal & State Grants	21,000	—	—



A red, white, and blue tribute to America in the form of a city bus traveled the streets of Phoenix to celebrate four patriotic observances and holidays - Armed Forces Day, Memorial Day, Flag Day and Independence Day.



Public Transit Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Cost recovery from fares	21.8%	20.2%	19.7%
Operating revenue (thousands)	\$26,431	\$26,856	\$30,948
On-time performance for bus service	89%	88%	89%
On-time performance for Dial-a-Ride prescheduled service	94%	91%	91%
On-time performance for Dial-a-Ride on-demand service	61%	55%	55%
Average weekday ridership for bus service	152,502	154,790	157,112
Average weekday ridership for Dial-a-Ride service	1,308	1,330	1,354
Passengers per revenue mile for bus service	2.54	2.44	2.48
Passengers per revenue mile for Dial-a-Ride service	0.10	0.10	0.10

*Based on 10 months actual experience.

Operating revenue is increasing due to significant service additions. On-time performance for Dial-a-Ride is expected to decline due to increasing demand.

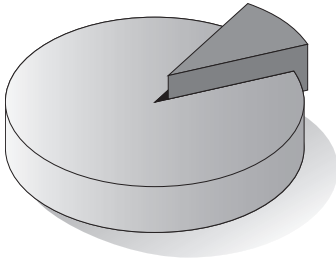




Development Services inspectors visit project sites after plans are approved and construction has begun to ensure the construction matches approved plans and adheres to all codes and ordinances.

Community Development

The Community Development Program Represents 9.1% of the Total Budget.



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

DEVELOPMENT SERVICES

Program Goal

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

Budget Allowance Explanation

The Development Services operating budget allowance of \$61,186,000 is \$7,081,000 or 13.1 percent more than 2006-07 estimated expenditures. This increase results primarily from budget additions, the full-year's cost for mid-year additions and normal inflationary increases. Mid-year budget additions in 2006-07 included increased staff for inspections to address the demands by the community for development services and implementation of the new Office of

Development Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Total construction permits issued	46,442	43,448	44,200
Single-family permits issued	9,852	7,120	7,200
Multi-family units permitted	3,197	3,500	3,800
Commercial square footage permitted	26.0 million	24.0 million	24.0 million
Building permit valuation	\$4.5 billion	\$4.8 billion	\$5.0 billion
Number of inspections	346,409	316,460	345,600
Percent of building safety inspections performed on scheduled day:			
Residential	93%	94%	94%
Commercial	96%	94%	95%
Residential lots submitted for preliminary review	12,069	8,500	8,600
Counter customers served	133,259	121,300	122,000
Average wait time	15 minutes	13 minutes	10 minutes

*Based on 10 months actual experience.

Changes in single-family permits, multi-family permits and commercial square footage permitted, and number of inspections are primarily due to market forces.

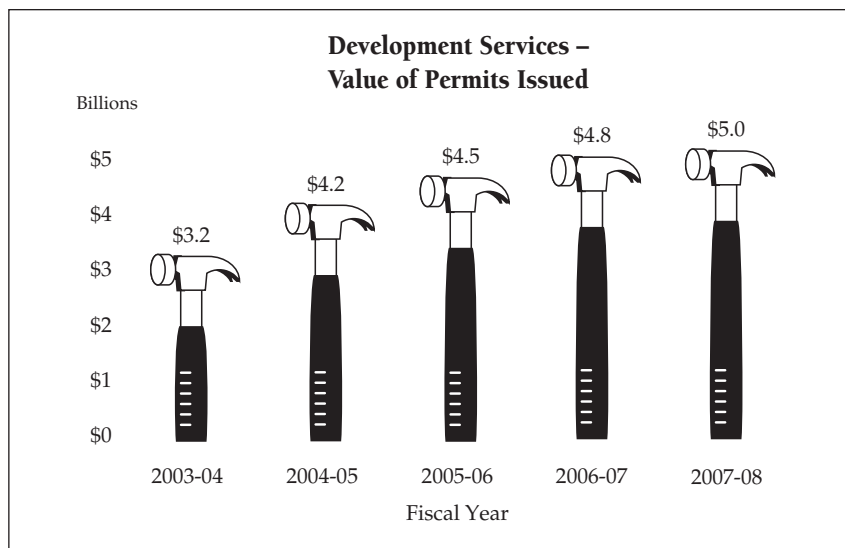
Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$47,865,000	\$54,105,000	\$61,186,000
Total Positions	523.0	570.0	576.0
Source of Funds:			
Development Services	\$47,537,000	\$53,533,000	\$60,544,000
Other Restricted	328,000	572,000	642,000

Customer Advocacy to provide case management and development assistance to business customers.

The 2007-08 budget includes additional staff to improve customer service and reduce wait times in the Development Center. Also included is additional staff to improve administrative support as recommended by an organizational analysis.

The budget also converts two temporary positions to regular status to improve recruitment capabilities and coordination of activities related to the light rail project.



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 2007-08 budget allowance of \$8,290,000 is \$756,000 or 10.0 percent more than 2006-07 estimated expenditures. The budget includes the addition of a principal planner to provide assistance with current workloads and facilitate community meetings related to the revitalization of west Phoenix and normal inflationary increases.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$7,144,000	\$7,534,000	\$8,290,000
Total Positions	74.9	75.9	76.9
Source of Funds:			
General	\$6,291,000	\$6,780,000	\$7,503,000
Community Development			
Block Grant	63,000	65,000	67,000
Other Restricted	790,000	689,000	720,000

Planning Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Village planning committees supported	15	15	15
Zoning adjustment hearing officer cases scheduled within 30 working days of request	41%	93%	90%
Formal rezoning pre-application meetings scheduled within 20 working days of request	54%	100%	90%
Annual cycle General Plan amendments completed by target date**	84%	N/A	N/A
General Plan Amendments referred to City Council and upheld by City Council**	71%	100%	80%
Zoning verification letters completed within 15 working days	53%	74%	70%
Zoning case recommendations by staff upheld on appeal to the City Council	96%	93%	95%
Zoning adjustment hearing officer actions upheld on appeal to the Board of Adjustment	81%	80%	80%

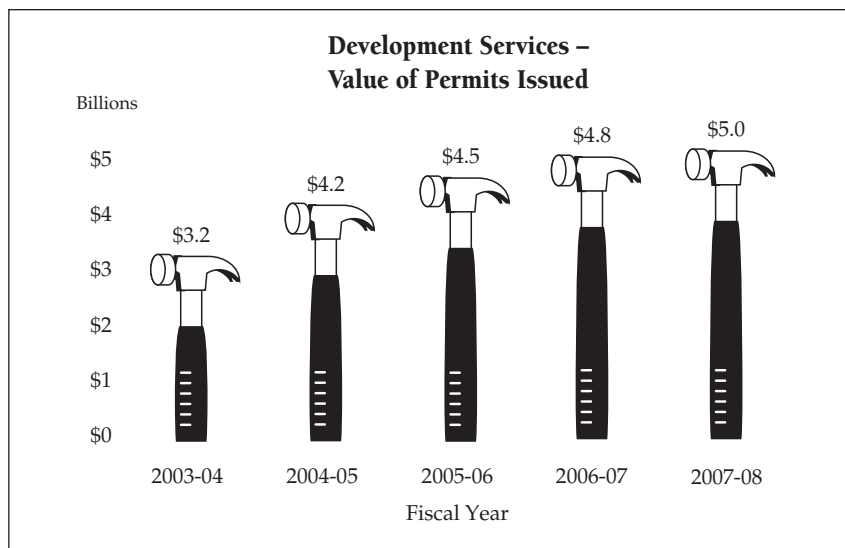
* Based on ten months actual experience.

** "Annual cycle General Plan amendments completed by target date" performance measure was replaced by the "General Plan Amendment recommendations by staff upheld by City Council" measure. Reporting period of August 2005 – March 2006. The reporting period was changed to full-year reporting effective January 2006.

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The budget also converts two temporary positions to regular status to improve recruitment capabilities and coordination of activities related to the light rail project.



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Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$7,144,000	\$7,534,000	\$8,290,000
Total Positions	74.9	75.9	76.9
Source of Funds:			
General	\$6,291,000	\$6,780,000	\$7,503,000
Community Development			
Block Grant	63,000	65,000	67,000
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	2005-06	2006-07*	2007-08
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**BUSINESS CUSTOMER
SERVICE CENTER**

Program Goal

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

Budget Allowance Explanation

The Business Customer Service Center operating budget allowance of \$709,000 is \$71,000 or 11.1 percent more than 2006-07 estimated expenditures. This reflects an increase in fee waivers due to plans to increase visibility for the program.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$503,000	\$638,000	\$709,000
Total Positions	4.0	4.0	4.0
Source of Funds:			
General	\$329,000	\$338,000	\$349,000
Water	87,000	150,000	180,000
Wastewater	87,000	150,000	180,000

Business Customer Service Center Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Infill housing permits issued	157	90	120
Infill Program - average fee waiver granted	\$958	\$1,200	\$1,200
Infill customers served	2,203	1,320	1,500
Business customers served	1,188	1,852	2,000
Customers receiving regulatory assistance	8,767	8,900	9,200

*Based on 10 months actual experience.

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 2007-08 Housing Department operating budget allowance of \$80,304,000 is \$20,946,000 or 35.3 percent more than 2006-07 estimated expenditures. The increase primarily reflects normal inflationary increases and the carry over of HOME Investment program funds, Community Development Block Grant (CDBG) funds and other grant funds. Finally the 2007-08 budget includes a refund of in lieu property taxes allowing the funds to be directed to public housing needs. This refund does not affect Housing Department expenditures. Instead it is reflected as a reduction in General Fund resources.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$60,390,000	\$59,358,000	\$80,304,000
Total Positions	145.7	148.7	148.7
Source of Funds:			
Public Housing	\$54,655,000	\$52,515,000	\$66,564,000
Other Restricted	787,000	604,000	5,045,000
HOME Grant	2,479,000	5,186,000	4,956,000
Community Development Block Grant	2,214,000	801,000	3,479,000
General	183,000	181,000	189,000
City Improvement	72,000	71,000	71,000

Housing Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Affordable housing units for families and individuals	1,359	1,382	1,382
Rental assistance provided for low-income residents in the private housing market	5,320	5,320	5,470
City-owned and operated public housing units for families and seniors	2,335	2,435	2,466
Percent of Section 8 vouchers under lease	94%	90%	95%
Occupancy rate for public housing units	96%	90%	98.0%

*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 and other non-redevelopment areas.

Budget Allowance Explanation

The Community and Economic Development (CED) operating budget allowance of \$20,120,000 is \$141,000 or 0.7 percent lower than 2006-07 estimated expenditures. This decrease is due to reductions in Community Development Block Grants and other grant funds. General Funds for CED are increased 15 percent and reflect the addition of a secretary to assist the Phoenix Film Office and normal inflationary adjustments.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$19,594,000	\$20,261,000	\$20,120,000
Total Positions	114.0	115.0	116.0
Source of Funds:			
General	\$2,764,000	\$3,395,000	\$3,903,000
Community Development Block Grant	877,000	1,272,000	483,000
City Improvement	2,578,000	2,536,000	2,542,000
Sports Facilities	40,000	40,000	40,000
Aviation	244,000	69,000	68,000
Water	518,000	532,000	555,000
Convention Center	133,000	134,000	136,000
Federal & State Grant Trust	4,108,000	11,899,000	12,045,000
Community Reinvestment	73,000	81,000	80,000
Other Restricted	23,000	240,000	268,000
HSD Grant	8,236,000	63,000	—

Community and Economic Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Projected jobs created/retained within the city of Phoenix as a result of department efforts	6,342	2,850	3,500
Loan applications approved for the Expand Collateral Loan Assistance Program	6	7	10
Loans approved for the New Markets Tax Credit Loan Program	7	10	n/a**
Estimated sales tax generated from projects	\$51,004,095	\$47,376,000	\$48,797,000
Projected average annual salary for new jobs with companies newly located in Phoenix	\$39,900	\$44,500	\$46,500
Individuals serviced in employment and training programs			
Adult	1,870	1,900	1,710
Youth	929	929	1,150

*Based on 10 months actual experience.

**New allocations for this program have been requested and may not be awarded until early FY 2007-08.

DOWNTOWN DEVELOPMENT OFFICE

Program Goal

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

Budget Allowance Explanation

The Downtown Development Office operating budget allowance of \$4,643,000 is \$460,000 or 11 percent more than 2006-07 estimated expenditures and reflects normal inflationary increases.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$3,767,000	\$4,183,000	\$4,643,000
Total Positions	16.0	16.0	16.0
Source of Funds:			
General	\$3,244,000	\$3,660,000	\$4,101,000
Sports Facilities	106,000	106,000	110,000
Convention Center	417,000	417,000	432,000

Downtown Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of development/redevelopment projects in process	31	34	40
Estimated construction value of projects (in millions)**	\$1,503,900	\$2,250,000	\$2,577,600
Number of residential units created	91	265	175
Projected jobs created downtown as a result of department efforts	424	645	195

*Based on 10 months actual experience.

**Projections for value of construction and job creation are determined based on information provided by private development partners.

Projected 2007-08 job creation is associated with the biomedical field due to the completion of the Arizona Biomedical Collaborative I. 2007-08 projected residential units are the result of the completion of Phase I of the Portland Place project and additional smaller residential projects.

NEIGHBORHOOD SERVICES

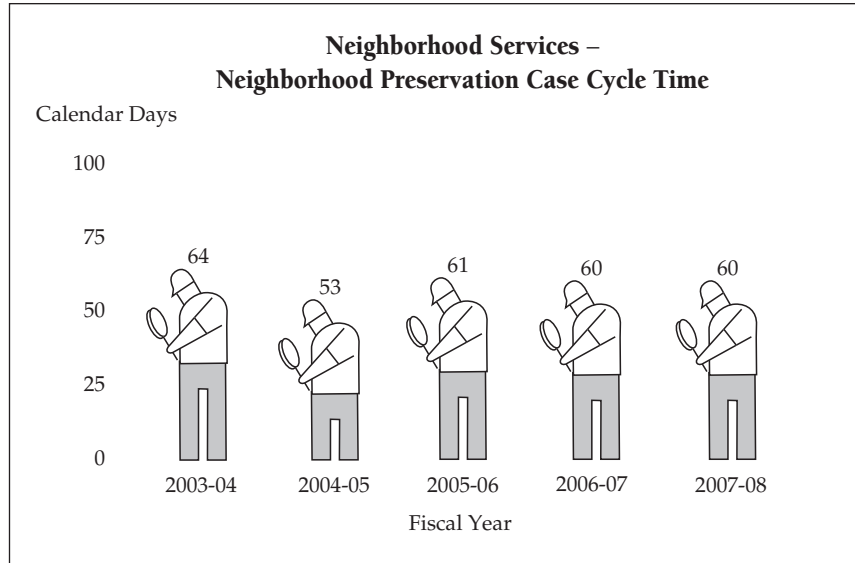
Program Goal

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

Budget Allowance Explanation

The Neighborhood Services operating budget allowance (all funds) of \$51,365,000 is \$19,575,000 or 61.6 percent more than 2006-07 estimated expenditures. This increase primarily reflects the effect of the carry-forward of unspent grant allocations in 2006-07.

The General Fund budget of \$17,431,000 is \$2,879,000 or 19.8 percent more than the 2006-07 estimated expenditures. The General Fund increase



The Neighborhood Services Department was the first to be featured on the PHX 11 program, "Phoenix: Working for You." The live call-in show offered an overview of the department and callers received answers to their questions pertaining to graffiti, blighted properties, landlord/tenant concerns and other neighborhood issues.

reflects budget additions, the effect of the carry-forward of unspent but committed 2006-07 Fight Back funds and normal inflationary adjustments.

The budget provides enhancements to the Graffiti Busters program through the addition of two new graffiti crews and funds for enforcement activities. The budget also restores an area supervisor eliminated as a prior year's budget reduction and adds a project manager for the west Phoenix revitalization project. Additional technology staff also is included to develop system enhancements to improve customer service and case management capabilities.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$30,138,000	\$31,790,000	\$51,365,000
Total Positions	237.0	235.0	241.0
Source of Funds:			
General	\$13,569,000	\$14,552,000	\$17,431,000
Community Development Block Grant	12,120,000	11,009,000	28,796,000
Federal and State Grants	1,741,000	2,230,000	2,740,000
HOME Program Grant	2,567,000	3,542,000	2,035,000
Other Restricted	141,000	155,000	60,000
City Improvement Funds	—	302,000	303,000

Neighborhood Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Residents who receive landlord/tenant counseling	6,082	6,500	6,500
Neighborhood cleanup/resident meetings facilitated	967	900	900
Dollar value of infrastructure and development projects completed	\$35,545,771	\$22,937,654	\$20,040,410
Sites where graffiti was removed through the Graffiti Busters Program	48,552	60,000	70,000
Homeowner-occupied housing rehabilitation projects completed	540	300	350
Percent of neighborhood preservation cases resolved voluntarily	87%	85%	85%
Neighborhood preservation average response time from first call to initial inspection for occupied/non-hazard cases (in calendar days)	11	10	10
Neighborhood preservation average response time from first call to initial inspection for vacant/non-hazard/other non-pre-notification cases (in calendar days)	6	5	5
Properties acquired/demolished/redeveloped for neighborhood revitalization purposes	182	150	180

*Based on 10 months actual experience.

HOPE VI PROJECT

Program Goal

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

Budget Allowance Explanation

The Hope VI Project 2007-08 gross operating budget allowance of \$928,000 is \$126,000 or 12.0 percent less than 2006-07 estimated expenditures. This decrease reflects the elimination of an accountant position and the transfer of another accountant position to the Finance Department. The budget also provides \$500,000 in General funds needed to complete the program by December 2008. These funds will be used to provide staff and administrative costs associated with the project.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$897,000	\$1,054,000	\$928,000
Total Positions	10.5	11.5	9.5
Source of Funds:			
General (Gross*)	\$897,000	\$1,054,000	\$928,000

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



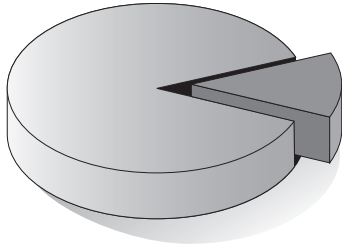
HOPE VI is a federal, grant-funded program created to rebuild old and/or severely distressed public housing. The new, diverse and vibrant community is located between Seventh and 15th avenues and Grant and Pima streets.



The Phoenix Parks and Recreation Department operates more than 200 parks throughout the city.

Community Enrichment

The Community Enrichment Program Represents 11.8% of the Total Budget.



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

PARKS AND RECREATION

Program Goal

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

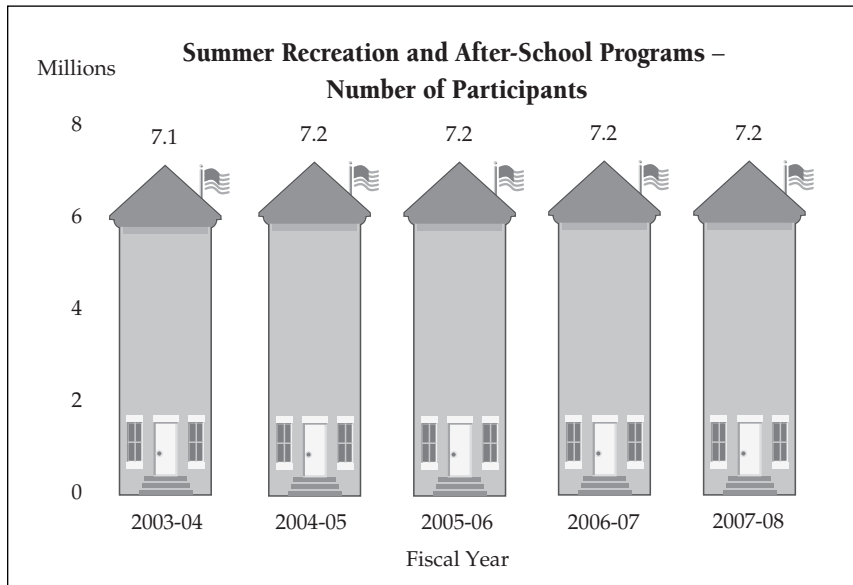
Budget Allowance Explanation

The 2007-08 Parks and Recreation budget allowance of \$124,479,000 is \$11,896,000 or 10.6 percent more than 2006-07 estimated expenditures. This increase is due to full-year's operating costs for facilities opened in 2006-07, operating costs for new or expanded facilities opening in 2007-08, some restorations of prior year budget

cuts, some service additions, and normal inflationary adjustments.

The budget provides for additional staff and operating costs to open and maintain new or improved park facilities (\$2,667,000) constructed with Parks and Preserve Initiative funds, impact fees and other funds. These facilities include the Enchanted Island at Encanto Park, a park at 71st Avenue and Elwood Street, the Reach 11 Field of Dreams baseball complex, and new amenities at the Rio Salado Habitat. The budget also provides staff and other operating costs for maintenance and security of newly acquired undeveloped mountain preserves and undeveloped flatland parks, maintenance of new trails in the Sonoran Preserves, and maintenance of street landscaping of new streets citywide.

The budget also restores some services that were cut in prior years and expands



other services. Park maintenance staff and supporting costs are partially restored. Also, funding for summer swimming pool hours will be partially restored by keeping all pools open on weekends beginning in August and continuing through Labor Day. In addition, the budget restores street landscape maintenance crews, adds a crew for west Phoenix and begins to restore community center hours. Finally, the budget provides funds to enhance the city's after-school program and to begin capital improvements at Cementerio Lindo located at 15th Avenue and Durango Street.

The budget also adds a position to coordinate and conduct the archeological reviews of city projects. Costs for this position will be charged to capital projects. Also included in the budget is the conversion of a part-time position to

full-time at the Pecos Community Center to improve customer service, and the conversion of two part-time positions to one regular position to provide year-round maintenance at the Municipal Stadium. Costs for these positions will be offset by various line item reductions.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$100,194,000	\$112,583,000	\$124,479,000
Total Positions	1,530.4	1,613.9	1,692.6
Source of Funds:			
General	\$94,111,000	\$104,172,000	\$116,033,000
Other Restricted	2,956,000	3,603,000	3,531,000
City Improvement	1,494,000	1,897,000	1,937,000
Federal and State Grants	1,012,000	2,209,000	2,192,000
Convention Center	378,000	420,000	490,000
Parks and Preserves	161,000	172,000	186,000
Golf	82,000	110,000	110,000

Parks and Recreation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Acres maintained:**			
Developed parks	4,395	4,506	4,634
Undeveloped park land	3,946	4,036	4,036
Parkways and medians	885	896	1,015
Preserves/desert parks	29,376	32,625	33,522
Cost per acre for annual maintenance:			
Developed parks	\$7,436	\$6,919	\$7,733
Undeveloped park land	\$2,016	\$1,893	\$2,189
Preserves/desert parks	\$206	\$196	\$227
Acres of developed parks per 1,000 population			
	2.83	3.01	3.00
Number of volunteer hours			
	148,000	150,000	150,000
At-Risk-Youth participants			
	214,000	210,000	210,000
Aquatic participants			
	894,000	800,000	860,000
All other recreation services participants***			
	30,758,000	30,000,000	31,000,000

*Based on 10 months actual experience.

**Figures include newly acquired parcels, changes in undeveloped park sites to developed facilities and other adjustments necessary to accurately reflect the total acreage under the department's control.

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

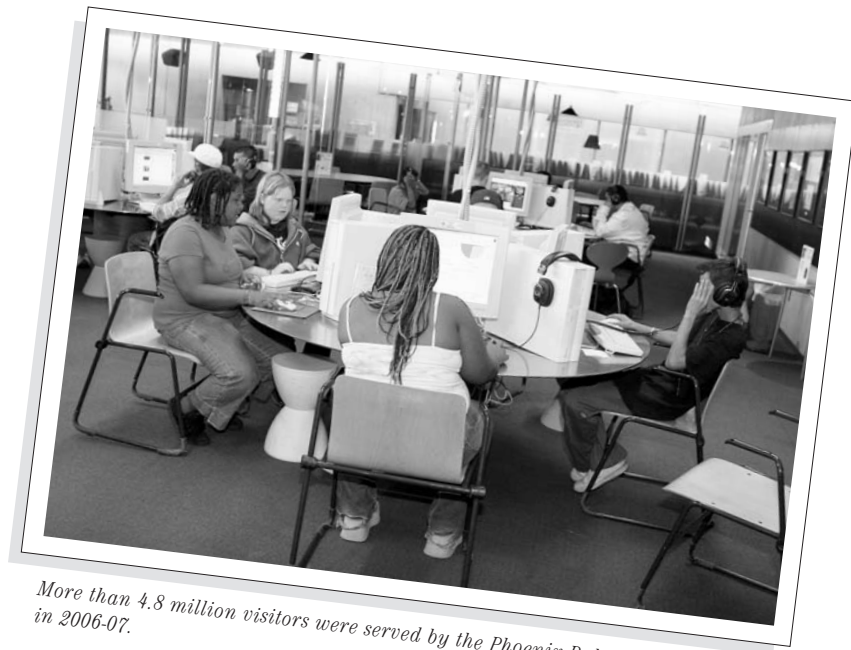
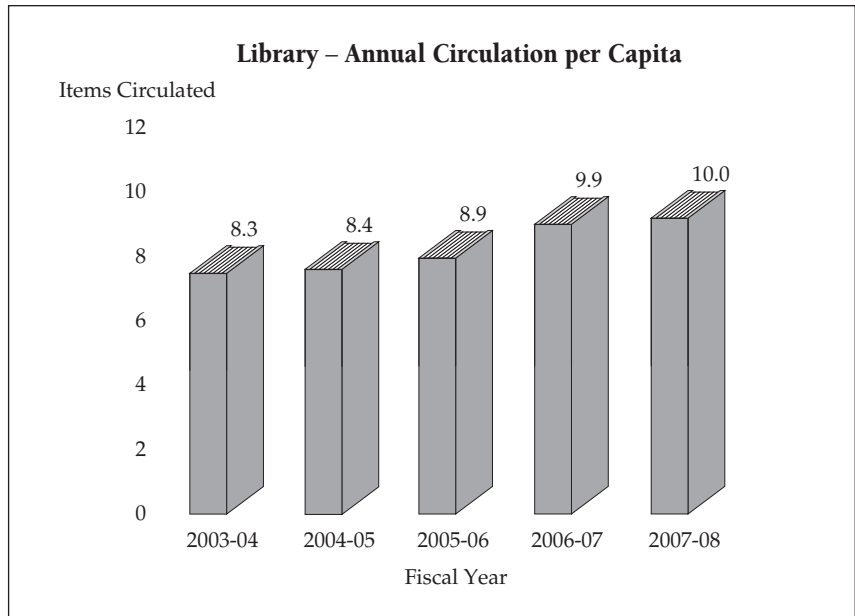
LIBRARY

Program Goal

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

Budget Allowance Explanation

The Library 2007-08 budget allowance of \$40,606,000 is \$4,338,000 or 12.0 percent more than 2006-07 estimated expenditures. The increase is due to budget restorations, new capital facility operating costs and



More than 4.8 million visitors were served by the Phoenix Public Library in 2006-07.

normal inflationary increases. The budget also includes the carry-forward of 2006-07 technology funds to better coordinate with a planned bond-funded project.

The budget includes start-up staff costs for the new Agave regional library scheduled to open in July 2008. The budget also begins to restore library services by opening libraries one hour earlier at 9 a.m. rather than 10 a.m., Monday through Saturday.

Also included in the budget is the conversion of a part-time technology specialist to full time to manage the complex technology environment in the Library system.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$33,211,000	\$36,268,000	\$40,606,000
Total Positions	420.0	436.5	474.0
Source of Funds:			
General	\$32,801,000	\$35,640,000	\$39,267,000
Federal and State Grants	221,000	375,000	385,000
Other Restricted	189,000	253,000	954,000

Library Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07 *	2007-08
Number of library visitors served	4,352,667	4,803,131	5,010,131
Number of electronic visits	13,204,342	16,198,171	17,494,025
Annual budget for purchase of library materials	\$5,883,618	\$6,343,330	\$6,624,497
Cost per library visitor served	\$7.63	\$7.55	\$8.10
Number of items circulated:			
Central	2,479,273	2,669,010	2,709,045
13 Branches	10,512,327	12,567,292	13,017,292
Cost per item circulated	\$2.56	\$2.38	\$2.58
Circulation per library visit	2.98	3.17	3.14
Collection turnover rate	6.62	7.73	7.82
Library card registration as a percentage of population	67.9%	59.0%	68.0%
Number of books in stock	1,963,228	1,970,827	2,011,627
Number of telephone reference requests answered	110,163	99,494	101,484
Annual circulation per capita	8.78	10.06	10.14
Number of hours open for public service per week	924	957	1080

*Based on 10 months actual experience.

GOLF

Program Goal

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

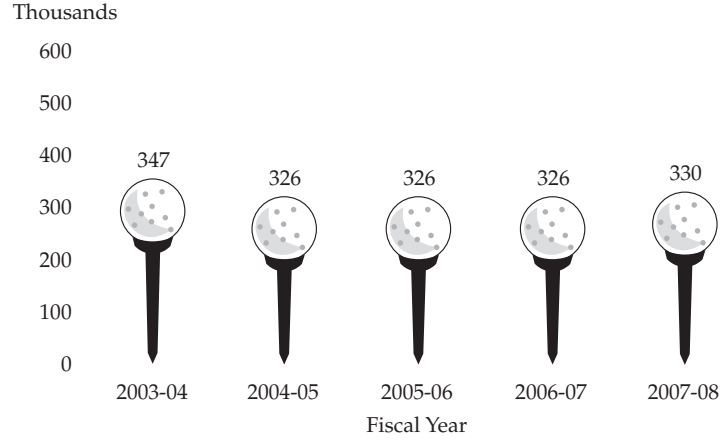
Budget Allowance Explanation

The Golf 2007-08 operating budget allowance of \$8,981,000 is \$1,078,000 or 13.6 percent more than 2006-07 estimated expenditures. This is due to increases in commodities due to over-seeding of the golf courses, bringing the operation of all golf pro shops in-house during the current year and the replacement of a large piece of capital equipment necessary to maintain large fairways.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$6,423,000	\$7,903,000	\$8,981,000
Total Positions	140.0	140.0	140.0
Source of Funds:			
Golf	\$6,423,000	\$7,903,000	\$8,981,000

City Golf Courses – Rounds of Golf Played



Golf Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Acres of golf courses maintained	922	922	922
Annual cost of maintenance per acre	\$5,721	\$5,721	\$5,652
Cost per participant	\$26.09	\$26.09	\$21.25

*Based on 10 months actual experience.

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 operating budget allowance of \$48,209,000 is \$7,723,000 or 19.1 percent more than 2006-07 estimated expenditures. The increase is primarily the result of service enhancements, normal inflationary increases and increased costs for debt service.

The budget provides for staff and contractual services to provide increased levels of customer service by expanding the Guest Experience Program, improving information technology services available to clients, and providing seamless accounts payable services to clients. Also included is staff and other resources to improve management of information technology assets in the newly opened West building, to increase maintenance of the West building, and to expand sales and event planning services to meet demand for expansion of the North building. Finally, staff is added to improve financial management of the Capital Improvement Program budget and maintain turn around times on purchasing requests.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$34,356,000	\$40,486,000	\$48,209,000
Total Positions	209.4	213.4	229.9
Source of Funds:			
Convention Center	\$30,322,000	\$36,285,000	\$41,914,000
General	1,978,000	2,037,000	2,622,000
City Improvement	1,556,000	1,664,000	3,173,000
Sports Facilities	500,000	500,000	500,000



The Phoenix Convention Center's West Building features architectural elements capturing the geography of Arizona, with a dramatic, 140-foot glass and stone atrium as the building's signature design element.



Phoenix Convention Center Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

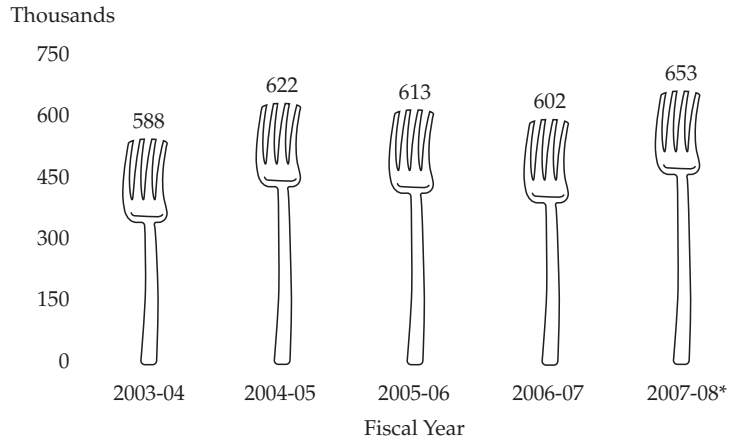
	2005-06	2006-07*	2007-08
Estimated direct spending impact from conventions (millions)**	\$137.5	\$138.4	\$135.3
Number of convention delegates	94,785	90,000	85,200
Number of conventions**	40	51	49
Number of local public shows	49	35	32
Percent square feet occupancy (all events)	58%	52%	48%
Number of theatrical performances	354	360	367
Total theater attendance	339,443	342,500	349,000
Total parking revenue (millions)**	\$6.2	\$6.4	\$6.3
Revenue per parking space	\$830	\$895	\$880
Operating expense per parking space	\$692	\$742	\$780

*Based on 10 months actual experience.

**Estimated direct spending impact is reported by the Greater Phoenix Convention and Visitors Bureau. Estimated direct spending impact and the number of conventions is decreasing in 2007-08 due to the lack of contiguous space. Bookings are expected to continue to decrease until expansion of the North building is complete. Total parking revenue and revenue per parking space is projected to slightly decrease in 2007-08 due to the effect of construction on garage usage.



Human Services – Meals Served by Senior Nutrition Program



*Projection includes additional meals anticipated with a full year of operations at Shadow Mountain, Westside and Pecos senior centers.

HUMAN SERVICES

Program Goal

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

Budget Allowance Explanation

The Human Services operating budget allowance of \$66,525,000 is \$1,768,000 or 2.7 percent more than 2006-07 estimated expenditures. This increase is primarily due to the full year of operation of the Shadow Mountain, Westside and Pecos senior centers opened during 2006-07, budget additions and normal inflationary increases. These increases are partially offset by decreases in grant funds which



The Head Start Program serves more than 3,700 children each year.

reflect conservative projections for the 2007-08 budget.

The budget includes funding to increase senior programming at the Paradise Valley and Devonshire senior centers and increased staffing for food services at five senior centers (Deer Valley, Desert West, McDowell Place, Paradise Valley and South Mountain). Costs associated with additional senior programming are largely offset by a reduction in other department positions vacant for some time. The budget also includes funding for summer operations at the Watkins Overflow Shelter and begins to restore funding for the Summer Youth Work Experience Program.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$62,316,000	\$64,757,000	\$66,525,000
Total Positions	493.0	501.2	505.4
Source of Funds:			
General	\$23,891,000	\$26,181,000	\$30,001,000
Human Services			
Grants	35,980,000	35,945,000	34,255,000
Community Development			
Block Grant	1,162,000	1,256,000	936,000
Federal and State Grant	230,000	324,000	384,000
City Improvement	266,000	457,000	457,000
Water	250,000	250,000	250,000
Transit 2000	156,000	156,000	156,000
Public Housing	101,000	34,000	—
Other Restricted	280,000	154,000	86,000

Human Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of children in Head Start	3,864	3,700	3,700
Number of students receiving school-based services	3,024	800	800
Community Services Division unduplicated households served	17,769	19,775	18,772
Number of community volunteer hours managed by Human Services staff	163,758	150,000	150,000
Average monthly downtown homeless population:			
Sheltered	639	784	784
Unsheltered	86	94	94
Persons served at the Watkins shelter	4,723	2,583	3,758
Senior clients receiving daily meals	2,453	2,687	2,725
Daily average number of Reserve-a-Ride passengers	578	626	626
Small Business	81	75	75
Summer Youth	1,175	900	1,014
Youthbuild	30	30	30

*Based on 10 months actual experience.

Unduplicated households assisted by the Community Services Division is projected to decrease in 2007-08 due to a decrease in funding from the Department of Economic Security. The number of community volunteer hours managed by staff continues to decrease due to reduced Local Law Enforcement Block Grant (LLEBG) funding for youth programs and lower volunteer participation at senior centers. Decrease in number of persons served at the winter shelter in 2006-07 is a result of program changes to serve only single women and families. Increases in persons served at the Watkins shelter is projected in 2007-08 as a result of additional funding in 2007-08 budget to address homelessness. Number of senior clients receiving daily meals has increased over 2004-05 levels due to expanded space at Devonshire, Westside and Shadow Mountain senior centers. 2007-08 senior client levels reflect an entire year of operation at Devonshire, Westside and Shadow Mountain senior centers. The increase in summer youth activities is a result of 2007-08 program restoration which will fund an additional 114 summer youth jobs. Youthbuild projections reflect the difficulty in recruiting and retaining participants.

EDUCATION AND YOUTH PROGRAMS

Program Goal

The Education and Youth Programs function facilitates communication, information and coordination between city departments and schools to better serve the youth of our community.

Budget Allowance Explanation

The Education and Youth Programs operating budget allowance of \$1,160,000 is \$85,000 or 7.9 percent more than 2006-07 estimated expenditures. The budget reflects normal inflationary increases. The budget also provides for the conversion of program related expenses to a part-time intern to develop content for the Youth Town Hall events.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$915,000	\$1,075,000	\$1,160,000
Total Positions	5.8	7.8	8.4
Source of Funds:			
General	\$716,000	\$800,000	\$866,000
Other Restricted	201,000	275,000	294,000
Federal and State Grants	(2,000)	—	—

INTERNATIONAL AND SISTER CITIES PROGRAMS

Program Goal

International and Sister Cities Programs create exceptional people-to-people opportunities for Phoenix residents, businesses and organizations to experience and understand other cultures through international partnerships.

Budget Allowance Explanation

The International and Sister Cities Programs 2007-08 operating budget allowance of \$690,000 is \$84,000 or 13.9 percent more than 2006-07 estimated expenditures. This increase reflects the addition of an administrative aide and normal inflationary increases. The

Education and Youth Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of subscribers to receive online principal's letter, youth newsletter and KNOW99 schedule	3,071	4,022	3,275
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)	543	540	545
Number of participants in Phoenix Principal for a Day event	178	146	180
Number of KNOW99 productions	20	60	60

*Based on 10 months actual experience.

administrative aide position will be used to improve customer service and enhance communication with committee members. The budget also converts two temporary support positions to regular positions.

Expenditure and Position Summary

	2005-06	2006-07*	2007-08
Operating Expense	\$540,000	\$606,000	\$690,000
Total Positions	5.0	5.0	6.0
Source of Funds:			
General	\$540,000	\$606,000	\$690,000

International and Sister Cities Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Customer satisfaction with events and activities	9.1	9.1	9.1
Percentage of scheduled events completed	100	100	100

*Based on 10 months actual experience.

RIO SALADO

Program Goal

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

Budget Allowance Explanation

The Rio Salado 2007-08 operating budget allowance of \$163,000 is \$9,000 or 5.8 percent more than the 2006-07 estimated expenditures. This increase reflects normal inflationary adjustments.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$144,000	\$154,000	\$163,000
Total Positions	1.0	1.0	1.0
Source of Funds:			
General	\$144,000	\$154,000	\$163,000

HISTORIC PRESERVATION OFFICE

Program Goal

The Historic Preservation Office works to support the protection, preservation and designation of historic resources throughout the city. The office also works with other city departments to encourage projects that are sensitive to historic building and district character.

Budget Allowance Explanation

The Historic Preservation Office operating budget allowance of \$749,000 is \$144,000 or 23.8 percent more than 2006-07 estimated expenditures. This increase is primarily due to budget additions, additional technology costs for system expansion and normal inflationary increases. Budget additions include a

Rio Salado Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Federal funding for ecosystem restoration**	\$53 million	\$63 million	\$65 million
Status of Rio Salado Oeste Feasibility Report (percent complete)	75%	90%	100%
Customer service (1-10 scale)	10	9.0	10

*Based on 10 months actual experience.

**Project to be completed by 2007-08.

These performance measures relate to the Army Corps of Engineers federal funding and contracts.

position to improve design review and customer service at the counter, and a position to manage the historic preservation bond program. Costs for the second position will be charged to historic preservation projects.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$511,000	\$605,000	\$749,000
Total Positions	6.0	6.0	8.0
Source of Funds:			
General	\$511,000	\$605,000	\$749,000

Historic Preservation Office Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Number of design reviews performed on building permits in historic districts	372	409	425
Number of city grants awarded for historic rehabilitation projects	32	44	44

*Based on 10 months actual experience.

PHOENIX OFFICE OF ARTS AND CULTURE

Program Goal

The Office of Arts and Culture supports the development of the arts and cultural community in Phoenix, and seeks to raise the level of awareness and participation of city residents in the preservation, expansion and enjoyment of arts and culture.

Budget Allowance Explanation

The Office of Arts and Culture operating budget allowance of \$2,225,000 is \$32,000 or 1.5 percent more than 2006-07 estimated expenditures. The increase is the result of the partial restoration of arts grants funding and normal inflationary increases. This is offset by a reduction in state grants. The budget also adds a position to coordinate projects for the percent-for-art program. Costs of the position will be charged to project funds.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$2,312,000	\$2,193,000	\$2,225,000
Total Positions	12.5	12.5	13.5
Source of Funds:			
General	\$1,184,000	\$1,216,000	\$1,389,000
Local Transportation Assistance	106,000	106,000	106,000
Federal and State Grants	772,000	621,000	475,000
Other Restricted	250,000	250,000	255,000



Magic Carpet by Roberto Behar and Rosario Marquardt at the Camelback Pedestrian Underpass, completed May 2007 through the Phoenix Office of Arts and Culture Public Art Program and the Street Transportation Department's Percent for Art Funds. Photo by Tim Lanterman..



Office of Arts and Culture Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance.

	2005-06	2006-07*	2007-08
Grant applications processed to support arts activities through schools and nonprofit organizations	125	138	142
Grant awards administered to support arts activities through schools and nonprofit organizations	116	101	110
Percent-for-art projects to enhance city capital improvement projects with artwork	54	61	70
Local artists/arts organizations training workshops	14	16	16
Arts management consulting projects coordinated by Business Volunteers for the Arts	49	43	46

*Based on 10 months actual experience.

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

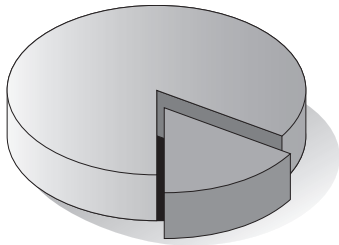




The Public Works Department collects bulk trash four times each year. Bulk trash consists mainly of materials that cannot be placed in garbage or recycling containers for weekly solid waste collection.

Environmental Services

The Environmental Services Program Represents 16.4% of the Total Budget.



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

WATER SERVICES

Program Goal

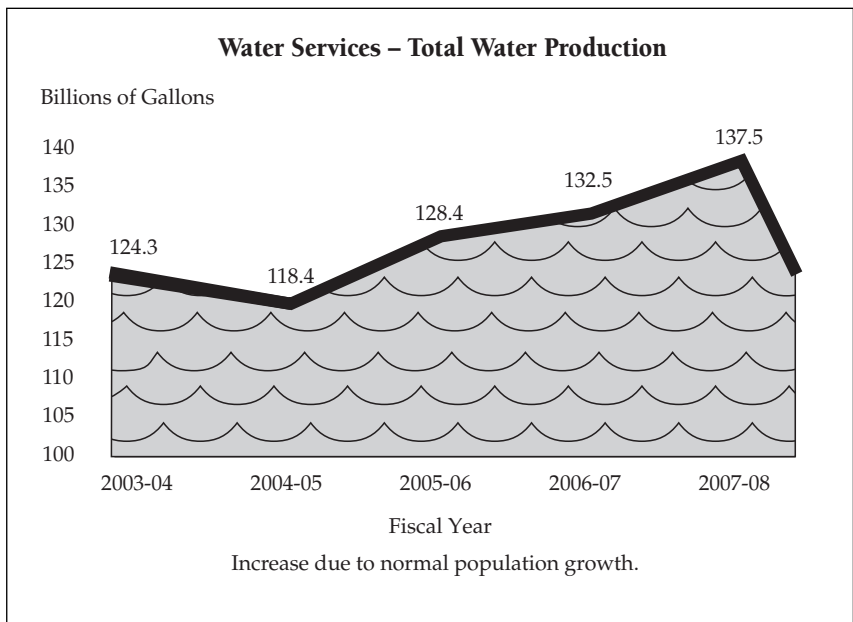
The Water Services Department is responsible for the Water and Wastewater programs. The Water Program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. The Wastewater Program assists in providing a clean, healthy environment through the effective management of all water borne wastes generated within the Phoenix drainage area.

Budget Allowance Explanation

The Water Services operating budget allowance of \$265,089,000 is \$28,030,000 or 11.8 percent more than 2006-07 estimated expenditures. The increase is primarily due to increases in prices for sludge

hauling and odor control services, budget additions and normal inflationary increases. The budget also includes the carry forward of unspent 2006-07 funds for the payment of outstanding claims related to a water main break, various ADA upgrades and various telecommunications upgrades.

Budget additions include staff and other resources to improve technical support for security systems, implementing a meter replacement program to replace 39,000 under-registering meters, and maintaining consistent treatment processes at treatment plants. Also included is funding for additional staff and equipment to create a rapid-response crew to perform emergency repairs, develop and implement a strategic communications plan, and maintain service levels at the Water Customer Services Call Center and Water Distribution Communications



Dispatch Center. In addition, funding is included for staff to improve staffing ratios, develop infrastructure master plans, and develop plans for the 2005 Water Resources Plan update.

The budget also provides funding for staff and resources to reduce overtime and meet equipment maintenance schedules at wastewater treatment plants, provide electrical maintenance for the new water-activated sludge thickening and chlorine system at the 91st Avenue wastewater treatment plant, and convert the odor control pilot program along the Southern Avenue Interceptor into an

ongoing program. In addition, contracted vactor truck service is converted to the staff and supplies necessary to provide this service in-house. Improved supervision of the blue stake program, added supervision for the expansion of the 91st Avenue wastewater treatment plant, and improved service levels for plan and new facility reviews are also included. Finally, a technology project leader is included to improve project planning and implementation. Costs for this position are offset by the elimination of a vacant technology position.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$207,827,000	\$237,059,000	\$265,089,000
Total Positions	1,416.1	1,415.1	1,447.1
Source of Funds:			
Water	\$132,872,000	\$155,107,000	\$174,862,000
Wastewater	73,951,000	81,845,000	90,113,000
City Improvement	901,000	—	—
Other Restricted	103,000	107,000	114,000



Phoenix has one of the most aggressive leak repair programs in the country. Workers use state-of-the-art electronics to listen for leaks in the city's underground lines and try to repair leaks within five business days.



Water Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07 *	2007-08
Gallons of water produced systemwide (in billions)	128.4	132.5	137.5
Gallons of wastewater treated (in billions)	69.5	67.5	67.4
Gallons of water supplied to consumers per \$.01	4.27	3.90	3.56
Miles of wastewater collection lines cleaned	1,535	1,556	1,556
Laboratory analyses and analytic screenings conducted in-house	79,569	81,500	81,500
Telephone calls:			
Received	929,875	958,000	984,000
Percent answered	95%	95%	96%
Customer payments processed by customer services staff (excludes mailed payments)	1,333,443	1,452,000	1,650,000
Emergency repairs to water distribution system	5,671	6,500	6,500
Percent of service leaks repaired within the five-day standard	90%	95%	96%
Average gallons of water used per capita per day	199	200	199

*Based on 10 months actual experience.

Gallons of water produced systemwide (in billions) increased due to population increases and increased demand from the city of Mesa. Gallons of water supplied per \$.01 decreased as a result of water rate increases needed to support debt service for new treatment facilities and replacement of existing infrastructure.



SOLID WASTE MANAGEMENT

Program Goal

The Solid Waste Management Program assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, source reduction and recycling activities.

Budget Allowance Explanation

The 2007-08 Solid Waste Management operating budget allowance of \$114,031,000 is \$12,967,000 or 12.8 percent more than 2006-07 estimated expenditures. This increase includes costs for procuring solid waste containers and refuse barrels,

increases in fuel prices, increases in solid waste tonnage and fees, the carryover of costs associated with various remodeling projects and software upgrades; and other inflationary increases.

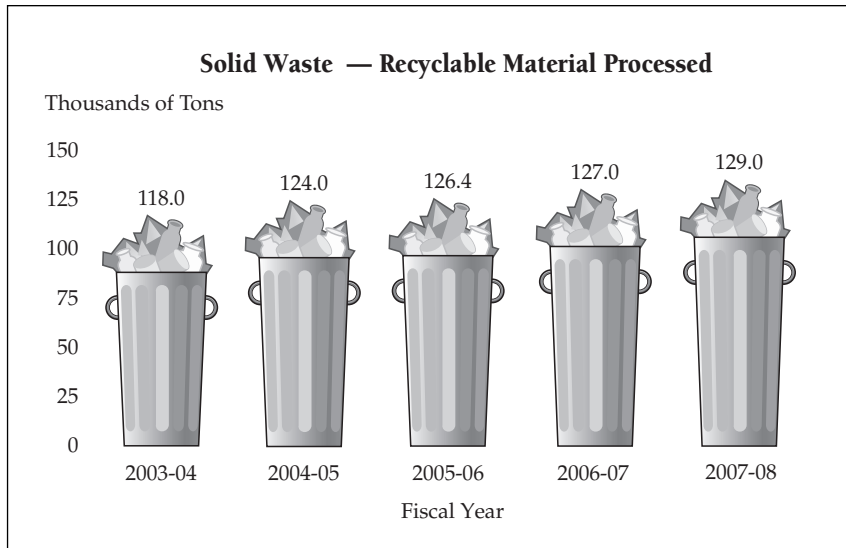
Budget additions include staff and equipment needed to keep pace with increases in contained residential solid waste disposal and the growth at the 27th Avenue Solid Waste Management Facility. Also, staff and equipment is added to clean up illegally dumped waste. Funding to implement electronic routing also is added in the budget.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$83,670,000	\$101,064,000	\$114,031,000
Total Positions	519.0	531.0	550.0
Source of Funds:			
Solid Waste	\$82,829,000	\$99,956,000	\$112,886,000
General	841,000	1,108,000	1,145,000



Recyclables are collected weekly from more than 379,000 Phoenix homes.



Solid Waste Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Residential households served with twice-per-week contained solid waste and recyclable material collections	366,903	379,270	386,100
Tons of residential recyclable materials collected	126,400	127,000	129,000
Tons of total solid waste disposed at city landfills	1,029,700	1,170,000	1,190,000
Tons of solid waste from city residences disposed	741,700	800,000	812,000

*Based on 10 months actual experience.



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 2007-08 Public Works operating budget allowance of \$27,834,000 is \$3,780,000 or 15.7 percent more than 2006-07 estimated expenditures. This increase is primarily due to budget additions and inflationary increases for

fuel and utilities and is partially offset by purchases of fleet vehicles and various facility improvements carried over to 2007-08.

Budget additions included in the 2007-08 operating budget include the restoration of five positions needed to keep pace with facility maintenance and security and one auto mechanic to ensure proper maintenance of public safety vehicles.

The budget also reflects a Development Services-funded auto mechanic to maintain an acceptable ratio of mechanics-to-vehicles due to recent additions in the Development Services Department.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$23,697,000	\$24,054,000	\$27,834,000
Total Positions	498.0	506.0	522.0
Source of Funds:			
General	\$16,601,000	\$17,812,000	\$21,119,000
City Improvement	5,371,000	6,186,000	6,198,000
Other Restricted	1,725,000	56,000	517,000

Public Works Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Square footage of buildings maintained	7,448,987	8,417,854	9,425,000
Facility service requests completed	19,303	21,695	23,500
Fleet vehicles per mechanic	40.0	39.3	40.3
Units of equipment for which fleet management is provided	6,883	7,000	7,175
Annual miles of fleet vehicle utilization (in millions)	54.7	56.0	56.5

*Based on 10 months actual experience.

ENVIRONMENTAL PROGRAMS

Program Goal

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

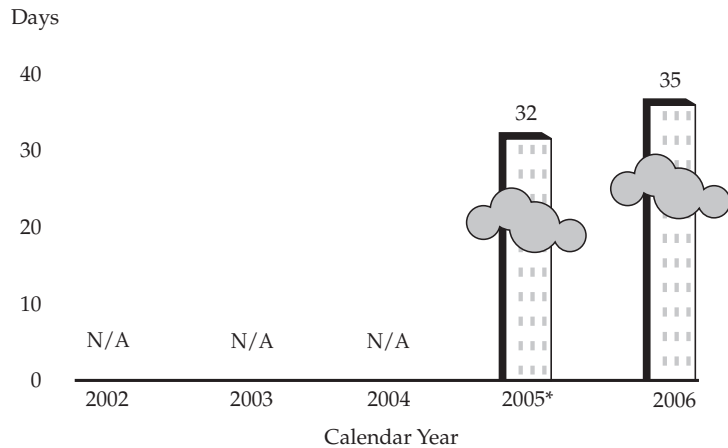
Budget Allowance Explanation

The 2007-08 Office of Environmental Programs operating budget allowance of \$2,292,000 is \$436,000 or 23.5 percent more than the 2006-07 estimated expenditures. This increase includes normal inflationary increases, budget additions, a new grant for brownfields training, and the carryover of the Brownfields Light Rail Assessment grant. Budget additions include funding for a position to implement enhancements to the Dust Control Program.

Expenditure and Position Summary

	2005-06	2006-07	2007-08
Operating Expense	\$1,652,000	\$1,856,000	\$2,292,000
Total Positions	15.0	15.0	16.0
Source of Funds:			
General	\$1,197,000	\$1,469,000	\$1,669,000
Water	212,000	262,000	246,000
Capital Construction	30,000	100,000	101,000
Federal & State Grant	213,000	25,000	276,000

**Environmental Programs
Number of Days Exceeding Air Quality Standards**



*The number of days exceeding standards in 2005 reflects a federally required change from a one hour to an eight hour standard. Comparable data is not available for prior years.

Environmental Programs Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2007-08 budget allowance:

	2005-06	2006-07*	2007-08
Employees receiving training on environmental issues	2,040	2,000	2,000
Number of facility assessments and technical assistance visits conducted**	82	141	65
Number of brownfield projects implemented	37	40	45
Overall customer satisfaction with technical and regulatory assistance	96%	94%	94%
Pollution prevention and hazardous materials/hazardous waste compliance assistance provided***	79	50	50

*Based on 10 months actual experience.

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

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

Contingencies

The Contingency Fund (also commonly referred to as a “rainy day fund”) provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of these contingency funds requires the recommendation of the city manager and City Council approval.

GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2006-07 budgeted level of \$28,860,000 to \$34,230,000. This increases the General Fund contingency to 2.9 percent of operating expenditures.

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

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 if the local economy continued its strong performance and General Fund revenues would provide for an increased Contingency Fund and improvements to community services. The 2007-08 budget increases the contingency amount by \$5,370,000 and also increases the percentage from the current year’s 2.7 percent to 2.9 percent of General Fund

operating expenditures.

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 2007-08.

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
1998-99	\$748,937	\$21,000 1,150	2.8
1999-00	797,633	23,408 1,800	2.9
2000-01	883,196	26,780 4,600	3.0
2001-02	887,644	26,550 7,600	3.0
2002-03	912,192	27,190 3,652	3.0
2003-04	912,583	22,700 —	2.5
2004-05	925,603	23,800 —	2.6
2005-06	965,936	24,740 —	2.6
2006-07	1,079,000	28,860 —	2.7
2007-08	1,184,192	34,230	2.9

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





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.

2007-08 Other Fund Operating Expenditure and Contingency Amount (000's)

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$131,204	\$11,700	8.9
Development Services	73,182	10,000	13.7
Aviation	217,264	14,000	6.4
Water	207,471	30,000	14.5
Wastewater	105,921	14,820	14.0
Solid Waste	116,886	4,000	3.4
Convention Center	48,754	5,000	10.3
Golf	9,141	50	0.5
Public Safety Enhancement	29,937	900	3.0

Debt Service

Debt service expenditures include payments of principal, interest, sinking fund contributions, costs of issuance and bond reserve requirements for bonds issued. The debt service allowance in 2007-08 for existing debt and future bond sales is \$631,021,000. As shown in the pie chart to the right, the \$631.0 million is funded by Secondary Property Tax, Water, Aviation, Wastewater, City Improvement, Convention Center, and Solid Waste funds. Other funding sources include Sports Facilities, Golf and Grant funds. City Improvement includes \$72.0 million in general government nonprofit corporation bonds debt service payments funded by the General (\$32.0 million) and Transit 2000 (\$40.0 million) portions of excise tax funds.

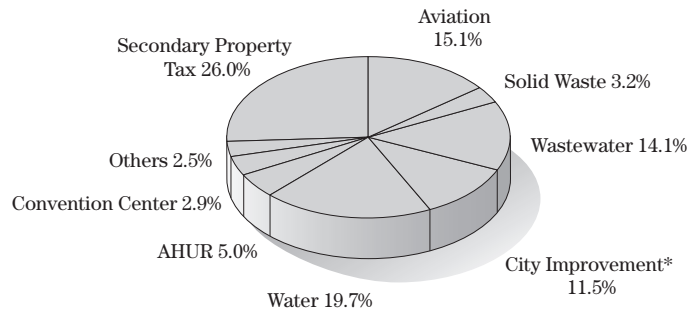
Secondary Property Tax shown in the pie chart above represents the annual tax levy for debt service and related interest earnings.

Types of Bonds Issued and Security

Under Arizona law, cities are authorized to issue voter-approved general obligation, highway user revenue and utility revenue bonds. For the city of Phoenix, this includes property tax-supported bonds and revenue bonds (such as water revenue and airport revenue bonds).

The city's general obligation bonds are "full faith and credit" bonds. This means they are secured by a legally binding pledge to levy property taxes without limit to make annual bond principal and interest payments. Water and airport revenue bonds are secured by a pledge of these enterprises' net revenues (revenues

2007-08 Debt Service



*Funded by the General and Transit 2000 taxes.

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. However, these bonds are repaid from the revenues of these enterprises, not from property taxes or other general revenues.

The city's policy of servicing bonds issued for enterprise purposes with enterprise revenues (for both revenue and general obligation bonds) is viewed favorably by municipal bond analysts. This practice permits the city to maintain a low-to-moderate debt burden on the property tax base. This debt burden is a key measure evaluated by analysts to assess the city's financial strength. Since the 1950s, the city has used a community review process to develop and acquire voter approval for general obligation bond programs.

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

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 following table is a statement of the city's bonded indebtedness as of April 1, 2007.

Statement of Bonded Indebtedness

General Obligation Bonds (In Thousands of Dollars) ⁽¹⁾

Purpose	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds ⁽²⁾	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	\$869,983	\$ —	\$869,983	\$ —	\$869,983
Airport	—	20,840	20,840	33,155	53,995
Sanitary Sewer	—	61,821	61,821	—	61,821
Solid Waste	—	34,965	34,965	—	34,965
Water	—	110,036	110,036	—	110,036
Public Housing	—	—	—	1,285	1,285
Street and Highway	—	—	—	147,386	147,386
Subtotal	\$869,983	\$227,662	\$1,097,645	\$181,826	\$1,279,471
Less: Restricted Funds	(90,326)	—	(90,326)	—	(90,326)
Direct Debt	\$779,657	\$227,662	\$1,007,319	\$181,826	\$1,189,145
Less: Revenue Supported	—	(227,662)	(227,662)	(181,826)	(409,488)
Net Debt	\$779,657	\$ —	\$ 779,657	\$ —	\$ 779,657

(1) Represents bonds outstanding as of April 1, 2007. 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.

(2) Revenues remaining after payment of operation and maintenance expenses and revenue bond debt service requirements of the Phoenix aviation operations since 1967 and the Phoenix water system since 1942 have been paying the general obligation bond debt service requirements of each respective system. In addition, the debt service requirements on the city's sanitary sewer general obligation bonds are supported from revenues of the city's sanitary sewer system. This enterprise system was established in the 1980-81 fiscal year through the city's imposition of a sewer user charge beginning June 1, 1980. Also, since 1990-91, all solid waste bonds have been paid from the revenues of the Solid Waste Enterprise Fund.

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 April 1, 2007, based upon 2006-07 assessed valuation is shown in the following tables.

Debt Burden

Debt burden is a measurement of the relationship between the debt of the city supported by its property tax base (net direct debt) to the broadest and most generally available measure of wealth in the community: the assessed valuation of all taxable property and the assessed valuation adjusted to reflect market value. In addition, net debt can be compared to population to determine net debt per capita. The city makes these comparisons each time it offers bonds for sale. They are included in the official statements (bond prospectuses) that are distributed to prospective investors. The following table provides debt burden ratios as of April 1, 2007.

The city's debt burden remains in the low-to-moderate range. This means the amount of net debt supported by the city's property tax base is moderate relative to the value of that tax base.

The city has considerable bonded debt outstanding. However, the use of revenue bonds for enterprise activities and enterprise-supported general obligation bonds, in combination with a well-managed, property tax-supported bond program, has permitted the maintenance of a low-to-moderate debt burden.

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

20% Constitutional Limitation	\$2,452,226,753
Direct General Obligation Bonds Outstanding ⁽¹⁾	(992,544,203)
Unused 20% Limitation Borrowing Capacity	\$1,459,682,550

(1) Represents general obligation bonds outstanding as of April 1, 2007.

All Other General Obligation Bonds

6% Constitutional Limitation	\$ 735,668,026
Direct General Obligation Bonds Outstanding	\$105,100,000
Less: Principal Redemption Funds held in Restricted Fund as of April 1, 2007	(90,325,636)
Direct General Obligation Bonds Outstanding	(14,774,364)
Unused 6% Limitation Borrowing Capacity	\$ 720,893,662

Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt Pop. Est. as of April 1, 2007 (1,583,700)	Secondary Assessed Valuation (\$12,261,133,763)	Full Cash Valuation (\$100,948,090,933)
Direct General Obligation Bonded Debt Outstanding as of April 1, 2007	\$636.05	8.22%	1.00%
Net Direct General Obligation Bonded Debt Outstanding as of April 1, 2007	\$492.30	6.36%	0.77%

General Government Nonprofit Corporation Bonds

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

The city's payments to the corporation are guaranteed by a pledge of excise taxes or utility revenues generated by the city's airport, water system or wastewater system. Pledged excise taxes may include city sales, use, utility and franchise taxes;

license and permit fees; and state-shared sales and income taxes.

The city has used nonprofit corporation financing selectively. In general, it has financed only those projects that will generate revenues adequate to support the annual debt service requirements or that generate economic benefits that more than offset the cost of financing. The city has also 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. The most recent ratings for excise tax revenue bonds by Standard and Poor's and Moody's Investors Service were AAA and Aa2, respectively.

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

Fund	2005-06 Actual	2006-07 Estimate	2007-08 Budget
Secondary Property Tax	\$112,829	\$120,209	\$164,127
Aviation	61,460	71,289	86,290
Arizona Highway User Revenue	31,247	31,242	31,246
Convention Center	20,423	18,590	18,586
General	23,854	28,953	31,984
Golf	579	849	851
Grant Funds - Transit and Housing	2,138	2,141	2,141
Solid Waste	17,797	21,635	20,269
Sports Facilities	6,519	9,386	9,177
Transit 2000*	27,680	38,452	40,321
Wastewater*	49,448	62,901	79,963
Water*	81,509	90,828	114,177
Capital Funds - Various Sources	13,025	166,359	31,888
Total	\$448,508	\$662,834	\$631,020
Type of Expenditure			
Principal	\$172,810	\$375,127	\$265,427
Interest	272,209	281,263	332,781
Issuance	3,489	6,444	32,812
Total	\$448,508	\$662,834	\$631,020

*Includes bonded debt and general government nonprofit corporation bond payments.

Principal and interest payments are detailed by program and fund in the 2007-08 Detail Budget document.

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 3, 2007, the City Council reviewed the Preliminary 2007-12 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 24 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 plan presented. The Capital Improvement Program reflected here includes the preliminary plan presented to City Council in April updated for project timing and cost changes and the newly approved Airport Development Plan.

2007-12 Capital Improvement Program Development

The annual citywide Capital Improvement Program update process began in January when departments prepared revised 2006-07 estimates and updated their five-year capital improvement programs. 2006-07 estimates reflect updated construction cost estimates, project delays, awarded contract amounts, project carry-overs and other program changes. The 2007-12 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. The city also has achieved better bid prices and increased competition for city projects by avoiding busy periods for the construction industry.

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 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 \$12.5 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 24, 2007, to review the 2006 bond-funded portion of the 2007-12 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 Land Use, Environment and Natural Resources 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.

In addition, a new 10-year Airport Development Plan (ADP) was presented to the City Council and approved in February 2007. The ADP identifies capital projects to be funded from airline rates and charges, passenger and customer facility fees, federal funds and other sources. Debt service and operations and maintenance of existing services and new facilities are also included in the financial plan.

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 phase of the expansion is now open for business and the next project phases are moving forward. 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 \$23 million each year for critical infrastructure improvements in the right of way. Citizen input from a series of public meetings supported using these funds for neighborhood street rehabilitation, sidewalks and wheelchair ramps, traffic safety and traffic calming projects and neighborhood traffic mitigation projects.

Funds 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. The 2007-12 Capital Improvement Program includes \$169.4 million of these funds, which are programmed for regional, community and neighborhood parks, and Sonoran Preserve land acquisition. Land acquisitions are planned and timed to take advantage of state grant funding opportunities. These funds are programmed only through 2009-10 reflecting the expiration of the 10-year sales tax.

Transit 2000 Funds

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

2007-12 Capital Improvement Program includes \$218.0 million of these funds, which are programmed for:

- Additional vehicles and upgrades to existing vehicles (\$7.7 million)
- New and expanded passenger and maintenance facilities (\$63.0 million)
- Bus pullouts, left-turn arrows and bicycle lanes (\$14.1 million)
- Technology upgrades (\$7.2 million)
- Light rail, bus rapid transit and related support services (\$123.0 million)
- Contingencies (\$3.0 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, Parks and Seniors Subcommittee before forwarding on to the City Council.

This program reflects the five-year Arterial Street plan approved by the City Council on May 1, 2007.

Programming of Impact Fees

In 1987, the City Council adopted an ordinance requiring new development in the city's peripheral planning areas to pay its proportionate share of the costs associated with providing public infrastructure. An impact fee program was developed that is based on projected infrastructure requirements within several planning areas. Impact fees collected for a specific planning area must be expended for capital infrastructure in the plan for that area and may not be used for any other purpose. In addition, impact

fee-funded projects must directly benefit the parties that paid the fees.

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

The underlying infrastructure financing

plans and fees are updated every three years with the most recent update having been completed and new fees implemented in mid-February 2007. In upcoming years, the plan and related fees will be updated for approximately one-third of the impact fee programs each year on a three-year cycle. Fees for programs not subject to a plan update will be updated annually using an appropriate cost index.

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

SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM (In Thousands of Dollars)

Program	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
Arts and Cultural Facilities	\$26,188	\$10,327	\$28	\$238	\$-	\$36,781
Aviation	435,257	650,541	200,679	244,839	693,290	2,224,606
Economic Development	27,490	39,920	12,830	10,230	2,000	92,470
Energy Conservation	1,575	1,250	1,388	1,450	1,450	7,113
Facilities Management	27,384	13,446	13,863	14,978	5,352	75,023
Fire Protection	29,074	14,800	20,103	19,197	-	83,174
Freeway Mitigation	5,157	-	-	-	-	5,157
Historic Preservation	5,618	3,085	1,730	3,054	-	13,487
HOPE	11,122	2,017	3,363	858	-	17,360
Housing	23,973	8,281	11,909	12,330	3,150	59,643
Human Services	13,568	5,400	6,000	5,900	-	30,868
Information Technology	13,706	9,551	9,927	6,233	-	39,417
Libraries	21,844	7,500	3,487	8,931	200	41,962
Neighborhood Services	15,300	7,850	7,850	8,119	-	39,119
Parks, Recreation and Mountain Preserves	243,056	57,908	35,210	20,145	-	356,319
Phoenix Convention Center	61,910	12,386	13,379	10,262	4,350	102,287
Police Protection	36,407	22,725	35,210	18,619	-	112,961
Public Transit	268,211	92,257	118,393	94,697	89,282	662,840
Solid Waste Disposal	36,802	17,340	20,746	20,999	9,383	105,270
Street Transportation and Drainage	196,014	155,105	135,335	158,035	128,960	773,449
Wastewater	388,374	114,330	159,737	87,534	164,214	914,189
Water	368,958	289,214	242,589	142,724	201,220	1,244,705
Total	\$2,256,988	\$1,535,233	\$1,053,756	\$889,372	\$1,302,851	\$7,038,200

Waste. Operating costs for the other 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 have worked

with Planning and operating department staff to appropriately program \$160.7 million in available impact fees in the 2007-12 Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.

**SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

Source of Funds	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
General Funds	\$15,106	\$6,932	\$5,675	\$4,302	\$3,302	\$35,317
Parks and Preserves	119,116	36,984	13,301	–	–	169,401
Transit 2000	42,920	42,386	50,488	54,054	28,139	217,987
Development Services	25	89	250	134	–	498
Capital Construction	28,415	20,175	22,135	22,556	22,919	116,200
Arizona Highway Users	96,358	71,868	77,901	82,467	84,747	413,341
Public Transit	15,428	3,037	8,675	8,488	34,249	69,877
Community Reinvestment	6,547	1,130	2,000	2,000	2,000	13,677
Community Development Block Grants (CDBG)	3,672	600	600	600	200	5,672
HOPE Grant	8,325	1,347	–	–	–	9,672
Other Restricted	1,363	–	–	–	–	1,363
Grant Funds	9,485	–	–	–	–	9,485
Enterprise Funds:						
Aviation	34,320	122,942	53,000	34,706	76,901	321,869
Water	68,678	93,827	78,993	113,286	98,518	453,302
Wastewater	45,652	39,190	40,391	56,779	42,276	224,288
Solid Waste	5,674	3,073	3,643	3,680	3,214	19,284
Convention Center	39,830	5,848	4,728	4,600	4,550	59,556
Total Operating Funds	\$540,914	\$449,428	\$361,780	\$387,652	\$401,015	\$2,140,789
Property Tax Supported:						
2006 Various Purpose	\$160,727	\$191,080	\$168,273	\$158,728	\$–	\$678,808
2001 Various Purpose	78,742	–	817	–	–	79,559
1989 Historic Preservation	217	–	–	–	–	217
1988 Various Purpose	2,684	–	–	–	–	2,684
Revenue Supported:						
1981 Various Purpose	6,825	–	–	–	–	6,825
Nonprofit Corporation Bonds:						
Aviation	258,089	493,508	132,887	190,807	499,701	1,574,992
Convention Center	19,727	–	–	–	–	19,727
Solid Waste	32,465	13,090	15,695	16,224	4,500	81,974
Transit 2000	176,591	33,500	14,000	–	–	224,091
Wastewater	239,417	48,560	98,726	15,152	93,304	495,159
Water	267,304	163,784	162,310	23,332	99,455	716,185
Other	28,222	1,268	792	–	–	30,282
Total Bond Funds	\$1,271,010	\$944,790	\$593,500	\$404,243	\$696,960	\$3,910,503

SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM (continued)
BY SOURCE OF FUNDS
(In Thousands of Dollars)

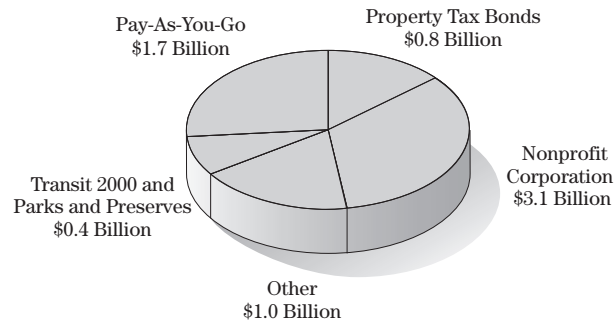
Source of Funds	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
Impact Fees	\$138,088	\$17,145	\$500	\$5,000	\$ –	\$160,733
Passenger Facility Charge	83,473	15,784	7,038	16,572	112,995	235,862
Other Cities' Share -						
SROG and Val Vista	95,942	46,822	23,361	17,719	32,381	216,225
Solid Waste Remediation	3,023	1,218	1,520	1,156	1,668	8,585
Capital Grants	82,646	35,073	57,300	38,576	33,537	247,132
Federal, State and Other Participation	19,788	2,535	7,881	18,454	24,295	72,953
Parks Capital Gifts	1,068	–	–	–	–	1,068
Private Participation	3,750	2,000	876	–	–	6,626
Capital Reserves	15,064	20,438	–	–	–	35,502
Other Capital	2,222	–	–	–	–	2,222
Total Other Capital Sources	\$445,064	\$141,015	\$98,476	\$97,477	\$204,876	\$986,908
TOTAL	\$2,256,988	\$1,535,233	\$1,053,756	\$889,372	\$1,302,851	\$7,038,200

2007-12 Capital Improvement Program Highlights

The Capital Improvement Program totals \$7 billion over the next five years. As shown in the pie chart, funding for the 2007-12 program comes from five main sources: \$0.8 billion in 1988, 1989, 2001 and 2006 voter-approved bond funds, \$3.1 billion in various nonprofit corporation bonds, \$1.7 billion in pay-as-you-go operating funds, \$0.4 billion in Transit 2000 and Parks and Preserve Initiative funds, and \$1.0 billion in other capital funds. The \$1.0 billion in other capital funds includes \$216.2 million in payments by other cities and agencies participating in Water and Wastewater projects, \$247.1 million in capital grants, \$160.7 million in development impact fees, \$235.8 million in passenger facility charges, \$80.6 million in other agency and private participation in projects, \$35.5 million in capital reserves, \$8.5 million in Solid Waste remediation funding, and \$2.2 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 (\$1.3 billion) and other capital financing (\$0.5 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 2007-08 Capital Budget by source of funds and the 2007-08 Capital Improvement Program by fund group and program. A brief overview of the five-year plan for each program follows.

2007-12 Capital Improvement Program Sources of Funds



Arts and Cultural Facilities

The \$36.8 million Arts and Cultural Facilities program is funded with 2001 and 2006 bonds and miscellaneous contributions. The following projects are planned for bond funding:

- Construct an expansion to the Museo Chicano
- Complete renovation of the Children's Museum of Phoenix
- 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 Arizona Opera and Ballet Arizona
- Renovate existing Black Theatre Troupe facility
- Renovate Carver Museum
- Address major maintenance, ADA and safety issues at city-owned cultural facilities.

Aviation

The Aviation program totals \$2.2 billion. Projects for Phoenix Sky Harbor International Airport and the two satellite airports, Phoenix Deer Valley and Phoenix Goodyear are included in the Aviation program. The Aviation program is funded with Aviation operating revenue, federal grant funds, Aviation nonprofit corporation bonds, and Passenger and Customer Facility Charge funds. The projects and funding included in this Aviation program are consistent with the recently adopted Airport Development Plan.

Major improvements planned for Sky Harbor International Airport include the following:

- Design and begin construction of a new West Terminal
- Develop airport expansion infrastructure
- Design and construct an automated train and related light rail station
- Reconstruct and expand taxiways

- Acquire and maintain properties for the Community Noise Reduction Program, the automated train and a light rail station
- Complete various development studies and consultant services
- Upgrade electrical system and expand Terminal 3 checkpoints
- Rehabilitate Terminal 4
- Expand and improve roadways
- Purchase additional buses and improve parking facilities
- Install intruder alarm and implement other security improvements

The Aviation program also includes taxiway, ramp and hangar improvements at the Phoenix Deer Valley, Goodyear and Williams Gateway airports and construction of an administrative office facility.

Economic Development

The \$92.5 million Economic Development program is funded with 2006 bonds, Community Reinvestment funds, and nonprofit corporation bonds and includes downtown and citywide economic development projects.

Downtown projects include acquiring land, renovating a building for the School of Journalism, designing the new University of Arizona College of Pharmacy and constructing infrastructure improvements to the Phoenix Biomedical

Campus. Land acquisition and site preparation near the downtown area for the expansion of the Life Sciences Research Park also is planned. Other projects include downtown infrastructure improvements to sidewalks, landscaping and lighting, business redevelopment and public art enhancements.

Other projects funded with 2006 bonds include the revitalization of public infrastructure in west Phoenix and acquisition of property for the relocation of the state fairgrounds.



The first phase of ASU Downtown Phoenix opened its doors in August 2006.



Energy Conservation

The \$7.1 million Energy Conservation program is funded with General, Convention Center, Wastewater and Water operating funds. This program includes projects to continue the city's energy conservation and cost reduction efforts at various city facilities.

The city's Energy Conservation program has been in place for more than 20 years. Through the program's efforts in addressing energy efficient retrofits, energy efficient design and management, metering for efficient operations and implementation of new technology, the annual cost savings average \$250,000.

Facilities Management

The Facilities Management program totals \$75.0 million and is funded with 2001 bonds, 2006 bonds, General funds, Capital Construction funds, impact fees and other restricted funds. The following projects are planned for 2001 and 2006 bond funding:

- Renovate the Glenrosa Service Center
- Construct North Gateway Maintenance Service Center
- Construct Compressed Natural Gas Fueling Sites
- 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

- 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 off-site preparation for the future Estrella 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, impact fees for a fuel site at the Estrella Service Center, and funding for remediation of contaminated soil from leaking underground storage tanks. Planned uses of General funds include major facility repairs and maintenance for service centers, maintenance shops and office buildings according to the facility management plan.



Fire Protection

The \$83.2 million Fire Protection program is funded with 2001 and 2006 bonds, grants 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 72 in Desert View Village
- New Station 74 in west Ahwatukee Foothills
- Station 62 at 99th Avenue and Lower Buckeye Road (also partially funded by impact fees)

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

- Study and pilot new fire communication technology
- Expansion of the Fire Training Academy
- Construction of a Command Training Center
- Construction of a Dispatch and Emergency Operations Center



Five new fire stations are scheduled to be constructed throughout the city over the next five years.



Freeway Mitigation

The Freeway Mitigation program totals \$5.2 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, Piastewa Peak, and Black Canyon/Maricopa Freeway corridors.

Historic Preservation

The Historic Preservation program totals \$13.5 million and is funded with 1989, 2001 and 2006 bonds. The following projects are planned:

- Construction of historic preservation demonstration projects
- Construction of city-owned historic preservation demonstration projects
- Acquisition and rehabilitation of threatened historic buildings citywide
- Matching grants for residential and commercial historic property owners to rehabilitate historic properties in exchange for conservation easements

HOPE

The HOPE VI project of \$17.4 million is funded with federal grants and 2001 and 2006 bonds. The HOPE VI project will complete reconstruction of the public housing units at Matthew Henson and help revitalize the surrounding neighborhood. The project establishes a mixed-use, mixed-income development and creates incentives to attract additional investment to the area through public/private partnership.





Housing

The Housing program totals \$59.6 million and is funded with Community Development Block Grant (CDBG) funds, 2006 bonds and public housing federal grant funds.

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:

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

Modernization projects for public housing units are planned based on the availability of grant funds. City Council-approved allocations of Community Development Block Grant funds also are programmed.

Human Services

The \$30.9 million Human Services program is funded with 2001 and 2006 bonds and provides for design and construction of the La Pradera and 51st Avenue senior centers, remaining 2001 bonds for a homeless shelter and purchase of land for the 16th Street senior center. It also includes completion of the southwest family services center and renovation and expansion of the Watkins Homeless Shelter to serve as an emergency shelter.

Nonprofit projects in the program include:

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

Information Technology

The \$39.4 million Information Technology program is funded with 2001 and 2006 bonds, and with Water, Wastewater, Solid Waste Disposal, and Aviation revenues. Projects planned for 2001 and 2006 bond funding include the following:

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

Libraries

The Libraries program totals \$42 million and is funded with 2001 and 2006 bonds, impact fees and General funds. Projects planned for 2001 and 2006 bond funding include the following:

- Acquire land for a west Ahwatukee branch library
- Complete construction of a new Agave regional branch library
- Construct and equip a replacement for Harmon branch library
- Remodel the Saguaro branch library
- Design, construct and furnish South Mountain regional branch library

- Upgrade and expand the library computer system and network
- Expand library patron self-service capabilities
- Complete the Palo Verde replacement branch library

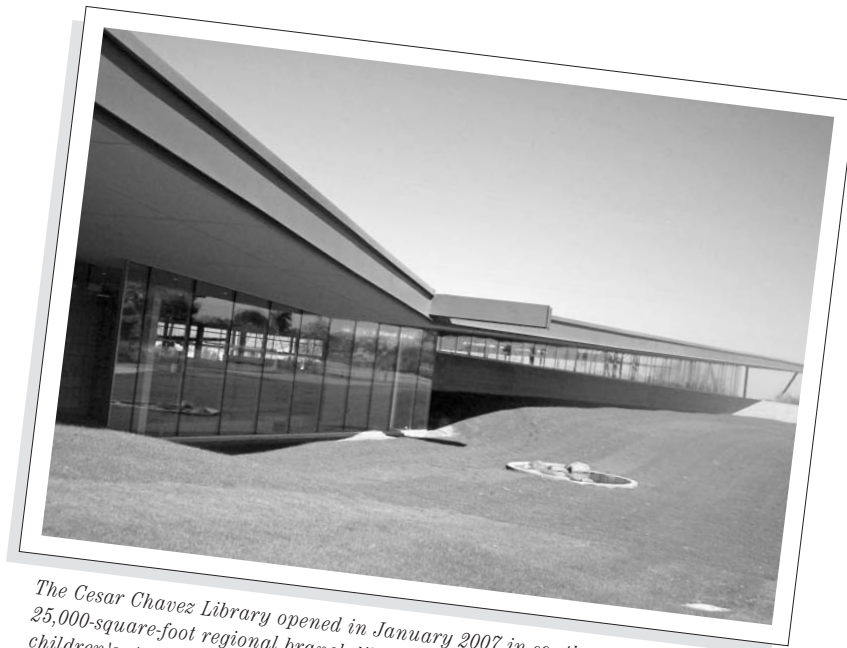
General funds are included to construct minor improvements to the Burton Barr Library and improve other existing branch libraries to meet current standards. Impact fees are included to acquire sites for new libraries in North Gateway, west Ahwatukee and Desert View areas. Impact fees will also fund the design of an Estrella branch library.

Neighborhood Services

The Neighborhood Services program totals \$39.1 million and is funded with Community Development Block Grant (CDBG) funds, 2001 bonds and 2006 bonds.

Projects planned for 2001 and 2006 bonds include the following:

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



The Cesar Chavez Library opened in January 2007 in southwest Phoenix. The 25,000-square-foot regional branch library includes a computer training lab, a children's story room, a community meeting room, a teen space as well as a dedicated space for parents/caregivers and young children.

Parks, Recreation and Mountain Preserves

The Parks, Recreation and Mountain Preserves program totals \$356.3 million and is funded with 2001 and 2006 bonds, parks monopoly sites revenue, impact fees, 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 in 2001 and 2006 bond funds:

- Acquire land in the Ahwatukee Foothills area
- Improve and renovate parks citywide
- Acquire Pioneer Living History Museum property and renovate the Ben Avery Shooting Range
- Acquire land for neighborhood mini-park sites

- Develop a downtown civic space park
- Renovate the north building at the Phoenix Center for the Arts
- Renovate and construct trails citywide
- Renovate aquatics facilities citywide
- Renovate and construct park upgrades to comply with the Americans with Disabilities Act
- Construct sport fields and install sports lighting upgrades citywide
- Acquire land for the Rio Salado Oeste habitat restoration
- Design and construct a soccer stadium at the Reach 11 sports complex

Nonprofit projects in the program include:

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



The Reach 11 Sports Complex is the first major soccer complex of its kind in Phoenix and will provide a venue for local, regional and national competitions.

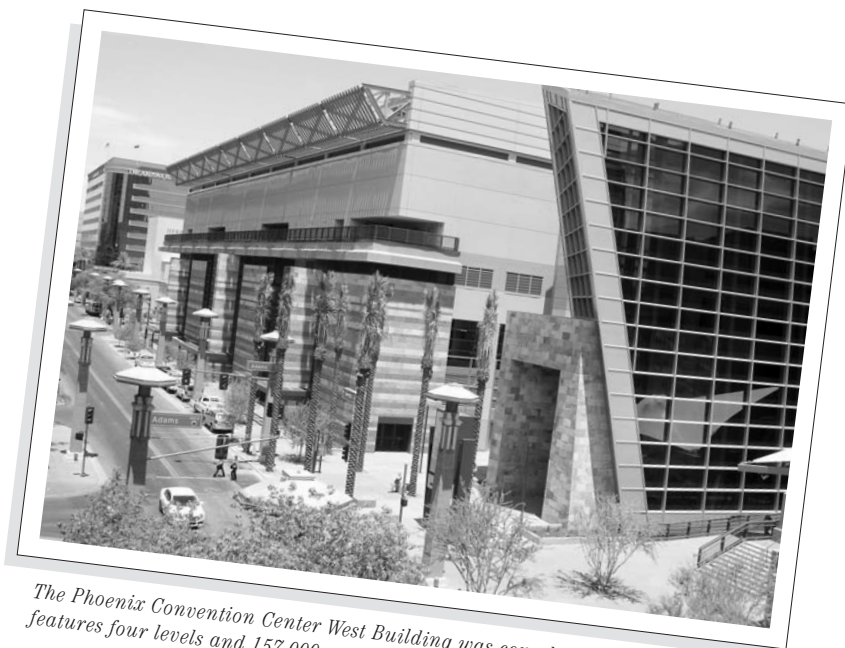
Parks and Preserves projects include improvements to community and neighborhood parks and land for the Sonoran Preserve. Impact fees are planned to acquire and develop park sites in the Ahwatukee, Deer Valley, Desert View, Estrella, Laveen and North Gateway areas and to acquire open space preserve land in the northern areas. Parks monopole sites revenue is included to add amenities to parks with monopole sites.

Phoenix Convention Center

The \$102.3 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 Patriot's, Hyatt Regency, Heritage and Convention Center parking garages.

The multi-year convention center expansion and south building renovations are the primary projects included for funding in this program. General funds are planned for various garage improvements.

Projects using 2006 bonds include the Herberger Theater Center renovations and enhancements as well as parking garage repairs.



The Phoenix Convention Center West Building was completed in July 2006 and features four levels and 157,000 square feet of new meeting and exhibit space.



Police Protection

The Police Protection program totals \$113 million and is funded with 2001 and 2006 bonds, impact fees and nonprofit corporation bonds. The following projects are planned:

- Purchase eight single-engine, medium-duty helicopters to replace the current fleet
- Design and construct aircraft hangar facilities at the Deer Valley Airport
- Purchase additional equipment to provide server redundancy for police computer systems
- Upgrade and install Computer-Aided Dispatch (CAD) system
- Acquire equipment for Automated Fingerprint Identification System (AFIS) upgrade
- Acquire land for a new northwest precinct

- Acquire Police Automated Computer Entry (PACE) upgrade and replacement
- Design, rebuild and equip the Squaw Peak Precinct
- Design and construct a new precinct in the Cave Creek Road and Smokehouse Trail area
- Acquire land, design and construct a new precinct in the northwest area of I-17 and Happy Valley Road
- Construct a new precinct at 99th Avenue and Lower Buckeye Road
- Design a communications center expansion
- Complete the range design and driving track improvements
- Renovate police headquarters and facilities

Public Transit

The \$662.8 million Public Transit program is funded with Transit 2000 revenue, regional transportation revenue including the half-cent countywide sales tax, transit nonprofit corporation bonds, and federal and state grants.

Phoenix voters approved Transit 2000, a 0.4 percent sales tax, on March 14, 2000, to fund extensive improvements to the city's public transit system. Projects planned in the Public Transit program include the following:

- Acquire standard buses, Dial-A-Ride replacement vans, neighborhood circulators and LNG engine upgrades
- Improve and maintain bus stops, bus shelters and park-and-ride locations
- Construct, expand and renovate north, south and heavy maintenance facilities
- Implement technology enhancements including upgrade to the vehicle management system and implementation of a wireless communication system for the regional bus system
- Plan and construct rapid transit and light rail including design of the northwest light rail extension
- Acquire land for Light Rail right of way and future park-and-ride locations



Solid Waste Disposal

The \$105.3 million Solid Waste Disposal program includes projects at the city's landfills and is funded with Solid Waste Disposal revenue, Solid Waste Remediation funds and nonprofit corporation bond funds. 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
- Maintaining soil capping and the methane gas collection system at the 19th Avenue landfill.
- Monitoring groundwater and methane gas and installing landscaping at the 27th Avenue landfill
- Cell excavation and construction of a drainage system and methane gas system for the State Route 85 landfill

Street Transportation and Drainage

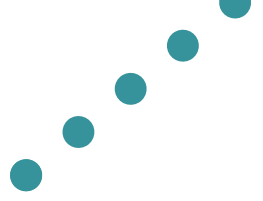

The Street Transportation and Drainage program totals \$773.4 million and is funded with Arizona Highway User Revenues, 2001 and 2006 bonds, Capital Construction funds, and participation from other agencies. Included in the program are major streets, storm drainage, traffic improvements, and other street maintenance and improvement projects. This program agrees with the five-year Major Street program approved by the City Council in May, 2007.

Major street and storm drainage projects for 2001 and 2006 bond funding include:

- Design and construct improvements to 20th Street from Highland Avenue to Camelback Road
- Design and construct improvements to 32nd Street from Washington Street to McDowell Road
- Acquire right of way, design and construct intersection improvements at Pinnacle Peak Road and Tatum Boulevard

- Construct a scenic drive segment of Rio Salado Beyond the Banks
- Design and construct landscape improvements in the west Phoenix revitalization area
- Design and construct historic districts streetscape improvements
- Design and construct one mile of major street and storm drain at 51st Avenue from Dobbins Road to Laveen Conveyance Channel (includes funding from AHUR)
- Design and construct one mile of street and storm drain at 75th Avenue from Buckeye Road to Van Buren Street
- Design and construct the Bethany Home Road outfall channel
- Design and construct detention basin at 23rd Avenue and Roeser Road
- Construct 10th Street wash improvements
- Construct detention basin at 24th Avenue and Camelback Road





2006 bonds are also planned for the purchase of office space for traffic counting, parking meter and right of way management functions.

Major street projects for AHUR funding include the following projects:

- Design and construct one mile of major street at 19th Avenue from Baseline Road to Southern Avenue
- Complete construction of one mile of major street at Van Buren Street from 59th to 67th avenues
- Design and construct one mile of major street at Van Buren Street from 67th to 75th avenues
- Design and construct one mile of major street at Pinnacle Peak Road from 43rd to 35th avenues
- Design and construct one mile of major street at Pinnacle Peak Road from 43rd to 55th avenues
- Construct improvements to 52nd Street from McDowell to Thomas roads
- Design and construct one mile of major street at 35th Avenue from Baseline Road to Southern Avenue
- Design and construct major roadways at Sonoran Desert Boulevard (includes funding from 2001 Bonds and state and local aid)
- Design and construct one mile of major street at 43rd Avenue from Lower Buckeye to Buckeye roads
- Retrofit landscaping on existing major streets

Capital Construction funding is included for the following types of projects:

- Local paving projects
- Residential street resurfacing
- Major street overlay
- Major street microseal
- Sidewalks
- Ramps
- Dust control
- Speed humps
- Traffic calming

Development impact fees are planned for street improvements in the Desert View, Laveen and Estrella areas.



Wastewater

The Wastewater program totals \$914.2 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 projects planned for the 91st Avenue wastewater treatment plant include unified plant expansion, odor control facilities, and instrumentation and process control systems, metering station upgrades, and repair and replacement of equipment.

Other major Wastewater projects include the following:

- Construction of a reuse and river restoration project at Tres Rios
- Design and construction of Salt River Outfall and Southern Avenue Interceptor Parallel sewers to meet wastewater system flow demands
- Construction of odor control facilities for the Salt River Outfall and Southern Avenue Interceptor sewers
- Construction of relief sewers citywide

- Process control and instrumentation projects at the 23rd Avenue wastewater treatment plant
- Repair and replacement of equipment at the 23rd Avenue wastewater treatment plant
- Security improvements at remote facilities
- Sewer lift station improvements and construction of a sewer lift station at 107th Avenue and Roeser Road
- Construction of parallel sections of the Broadway Sewer from 32nd Street to 51st Avenue to provide needed additional capacity
- Rehabilitation of selected sewers of various sizes and materials located throughout the city
- Sewer relocations for light rail


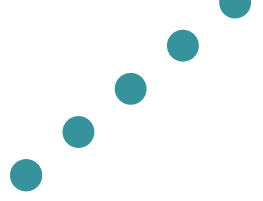
Water

The \$1.2 billion 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 planned include the following:

- Acquisition and construction of new wells and rehabilitation of existing wells
- Construction of new reservoirs and rehabilitation of existing reservoirs
- Construction of new booster stations and rehabilitation of existing booster stations
- Rehabilitation of steel tanks
- Rehabilitation and security upgrades at Cave Creek Water Reclamation Plant
- Design of a new water treatment plant at 15th Avenue and Dobbins Road
- Design and re-construction of the east basin at the Deer Valley water treatment plant
- Conversion of plant filtration to granular activated carbon at Val Vista, 24th Street, and Union Hills water treatment plants.



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- Rehabilitation and process optimization at the Val Vista, Deer Valley, 24th Street, and Union Hills water treatment plants
 - Replacement and rehabilitation of the Val Vista Transmission Main from the Val Vista water treatment plant to 48th Street
 - Construction of water main improvements recommended in the integrity study and rehabilitation of existing mains citywide
 - Increase capacity of water distribution system in the Camelback east residential corridor
 - Construction of new mains in growth areas
 - Replacement and upgrade of the city's customer information system
 - Acquisition of additional water resources
 - Relocation of water lines for light rail
 - Construction of the 51st Avenue to Deems Hill reservoir
 - Installation of new service meters and construction of plumbing connections for alley service relocations
 - Acquisition and installation of software and hardware to automate meter reading
 - Performance of an assessment study of all prestressed concrete cylinder pipe (PCCP)

**2007-08 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	\$26,188	\$850	\$23,089	\$2,249	\$-	\$-
Aviation	435,257	34,348	-	8,583	256,329	135,997
Economic Development	27,490	6,210	21,280	-	-	-
Energy Conservation	1,575	1,575	-	-	-	-
Facilities Management	27,384	23,440	784	1,660	-	1,500
Fire Protection	29,074	-	17,813	6,308	-	4,953
Freeway Mitigation	5,157	-	-	5,157	-	-
Historic Preservation	5,618	129	3,144	2,345	-	-
HOPE	11,122	9,325	796	716	285	-
Housing	23,973	2,400	7,733	1,639	-	12,201
Human Services	13,568	-	3,924	9,614	30	-
Information Technology	13,706	-	3,499	4,004	6,203	-
Libraries	21,844	295	10,409	6,456	200	4,484
Neighborhood Services	15,300	2,539	8,658	2,803	1,300	-
Parks, Recreation and Mountain Preserves	243,056	119,858	42,991	17,864	2,439	59,904
Phoenix Convention Center	61,910	40,283	-	1,176	20,451	-
Police Protection	36,407	-	30	9,674	21,921	4,782
Public Transit	268,211	66,643	60	-	179,011	21,539
Solid Waste Disposal	36,802	5,284	-	30	28,465	3,981
Street Transportation and Drainage	196,014	114,203	15,919	9,926	460	55,506
Wastewater	388,374	45,152	44	-	232,117	111,061
Water	368,958	68,380	555	21	270,846	29,156
Total	\$2,256,988	\$540,914	\$160,728	\$90,225	\$1,020,057	\$445,064

**RESOURCES AND EXPENDITURES BY CAPITAL FUND
2007-08 CAPITAL IMPROVEMENT PROGRAM**

Capital Fund	RESOURCES		EXPENDITURES		FUND BALANCES		
	Beginning Balance	Projected Revenue	Total	Estimated Expenditures	Ending Fund Balances	Available For Sale	Funds Available Beyond 6/08
Bond and Related Funds							
2006 Bonds							
Libraries, Senior & Cultural Centers	\$(5,836)	\$-	\$(5,836)	\$43,739	\$(49,575)	\$133,797	\$84,222
Education	(78,498)	-	(78,498)	19,495	(97,993)	198,700	100,707
Affordable Housing & Neighborhoods	(995)	-	(995)	19,745	(20,740)	85,000	64,260
Parks and Recreation	(3,494)	-	(3,494)	36,987	(40,481)	120,500	80,019
Police, Fire & Homeland Security	(24,289)	-	(24,289)	20,342	(44,631)	177,000	132,369
Police, Fire & City Technology	(1,200)	-	(1,200)	1,000	(2,200)	16,100	13,900
Street and Storm Sewer Improvement	(7,122)	-	(7,122)	19,419	(26,541)	147,400	120,859
2001 Bonds							
Affordable Housing & Homeless Shelter	4,785	-	4,785	4,475	310	-	310
Educational, Youth & Cultural Facilities	1,133	-	1,133	4,986	(3,853)	4,775	922
Environmental Improvement & Cleanup	(3,614)	-	(3,614)	1,439	(5,053)	5,500	447
Fire Protection Facilities & Equipment	(14,508)	-	(14,508)	3,020	(17,528)	18,500	972
Neighborhood Protection & Senior Centers	(523)	-	(523)	11,931	(12,454)	14,560	2,106
New & Improved Libraries	(6,474)	-	(6,474)	6,456	(12,930)	13,300	270
Parks, Open Space & Recreation	1,092	2,300	3,392	15,629	(12,237)	14,500	2,263
Police Protection Facilities & Equipment	(22,158)	-	(22,158)	6,747	(28,905)	30,300	1,395
Police, Fire & Computer Technology	363	-	363	10,459	(10,096)	10,800	704
Preserving Phoenix Heritage	(671)	-	(671)	1,380	(2,051)	2,300	249
Storm Sewers	(8,642)	-	(8,642)	5,330	(13,972)	15,470	1,498
Street Improvements	(25,354)	-	(25,354)	6,890	(32,244)	34,500	2,256
1989 Historic Preservation	296	-	296	217	79	-	79
1988 Bonds							
Affordable Housing & Service Facilities	53	-	53	-	53	-	53
Freeway Mitigation, Neighborhood Stabilization, Slum & Blight Elimination	53	-	53	2,349	(2,296)	2,300	4
Parks, Recreation & Mountain Preserves	28	-	28	25	3	-	3
Police Protection	11	-	11	311	(300)	300	-
Storm Sewers	4	-	4	-	4	-	4
1984 Fire & Police Protection	261	-	261	-	261	-	261
Nonprofit Corporation Bonds							
Aviation	(326,149)	2,747,092	2,420,943	264,913	2,156,030	436,045	2,592,075
Phoenix Convention Center	19,727	-	19,727	19,727	-	-	-
Solid Waste	45,883	-	45,883	32,465	13,418	75,000	88,418
Transit 2000	239,978	-	239,978	176,591	63,387	-	63,387
Wastewater	(207,961)	-	(207,961)	239,417	(447,378)	715,000	267,622
Water	(133,925)	-	(133,925)	267,304	(401,229)	850,000	448,771
Other	(84,281)	-	(84,281)	28,222	(112,503)	116,480	3,977
OTHER FINANCING							
Impact Fees	187,496	-	187,496	138,088	49,408	-	49,408
Passenger/Customer Facility Charge	54,298	395,827	450,125	83,473	366,652	-	366,652
Other Cities' Participation in Joint Ventures	15,022	95,942	110,964	95,942	15,022	-	15,022
Solid Waste Remediation	8,773	-	8,773	3,023	5,750	-	5,750
Capital Grants	46	82,646	82,692	82,646	46	-	46
Federal, State & Other Participation	79,413	-	79,413	19,788	59,625	-	59,625
Capital Gifts	1,235	1,067	2,302	1,068	1,234	-	1,234
Private Participation	2,584	3,750	6,334	3,750	2,584	-	2,584
Capital Reserves	290,014	16,000	306,014	15,064	290,950	-	290,950
Other Capital	23,664	-	23,664	2,222	21,442	-	21,442
TOTAL	\$20,518	\$3,344,624	\$3,365,142	\$1,716,074	\$1,649,068	\$3,238,127	\$4,887,195

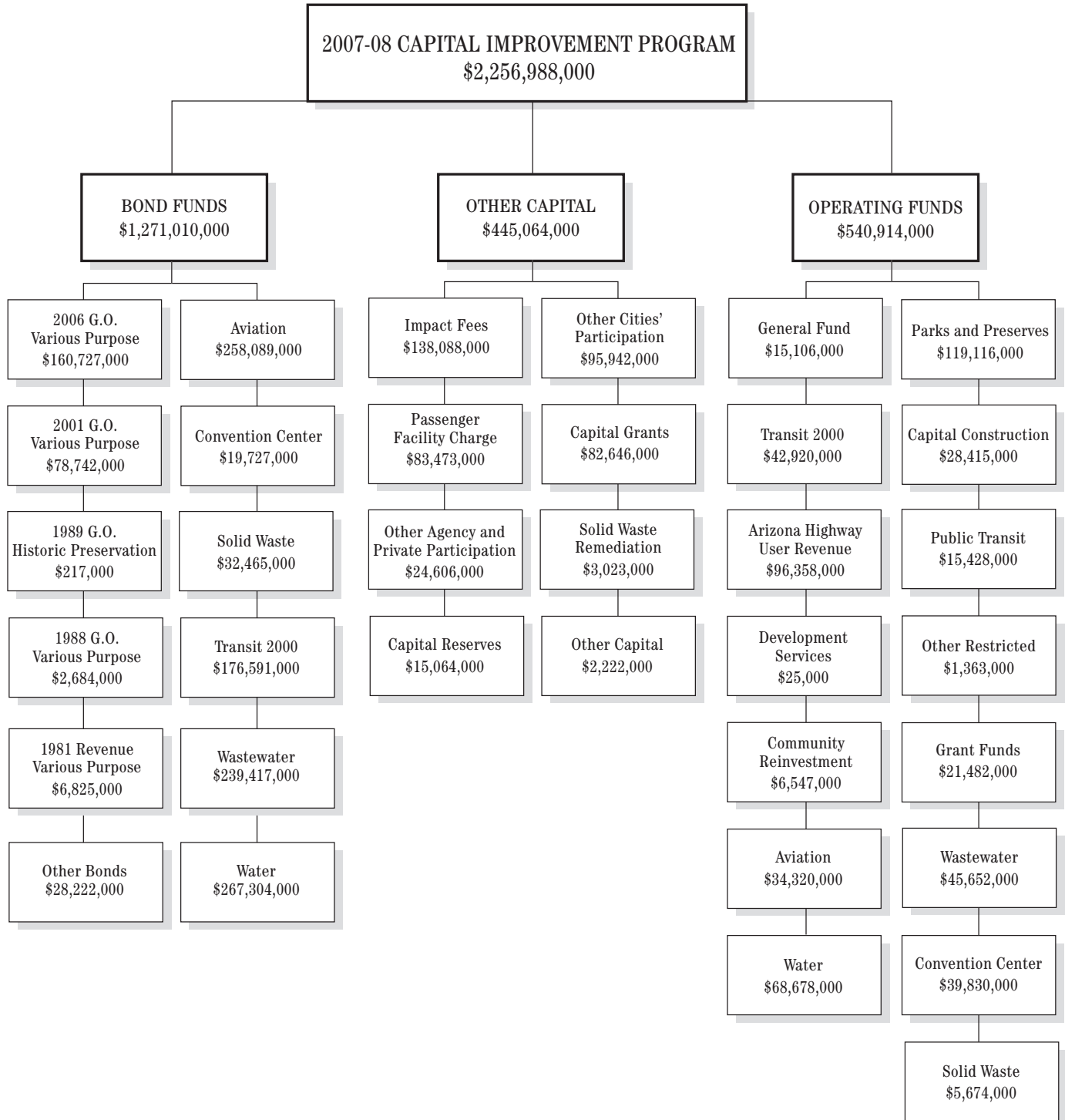
*Includes bond proceeds and funds which pass through bond funds such as grants, land sales and other agency and private participation.

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

	Resources						Expenditures				
	Beginning Fund Balances	Revenue	Recovery	Fund Transfer To From		Total	Operating	Capital	Debt Service	Total	Restricted Fund Balances
General Funds:											
General	\$70,921	\$255,922	\$1,500	\$886,435	\$176,710	\$1,038,068	\$1,023,257	\$14,811	\$-	\$1,038,068	\$-
Parks and Recreation	-	15,214	-	100,818	-	116,032	116,032	-	-	116,032	-
Library	-	1,726	-	37,836	-	39,562	39,267	295	-	39,562	-
Cable Communications	-	10,018	-	-	4,382	5,636	5,636	-	-	5,636	-
Total General Funds	\$70,921	\$282,880¹	\$1,500	\$1,025,089	\$181,092	\$1,199,298	\$1,184,192	\$15,106	\$-	\$1,199,298	\$-
Special Revenue Funds:											
Excise Tax	\$-	\$1,175,163	\$-	\$-	\$1,175,163	\$-	\$-	\$-	\$-	\$-	\$-
Neighborhood Protection - Police	1,245	5	-	24,057	333	24,974	24,955	-	-	24,955	19
Neighborhood Protection - Fire	-	5	-	8,591	119	8,477	8,350	-	-	8,350	127
Neighborhood Protection - Block Watch	1,826	201	-	1,718	24	3,721	1,200	-	-	1,200	2,521
Public Safety Enhancement - Police	2,382	-	-	16,230	-	18,612	18,612	-	-	18,612	-
Public Safety Enhancement - Fire	1,868	-	-	9,672	-	11,540	11,325	-	-	11,325	215
Parks and Preserves	87,775	2,600	100	34,364	400	124,439	186	119,116	-	119,302	5,137
Transit 2000	188,852	36,272	500	137,456	41,520	321,560	131,204	42,920	326	174,450	147,110
Court Awards	511	3,174	-	-	-	3,685	3,277	-	-	3,277	408
Development Services	28,232	58,800	-	-	4,459	82,573	73,182	25	-	73,207	9,366
Capital Construction	9,825	750	-	19,927	-	30,502	101	28,415	-	28,516	1,986
Sports Facilities	21,967	550	-	18,193	631	40,079	1,774	-	9,177	10,951	29,128
Arizona Highway User Revenue	29,869	136,058	700	-	-	166,627	37,282	96,358	31,246	164,886	1,741
Local Transportation Assistance	3	6,880	-	-	-	6,883	6,883	-	-	6,883	-
Regional Transit	(8,048)	24,936	-	-	-	16,888	15,061	15,428	-	30,489	(13,601)
Community Reinvestment	7,121	2,580	-	-	-	9,701	80	6,547	-	6,627	3,074
Secondary Property Tax and GO Bond Redemption	100	164,127	-	-	-	164,227	-	-	164,127	164,127	100
Impact Fee Program Administration	2,604	1,190	-	-	-	3,794	2,367	-	-	2,367	1,427
City Improvement	-	-	-	71,979	-	71,979	-	-	71,979	71,979	-
Other Restricted Funds	22,416	8,358	-	-	-	30,774	14,571	1,363	-	15,934	14,840
Grant Funds	40,169	196,897	-	-	-	237,066	183,674	21,482	2,141	207,297	29,769
Total Special Revenue Funds	\$438,717	\$1,818,546	\$1,300	\$342,187	\$1,222,649	\$1,378,101	\$534,084	\$331,654	\$278,996	\$1,144,734	\$233,367
Enterprise Funds:											
Aviation	\$114,249	\$322,973	\$-	\$-	\$6,481	\$430,741	\$217,264	\$34,320	\$86,290	\$337,874	\$92,867
Water	158,037	333,327	-	-	17,368	473,996	207,471	68,678	114,177	390,326	83,670
Wastewater	85,998	203,069	-	-	9,891	279,176	105,921	45,652	79,963	231,536	47,640
Solid Waste	33,709	126,929	-	-	7,098	153,540	116,886	5,674	20,269	142,829	10,711
Convention Center	39,580	10,968	-	69,881	3,423	117,006	48,754	39,830	18,586	107,170	9,836
Golf Course	(2,516)	8,557	-	-	416	5,625	9,141	-	851	9,992	(4,367)
Total Enterprise Funds	\$429,057	\$1,005,823	\$-	\$69,881	\$44,677	\$1,460,084	\$705,437	\$194,154	\$320,136	\$1,219,727	\$240,357
GRAND TOTAL	\$938,695	\$3,107,249	\$2,800	\$1,437,157	\$1,448,418	\$4,037,483	\$2,423,713	\$540,914	\$599,132	\$3,563,759	\$473,724

¹General fund sales tax revenue is reflected as a transfer from the excise tax fund. The total transfer is \$835.1 million, and is included in the General Funds revenue total of \$1,118.0 million shown on Schedule 2.

2007-08 Capital Improvement Program Organizational Chart



Operating Costs for New Capital Facilities

Capital improvements are the police and fire stations, senior centers, parks, swimming pools, libraries, cultural facilities and customer service centers that are needed to deliver services to our residents. Capital improvements also include investment in commercial and neighborhood development, redevelopment and revitalization. Since these types of capital projects are assets with a multi-year life, issuing bonded debt is an appropriate way to pay for these expenses. It will allow the initial costs to be repaid over the years the investment is used. The service delivery costs and day-to-day operating expenses such as staff salaries or supplies are not capital assets. These costs should not be 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 are estimated to result in \$14 million in new General Fund operating costs beginning in the 2008-09 fiscal year.

Multi-year rate planning processes are used by enterprise operations to provide the City Council with the effects new capital facilities will have on future rate-payers. That is, each year, the City Council considers the impact of future capital facilities as it sets annual utility rates. Rates are increased today to pay for tomorrow's facilities. Finally, for more than 20 years the energy conservation program has generated annual cost savings in excess of 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 and any costs associated with operating new facilities and systems. These costs are reviewed jointly by the Budget and Research, and Engineering and Architectural Services departments. The 2007-08 budget includes \$6.9 million in new operating and maintenance costs for new facilities and systems.

The schedule on the next page provides operating and maintenance costs for the 2007-08 budget, along with the full-year operating and maintenance costs for the 2008-09 fiscal year and the source of funds that would be used for these costs.



OPERATING COSTS FOR NEW CAPITAL FACILITIES

	# of FTEs		2007-08 Costs	2008-09 Costs
Information Technology				
System security/ network management	0.0	Provide support costs for technology improvements to system security and network management.	\$66,000	\$66,000
Bi-annual maintenance program for PRWN	2.0	Implement a bi-annual maintenance program for the Phoenix Regional Wireless Network (PRWN) and handle new service activities, upgrades and equipment modifications.	253,000	144,000
Library				
Agave Regional Library	28.0	Prepare for the opening of a new regional library that will provide services to an underserved area of north Phoenix.	261,000	1,704,000
Parks and Recreation				
Enchanted Island at Encanto Park	1.0	Maintain restorations that enhance the attractiveness of the park.	75,000	75,000
New undeveloped property in the mountain park preserves	10.0	Deter illegal dumping and other activities that frequently occur in undeveloped preserves. This should result in the reduced maintenance cost over the long term.	408,000	529,000
Rio Salado operations and maintenance	4.0	Maintain an additional phase of construction of the Rio Salado Habitat Restoration Project that provides additional amenities, including an equestrian trail and staging area for visitors to explore a restored riparian habitat.	238,000	238,000
Trail crew	4.0	Provide for maintenance and improvements of 30 miles of new trails and trailheads in the mountain preserves including the establishment of a trail system in the Sonoran preserves.	207,000	207,000
Park at 71st Avenue and Elwood Street	3.0	Maintain a 28.1-acre park that will provide on-site recreation programming and supervision to this growing new community.	263,000	173,000
Reach 11 Field of Dreams baseball complex	8.0	Maintain a 20-acre baseball complex which will include one of the top facilities in the nation for inclusive, adaptive baseball programs for youth and adults with disabilities.	722,000	546,000
New street landscape maintenance	6.0	Provide for the maintenance of 20 acres of new street landscaping.	557,000	329,000
New undeveloped flatland properties	2.0	Provide for the maintenance and security of 89 acres of new land acquired for future park development.	197,000	121,000



OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

	# of FTEs		2007-08 Costs	2008-09 Costs
Police				
Police crime lab*	3.0	Maintain and operate the newly completed crime lab to expand the department's capacity to identify, arrest and convict criminals.	\$1,027,000	\$1,300,000
Pecos Park police station	2.0	Provide support staff to assume daily administrative functions, enhancing police-related activities at this community center-based substation.	134,000	143,000
Public Transit				
West Maintenance Facility**	20.0	Maintain and operate this new facility that provides increased maintenance capacity for expanding bus services.	1,661,000	2,010,000
Transit furniture maintenance	0.0	Provide maintenance for the expanding number of bus stops.	485,000	485,000
Water Services				
Security systems technical support	1.0	Provide for the administration and maintenance of Capital Improvement Program-funded security system upgrades occurring at multiple sites.	196,000	164,000
Lift Stations	0.0	Provide utility costs for the operation of two lift stations that will carry used water to wastewater treatment plants.	34,000	109,000
Expansion at 91st Avenue Treatment Plant	1.0	Provide adequate supervision and operations management at new treatment facility.	61,000	75,000
Process control network	0.0	Enable electronic security systems at treatment plants to be monitored from a central location and allow plant operators to access process control information while in the field. Both will improve operational efficiency.	130,000	343,000
Net Total Costs			\$6,975,000	\$8,761,000
Source of Funds				
General			4,408,000	5,575,000
Transit 2000			2,146,000	2,495,000
Water			326,000	507,000
Wastewater			95,000	184,000
Total Source of Funds			\$6,975,000	\$8,761,000

*Positions will be assigned to the Public Works Department.

**16.0 positions to be assigned to the Police Department and 4.0 positions to be assigned to the Public Works Department.

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

Revenue Source	2005-06 Actuals	2006-07 Estimate	2007-08 Budget	Increase/(Decrease) From 2006-07 Estimate	
				Amount	Percent
GENERAL FUNDS					
Local Sales Taxes and Related Fees	\$408,485	\$440,163	\$470,411	\$30,248	6.9%
State-Shared Revenues					
State Sales Tax	141,194	144,348	154,234	9,886	6.8%
State Income Tax	138,313	167,579	207,826	40,247	24.0%
Vehicle License Tax	63,108	60,584	63,007	2,423	4.0%
Subtotal	\$342,615	\$372,511	\$425,067	\$52,556	14.1%
Primary Property Tax	\$89,721	\$95,660	\$102,317	\$6,657	7.0%
User Fees/Other Revenue					
Licenses & Permits	2,486	2,580	2,603	23	0.9%
Cable Communications	8,662	9,850	10,018	168	1.7%
Fines & Forfeitures	20,726	22,515	25,573	3,058	13.6%
Court Default Fee	850	810	864	54	6.7%
Engineering & Architectural Services	2,694	2,600	1,400	(1,200)	-46.2%
Fire	28,664	32,390	37,407	5,017	15.5%
Hazardous Materials Inspection Fees	1,419	1,325	1,325	-	0.0%
Library Fees	1,481	1,629	1,726	97	6.0%
Parks & Recreation	4,564	5,040	5,036	(4)	-0.1%
Planning	1,952	1,683	1,683	-	0.0%
Police	12,415	13,773	14,004	231	1.7%
Street Transportation	2,429	2,470	2,472	2	0.1%
Other Service Charges	14,340	15,551	14,680	(871)	-5.6%
Others	2,115	1,427	1,368	(59)	-4.1%
Subtotal	\$104,797	\$113,643	\$120,159	\$6,516	5.7%
Total General Funds	\$945,618	\$1,021,977	\$1,117,954	\$95,977	9.4%

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

Revenue Source	2005-06 Actuals	2006-07 Estimate	2007-08 Budget	Increase/(Decrease) From 2006-07 Estimate	
				Amount	Percent
SPECIAL REVENUE FUNDS					
Neighborhood Protection	\$29,894	\$32,133	\$34,577	\$2,444	7.6%
Public Safety Enhancement	20,330	23,223	25,902	2,679	11.5%
Parks and Preserves	31,867	34,511	36,964	2,453	7.1%
Transit 2000	156,167	163,015	173,728	10,713	6.6%
Court Awards	4,217	5,584	3,174	(2,410)	-43.2%
Development Services	59,220	56,100	58,800	2,700	4.8%
Capital Construction	19,562	19,720	20,677	957	4.9%
Sports Facilities	15,808	17,005	18,743	1,738	10.2%
Arizona Highway User Revenue	127,835	130,967	136,058	5,091	3.9%
Local Transportation Assistance	7,034	6,969	6,880	(89)	-1.3%
Regional Transit Revenues	10,409	27,507	24,936	(2,571)	-9.3%
Community Reinvestment	3,133	1,893	2,580	687	36.3%
Secondary Property Tax	108,652	120,209	164,127	43,918	36.5%
Impact Fee Program Administration	2,934	1,980	1,190	(790)	-39.9%
Other Restricted Revenues	15,625	12,127	8,358	(3,769)	-31.1%
Grants					
Public Housing Grants	68,376	68,261	66,567	(1,694)	-2.5%
Human Services Grants	44,224	36,026	34,256	(1,770)	-4.9%
Community Development	18,225	16,195	37,634	21,439	132.4%
Criminal Justice Grants	12,491	18,266	14,767	(3,499)	-19.2%
Public Transit Grants	7,853	9,384	13,046	3,662	39.0%
HOPE VI Grant	9,517	8,587	8,325	(262)	-3.1%
Other Grants	14,204	25,214	22,302	(2,912)	-11.5%
Subtotal - Grants	\$174,890	\$181,933	\$196,897	\$14,964	8.2%
Subtotal Special Revenue Funds	\$787,577	\$834,876	\$913,591	\$78,715	9.4%
ENTERPRISE FUNDS					
Aviation	290,127	314,175	322,973	8,798	2.8%
Water System	297,711	304,205	333,327	29,122	9.6%
Wastewater System	177,169	200,065	203,069	3,004	1.5%
Solid Waste	118,670	123,913	126,929	3,016	2.4%
Convention Center	67,784	74,287	80,849	6,562	8.8%
Golf Courses	6,793	8,317	8,557	240	2.9%
Subtotal Enterprise Funds	\$958,254	\$1,024,962	\$1,075,704	\$50,742	5.0%
GRAND TOTAL	\$2,691,449	\$2,881,815	\$3,107,249	\$225,434	7.8%

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

Program	2005-06 Actual	2006-07 Estimate	Percent Change from 2005-06 Actual	2007-08 Budget	Percent Change from 2006-07 Estimate
General Government					
Mayor	\$2,354	\$2,237	(5.0)%	\$2,388	6.8%
City Council	4,202	4,571	8.8%	4,744	3.8%
City Manager	1,132	1,130	(0.2)%	1,214	7.4%
Deputy City Managers	1,611	1,853	15.0%	2,071	11.8%
Intergovernmental Programs	1,196	1,389	16.1%	1,512	8.9%
Public Information	3,217	3,574	11.1%	3,522	(1.5)%
City Auditor	2,751	3,026	10.0%	3,353	10.8%
Equal Opportunity	3,658	4,012	9.7%	4,229	5.4%
Personnel	15,152	16,418	8.4%	17,477	6.5%
Phoenix Employment Relations Board	185	197	6.5%	228	15.7%
Retirement Systems	—	—	—	—	—
Law	4,039	4,265	5.6%	4,900	14.9%
Information Technology	1,943	7,637	100+%	7,126	(6.7)%
City Clerk and Elections	8,059	6,502	(19.3)%	7,413	14.0%
Finance	23,047	25,177	9.2%	27,313	8.5%
Budget and Research	3,682	4,130	12.2%	4,597	11.3%
Engineering and Architectural Services	(517)	250	100+%	573	100+%
Total General Government	\$75,711	\$86,368	14.1%	\$92,660	7.3%
Public Safety					
Office of Public Safety Manager	\$—	\$138	—	\$391	100+%
Police	421,175	469,985	11.6%	521,174	10.9%
Fire	217,931	244,897	12.4%	273,282	11.6%
Emergency Management	807	808	0.1%	839	3.8%
Family Advocacy Center	1,073	852	(20.6)%	1,003	17.7%
Total Public Safety	\$640,986	\$716,680	11.8%	\$796,689	11.2%
Criminal Justice					
Municipal Court	\$36,053	\$38,982	8.1%	\$43,049	10.4%
City Prosecutor	16,131	17,220	6.8%	18,643	8.3%
Public Defender	3,975	4,386	10.3%	4,753	8.4%
Total Criminal Justice	\$56,159	\$60,588	7.9%	\$66,445	9.7%
Transportation					
Street Transportation	\$58,557	\$65,349	11.6%	\$68,811	5.3%
Aviation **	165,636	195,572	18.1%	202,962	3.8%
Public Transit	158,457	184,539	16.5%	213,275	15.6%
Total Transportation	\$382,650	\$445,460	16.4%	\$485,048	8.9%

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

Program	2005-06 Actual	2006-07 Estimate	Percent Change from 2005-06 Actual	2007-08 Budget	Percent Change from 2006-07 Estimate
Community Development					
Development Services	\$47,865	\$54,105	13.0%	\$61,186	13.1%
Planning	7,144	7,534	5.5%	8,290	10.0%
Business Customer Service Center	503	638	26.8%	709	11.1%
Housing	60,390	59,358	(1.7)%	80,304	35.3%
Community and Economic Development	19,594	20,261	3.4%	20,120	(0.7)%
Neighborhood Services	30,138	31,790	5.5%	51,365	61.6%
Hope VI Project	-	21	-	500	100+%
Downtown Development	3,767	4,183	11.0%	4,643	11.0%
Total Community Development	\$169,401	\$177,890	5.0%	\$227,117	27.7%
Community Enrichment					
Parks and Recreation	\$100,194	\$112,583	12.4%	\$124,479	10.6%
Library	33,211	36,268	9.2%	40,606	12.0%
Golf	6,423	7,903	23.0%	8,981	13.6%
Phoenix Convention Center	34,356	40,486	17.8%	48,209	19.1%
Human Services	62,316	64,757	3.9%	66,525	2.7%
Education and Youth Programs	915	1,075	17.5%	1,160	7.9%
Rio Salado	144	154	6.9%	163	5.8%
Historic Preservation	511	605	18.4%	749	23.8%
Office of Arts and Culture	2,312	2,193	(5.1)%	2,225	1.5%
International and Sister Cities Programs	540	606	12.2%	690	13.9%
Total Community Enrichment	\$240,922	\$266,630	10.7%	\$293,787	10.2%
Environmental Services					
Water	\$207,827	\$237,059	14.1%	\$265,089	11.8%
Solid Waste Management	83,670	101,064	20.8%	114,031	12.8%
Public Works	23,697	24,054	1.5%	27,834	15.7%
Environmental Programs	1,652	1,856	12.3%	2,292	23.5%
Total Environmental Services	\$316,846	\$364,033	14.9%	\$409,246	12.4%
Contingencies	\$-	\$-	-%	\$124,700	-%
GRAND TOTAL	\$1,882,675	\$2,117,649	12.5%	\$2,495,692	17.9%

* For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.

** Aviation 2005-06 totals in this schedule include Customer Facility Charges Funds (CFCs). Aviation Comprehensive Annual Financial Statement totals for 2005-06 did not include CFCs.

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

Program	Base	Budget Changes	Total	General Funds	Enterprise Funds	Special Revenue Funds*
General Government						
Mayor	\$2,388	\$-	\$2,388	\$2,365	\$-	\$23
City Council	4,744	-	4,744	4,744	-	-
City Manager	1,214	-	1,214	1,214	-	-
Deputy City Managers	2,071	-	2,071	1,724	347	-
Intergovernmental Programs	1,512	-	1,512	1,512	-	-
Public Information	3,522	-	3,522	3,514	-	8
City Auditor	3,253	100	3,353	3,353	-	-
Equal Opportunity	4,138	91	4,229	3,846	-	383
Personnel	17,473	4	17,477	16,157	-	1,320
Phoenix Employment Relations Board	228	-	228	228	-	-
Retirement Systems	-	-	-	-	-	-
Law	4,793	107	4,900	4,848	-	52
Information Technology	7,122	4	7,126	5,313	457	1,356
City Clerk and Elections	7,411	2	7,413	7,248	-	165
Finance	27,158	155	27,313	25,497	1,616	200
Budget and Research	4,517	80	4,597	4,101	-	496
Engineering and Architectural Services	572	1	573	480	-	93
Total General Government	\$92,116	\$544	\$92,660	\$86,144	\$2,420	\$4,096
Public Safety						
Office of Public Safety Manager	\$391	\$-	\$391	\$391	\$-	\$-
Police	515,758	5,416	521,174	452,488	782	67,904
Fire	270,632	2,650	273,282	244,403	-	28,879
Emergency Management	838	1	839	375	-	464
Family Advocacy Center	953	50	1,003	940	-	63
Total Public Safety	\$788,572	\$8,117	\$796,689	\$698,597	\$782	\$97,310
Criminal Justice						
Municipal Court	\$42,803	\$246	\$43,049	\$34,537	\$-	\$8,512
City Prosecutor	18,540	103	18,643	18,067	-	576
Public Defender	4,753	-	4,753	4,753	-	-
Total Criminal Justice	\$66,096	\$349	\$66,445	\$57,357	\$-	\$9,088
Transportation						
Street Transportation	\$68,498	\$313	\$68,811	\$31,029	\$-	\$37,782
Aviation	202,662	300	202,962	-	202,962	-
Public Transit	193,189	20,086	213,275	27,146	-	186,129
Total Transportation	\$464,349	\$20,699	\$485,048	\$58,175	\$202,962	\$223,911

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

Program	Base	Budget Changes	Total	General Funds	Enterprise Funds	Special Revenue Funds*
Community Development						
Development Services	\$60,757	\$429	\$61,186	\$-	\$-	\$61,186
Planning	8,179	111	8,290	7,503	-	787
Business Customer Service Center	709	-	709	349	360	-
Housing	80,303	1	80,304	189	-	80,115
Community and Economic Development	20,119	1	20,120	3,903	759	15,458
Neighborhood Services	50,550	815	51,365	17,431	-	33,934
Hope VI Project	-	500	500	500	-	-
Downtown Development	4,643	-	4,643	4,101	432	110
Total Community Development	\$225,260	\$1,857	\$227,117	\$33,976	\$1,551	\$191,590
Community Enrichment						
Parks and Recreation	\$120,372	\$4,107	\$124,479	\$116,033	\$600	\$7,846
Library	39,918	688	40,606	39,267	-	1,339
Golf	8,981	-	8,981	-	8,981	-
Phoenix Convention Center	46,670	1,539	48,209	2,622	41,914	3,673
Human Services	65,475	1,050	66,525	30,001	250	36,274
Education and Youth Programs	1,160	-	1,160	866	-	294
Rio Salado	163	-	163	163	-	-
Historic Preservation	688	61	749	749	-	-
Office of Arts and Culture	2,200	25	2,225	1,389	-	836
International and Sister Cities Programs	642	48	690	690	-	-
Total Community Enrichment	\$286,269	\$7,518	\$293,787	\$191,780	\$51,745	\$50,262
Environmental Services						
Water Services	\$262,818	\$2,271	\$265,089	\$-	\$264,975	\$114
Solid Waste Management	110,221	3,810	114,031	1,145	112,886	-
Public Works	27,517	317	27,834	21,119	-	6,715
Environmental Programs	2,194	98	2,292	1,669	246	377
Total Environmental Services	\$402,750	\$6,496	\$409,246	\$23,933	\$378,107	\$7,206
Contingencies	\$124,700	\$-	\$124,700	\$34,230	\$67,870	\$22,600
GRAND TOTAL	\$2,450,112	\$45,580	\$2,495,692	\$1,184,192	\$705,437	\$606,063

*For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.

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

Program	2005-06 Actual	2006-07 Estimate	2007-08 Budget
Aviation	\$ 73,442	\$ 232,984	\$ 87,140
Cultural Facilities	6,507	7,294	8,416
Economic Development	6,519	9,386	9,177
Environmental Programs	135 ¹	269	553
Fire Protection	3,853	1,932	3,706
Freeway Mitigation	1,079	149 ¹	149 ¹
Golf	579	849	851
Historic Preservation	2,301	618	947
Information Systems	1,322	328	614
Libraries	5,031	6,274	6,678
Local Streets/Street Improvements/Lighting	2,602	2,369	3,749
Maintenance Service Centers	844	4,075	10,214
Major Streets and Freeways	31,247	31,242	31,246
Municipal Administration Building	2,379	63 ¹	63 ¹
Neighborhood Preservation & Senior Services Centers	5,147	1,883	3,300
Parks & Recreation/Open Space	17,883	17,867	19,399
Phoenix Convention Center	20,423	18,590	18,586
Police, Fire, and Computer Tech	5,205 ¹	4,511	4,984
Police Protection	3,591	2,568	3,970
Public Housing	12,124	1,334	1,714
Public Transit	29,275	40,045	41,912
Solid Waste Disposal	17,797	21,634	20,269
Storm Sewer	24,087	21,912	20,537
Street Light Refinancing	68 ¹	68 ¹	88
Wastewater	48,762	62,900	79,963
Water	81,294	90,828	114,177
Early Redemption ²	19,215	47,244	75,597
General Government Non-Profit Corporation Bonds	23,807	28,953	31,984
Bond Issuance Costs	1,990	4,665	31,037
Total Program	\$ 448,508	\$ 662,834	\$ 631,020
Type of Expenditure			
Principal	\$ 172,810	\$ 375,127	\$ 265,427
Interest	272,209	281,263	332,781
Other	3,489	6,444	32,812
Total Debt Service Expenditures	\$ 448,508	\$ 662,834	\$ 631,020

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

Program	2005-06 Actual	2006-07 Estimate	2007-08 Budget
SOURCE OF FUNDS			
Operating Funds:			
Secondary Property Tax	\$ 112,829	\$ 120,209	\$ 164,127
Transit 2000	327	326	326
Sports Facilities	6,519	9,386	9,177
Arizona Highway User Revenue	31,247	31,242	31,246
City Improvement			
General	23,854	28,953	31,984
Housing	-	-	-
Transit 2000	27,353	38,126	39,995
Water	215	-	-
Wastewater	686	-	-
Grant Funds	2,138	2,141	2,141
Aviation	61,460	71,289	86,290
Water	81,294	90,828	114,177
Wastewater	48,762	62,901	79,963
Solid Waste	17,797	21,635	20,269
Convention Center	20,423	18,590	18,586
Golf	579	849	851
Subtotal Operating Funds	\$ 435,483	\$ 496,475	\$ 599,132
Capital Funds:			
Aviation Bonds	122	180	8,825
Passenger Facility Charge	11,861	161,515	-
Convention Center Bonds	933	61	-
Non-Profit Corporation Bonds	63	315	367
2001 Bonds	329	899	1,106
2006 Bonds	-	2,900	2,530
Public Transit Bonds	109	-	-
Solid Waste	31	79	-
Wastewater CIC Bonds	(520)	210	8,860
Water CIC Bonds	97	200	10,200
Subtotal Capital Funds	\$ 13,025	\$ 166,359	\$ 31,888
Total Source of Funds	\$ 448,508	\$ 662,834	\$ 631,020

* 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	2005-06 Actual	2006-07 Estimate	2007-08 Budget
Arts and Cultural Facilities	\$517	\$3,152	\$850
Aviation	33,546	26,838	34,348
Economic Development	3,614	930	6,210
Energy Conservation	2,449	1,175	1,575
Facilities Management	2,691	3,832	23,440
Fire Protection	(5)	-	-
Historic Preservation	10	100	129
HOPE VI	10,507	10,694	9,325
Housing	67	50	2,400
Information Technology	4,588	3,300	-
Libraries	93	204	295
Neighborhood Services	1,004	609	2,539
Parks, Recreation and Mountain Preserves	23,277	6,958	119,858
Phoenix Convention Center	14,150	34,025	40,283
Public Transit	45,865	28,516	66,643
Solid Waste Disposal	2,375	2,200	5,284
Street Transportation and Drainage	76,309	76,104	114,203
Wastewater	27,025	31,038	45,152
Water	33,949	47,346	68,380
Total	\$282,031	\$277,071	\$540,914

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

Program	2005-06 Actual	2006-07 Estimate	2007-08 Budget
SOURCE OF FUNDS			
General Funds:			
General	\$3,434	\$4,009	\$14,811
Library	93	204	295
Total General Funds	\$3,527	\$4,213	\$15,106
Special Revenue Funds:			
Parks and Preserves	\$20,599	\$6,838	\$119,116
Transit 2000	29,736	12,714	42,920
Development Services	—	—	25
Capital Construction	19,682	17,506	28,415
Arizona Highway Users	62,865	59,539	96,358
Public Transit	13,687	13,302	15,428
Community Reinvestment	3,020	930	6,547
Community Development Block Grants (CDBG)	1,711	1,608	3,672
HOPE Grant	10,244	8,577	8,325
Other Restricted	1,241	3,402	1,363
Grant Funds	(96)	4,359	9,485
Total Special Revenue Funds	\$162,689	\$128,775	\$331,654
Enterprise Funds:			
Aviation	\$33,575	\$26,914	\$34,320
Water	35,793	47,163	68,678
Wastewater	28,179	31,648	45,652
Solid Waste	2,503	2,469	5,674
Convention Center	15,765	35,889	39,830
Total Enterprise Funds	\$115,815	\$144,083	\$194,154
Total Operating Funds	\$282,031	\$277,071	\$540,914

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

	2005-06 Actual	2006-07 Estimate	2007-08	
			Budget	Increase/ (Decrease)
TRANSFERS TO THE GENERAL FUND				
Enterprise Funds				
Aviation				
Central Service Cost Allocation	\$6,121	\$6,188	\$6,481	\$293
Water Funds				
Central Service Cost Allocation	7,068	7,331	7,677	346
In Lieu Property Taxes	8,964	9,363	9,691	328
Total	16,032	16,694	17,368	674
Wastewater Funds				
Central Service Cost Allocation	2,238	2,409	2,523	114
In Lieu Property Taxes	6,795	7,119	7,368	249
Total	9,033	9,528	9,891	363
Solid Waste				
Central Service Cost Allocation	4,136	4,539	4,754	215
In Lieu Property Taxes	883	1,069	1,106	37
Total	5,019	5,608	5,860	252
Convention Center				
Central Service Cost Allocation	2,095	2,194	2,298	104
Golf Courses				
Parks Administration	366	397	416	19
Total from Enterprise Funds	\$38,666	\$40,609	\$42,314	\$1,705

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

	2005-06 Actual	2006-07 Estimate	2007-08	
			Budget	Increase/ (Decrease)
Special Revenue Funds				
Excise				
Transfer to General Fund	\$690,478	\$754,670	\$835,074	\$80,404
Development Services				
Central Service Cost Allocation	3,664	4,258	4,459	201
Sports Facilities - Central Service Costs				
Central Service Cost Allocation	155	121	127	6
Phoenix Union Parking Maintenance	75	77	79	2
Total	230	198	206	8
Public Housing				
In Lieu Property Taxes	301	303	—	(303)
Parking Trust Fund	—	113	—	(113)
Total from Special Revenue Funds	\$694,673	\$759,542	\$839,739	\$80,197
Total Transfers to the General Fund	\$733,339	\$800,151	\$882,053	\$81,902
Transfers from the General Fund				
Transfer to Special Risk Fund	\$—	\$781	\$—	\$(781)
Transfer to Capital Projects Fund	3,575	4,650	6,072	1,422
Transfer to City Improvement	23,778	28,953	31,984	3,031
Total Transfers from the General Fund	\$27,353	\$34,384	\$38,056	\$3,672
Net Transfers to the General Fund	\$705,986	\$765,767	\$843,997	\$78,230

SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions

Program	June 30, 2006 Authorized	July 1, 2007 Authorized	Changes	June 30, 2008 Authorized
General Government				
Mayor	21.0	20.0	0.5	20.5
City Council	55.0	55.0	-	55.0
City Manager	6.0	6.0	-	6.0
Deputy City Managers	22.0	23.0	-	23.0
Intergovernmental Programs	6.3	6.3	-	6.3
Public Information	31.0	31.0	-	31.0
City Auditor	38.5	38.5	-	38.5
Equal Opportunity	40.0	38.0	1.0	39.0
Personnel	113.4	116.4	-	116.4
Phoenix Employment Relations Board	2.0	2.0	-	2.0
Retirement Systems	15.0	16.0	-	16.0
Law	246.0	252.0	3.0	255.0
Information Technology	213.0	214.0	2.0	216.0
City Clerk and Elections	129.2	130.2	-	130.2
Finance	313.5	316.5	3.0	319.5
Budget and Research	33.0	33.0	1.0	34.0
Engineering and Architectural Services	112.1	116.1	2.0	118.1
Total General Government	1,397.0	1,414.0	12.5	1,426.5
Public Safety				
Police	4,168.7	4,371.7	68.0	4,439.7
Fire	1,886.2	2,008.2	32.0	2,040.2
Office of the Public Safety Manager	0.0	2.0	-	2.0
Emergency Management	6.5	6.5	-	6.5
Family Advocacy Center	7.0	7.0	1.0	8.0
Total Public Safety	6,068.4	6,395.4	101.0	6,496.4
Criminal Justice				
Municipal Court	384.9	384.9	4.0	388.9
Public Defender	9.0	9.0	-	9.0
Total Criminal Justice	393.9	393.9	4.0	397.9
Transportation				
Street Transportation	776.7	781.0	6.0	787.0
Aviation	803.7	853.7	-	853.7
Public Transit	92.0	99.0	28.0	127.0
Total Transportation	1,672.4	1,733.7	34.0	1,767.7

SCHEDULE 8: PERSONNEL SCHEDULE BY DEPARTMENT
Number of Full-Time Equivalent Positions (Continued)

Program	June 30, 2006 Authorized	July 1, 2007 Authorized	Changes	June 30, 2008 Authorized
Community Development				
Development Services	523.0	570.0	6.0	576.0
Planning	74.9	75.9	1.0	76.9
Business Customer Service Center	4.0	4.0	-	4.0
Housing	145.7	148.7	-	148.7
Community and Economic Development	114.0	115.0	1.0	116.0
Downtown Development Office	16.0	16.0	-	16.0
Neighborhood Services	237.0	235.0	6.0	241.0
HOPE VI Project	10.5	11.5	(2.0)	9.5
Total Community Development	1,125.1	1,176.1	12.0	1,188.1
Community Enrichment				
Parks and Recreation	1,530.4	1,613.9	78.7	1,692.6
Library	420.0	436.5	37.5	474.0
Golf	140.0	140.0	-	140.0
Phoenix Convention Center	209.4	213.4	16.5	229.9
Human Services	493.0	501.2	4.2	505.4
Education and Youth	5.8	7.8	0.6	8.4
Rio Salado	1.0	1.0	-	1.0
Historic Preservation	6.0	6.0	2.0	8.0
Office of Arts and Culture	12.5	12.5	1.0	13.5
International and Sister Cities Program	5.0	5.0	1.0	6.0
Total Community Enrichment	2,823.1	2,937.3	141.5	3,078.8
Environmental Services				
Water Services	1,416.1	1,415.1	32.0	1,447.1
Solid Waste Management	519.0	531.0	19.0	550.0
Public Works	498.0	506.0	16.0	522.0
Environmental Programs	15.0	15.0	1.0	16.0
Total Environmental Services	2,448.1	2,467.1	68.0	2,535.1
GRAND TOTAL	15,928.0	16,517.5	373.0	16,890.5

Glossary

Accrual Basis Accounting – The most commonly used accounting method, which reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid. For the city's Comprehensive Annual Financial Report (CAFR), Phoenix recognizes grant revenues on a modified cash basis. Generally Accepted Accounting Principles (GAAP) recognizes grant revenues on an accrual basis.

Appropriation – An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the appropriation ordinances. Three appropriation ordinances are adopted each year: 1) the operating funds ordinance, 2) the capital funds ordinance, and 3) the re-appropriated funds ordinance.

Arizona Highway User Revenue (AHUR) – Various gas tax and vehicle licensing fees imposed and collected by the state and shared with cities and towns. This revenue must be used for street or highway purposes.

Balanced Budget – Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as “the primary property tax levy, when added together with all other available resources, must equal these expenditures.” Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a “rainy day fund”) is included in the budget each year. The City Charter also requires an annual balanced budget. The Charter further requires that “the total of proposed expenditures shall not exceed the total of estimated income and fund balances.”

Base Budget Allowances – Funding for ongoing expenditures for personnel, commodities, contractual services and replacement of existing equipment previously authorized. The base budget allowance provides funding to continue previously authorized services and programs.

Bonds – Debt instruments that require repayment of a specified principal amount on a certain date (maturity date), along with interest at a stated rate or according to a formula for determining the interest rate.

Bond Rating – An evaluation of a bond issuer's credit quality and perceived ability to pay the principal and interest on time and in full. Two agencies regularly review city bonds and generate bond ratings - Moody's Investors Service and Standard and Poor's Ratings Group.

Budget – A plan of financial operation for a specific time period (the city of Phoenix's adopted budget is for a fiscal year July 1 - June 30). The budget contains the estimated expenditures needed to continue the city's operations for the fiscal year and revenues anticipated to finance them.

Capital Budget – See Capital Improvement Program.

Capital Funds – Resources derived from issuance of bonds for specific purposes, related federal project grants and participation from other agencies used to finance capital expenditures.

Capital Improvement Program (CIP) – A plan for capital expenditures needed to maintain and expand the public infrastructure (for example, roads, sewers, water lines or parks). It projects these infrastructure needs for a set number of years and is updated annually to reflect the latest priorities, cost estimates or changing financial strategies. The first year of the adopted Capital Improvement Program becomes the Annual Capital Budget.

Capital Outlay – Items that cost more than \$5,000 and have a useful life of more than two years.

Capital Project – New facility, technology system, land acquisition or equipment acquisition, or improvements to existing facilities beyond routine maintenance. Capital projects are included in the Capital Improvement Program and become fixed assets.

Carryover – Expenditure originally planned for in the current fiscal year, but because of delays, is postponed to the following fiscal year.

CDBG – See Community Development Block Grant.

Central Service Cost Allocation – The method of distributing expenses for general staff and administrative overhead to the benefiting activity.

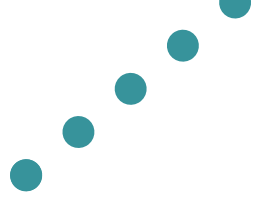

CIP – See Capital Improvement Program.

City Connection – Weekly employee newsletter provided in print and e-mail containing information about the organization, news about employees, and personnel and benefits updates.

City Manager's Budget – See Preliminary Budget.

Commodities – Consumable goods such as office supplies, repair and replacement parts, small tools and fuel, which are not of a capital nature.

Community Development Block Grant (CDBG) – Grant funds allocated by the federal government to the city of Phoenix to use for the prevention and removal of slum and blight, and to benefit low- and moderate-income persons. The city disburses these funds through an annual application process open to all nonprofit organizations and city departments.



Contingency – An appropriation of funds to cover unforeseen events that occur during the fiscal year, such as flood emergencies, federal mandates shortfalls in revenue and similar eventualities.

Contractual Services – Expenditures for services performed by firms, individuals or other city departments.

Council-Manager Form of Government – An organizational structure in which the Mayor and City Council appoint an independent city manager to be the chief operating officer of a local government. In practice, a City Council sets policies and the city manager is responsible for implementing those policies effectively and efficiently.

Court Awards Fund – Revenues provided by court awards of confiscated property under both the federal and state organized crime acts. These funds are used for additional law enforcement activities in the Police and Law departments.

Cycle Time – The amount of time, from the customer's perspective, it takes to complete a defined task, process or service.

Debt Service – Payment of principal and interest on an obligation resulting from the issuance of bonds.

Depreciation – The decline in the value of an asset due to general wear and tear or obsolescence.

Encumbrance – A reservation of funds to cover purchase orders, contracts or other funding commitments that are yet to be fulfilled. The budget basis of accounting considers an encumbrance to be the equivalent of expenditure.

Enterprise Funds – Funds that are accounted for in a manner similar to a private business. Enterprise funds usually recover their costs (including depreciation) through user fees. The city has five such self-supporting funds: Aviation, Water, Wastewater, Golf and Solid Waste. In addition, the Phoenix Convention Center Fund, which is primarily supported by earmarked excise taxes, uses enterprise fund accounting to provide for the periodic determination of net income.

Estimate – The most recent prediction of current year revenue and expenditures. Estimates are based upon several months of actual expenditure and revenue information and are prepared to consider the impact of unanticipated costs or other economic changes.

Excise Tax Fund – This fund is used to account for tax revenues ultimately pledged to pay principal and interest on various debt obligations. This fund includes local sales taxes, state-shared sales taxes, state-shared income taxes and sales tax license fees.

Expenditures – Refers to current cash operating expenses and encumbrances.

Expenditure Limit – See State Expenditure Limit

Fire Neighborhood Protection Fund – This fund is the Fire portion of a voter-approved 0.1 percent sales tax increase approved by the voters in October 1993.

Fiscal Year – The city's charter designates July 1 to June 30 as the fiscal year.

FTE – See Full-Time Equivalent Position.

Full-Time Equivalent Position (FTE) – A position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time clerk working for 20 hours per week would be equivalent to one-half of a full-time position or 0.5 FTE.

Fund – An independent governmental accounting entity with a self-balancing group of accounts including assets, liabilities and fund balance, which record all financial transactions for specific activities of government functions.

Fund Balance – As used in the budget, the excess of resources over expenditures. The beginning fund balance is the residual funds brought forward from the previous fiscal year.

GAAP – See Generally Accepted Accounting Principles.

General Obligation Bonds (G.O. Bonds) – Bonds that require voter approval and finance a variety of public capital projects such as streets, buildings, parks and improvements. The bonds are backed by the "full faith and credit" of the issuing government.

General Funds – Resources derived from taxes and fees that have unrestricted use, meaning they are not earmarked for specific purposes.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards of financial accounting and reporting that govern the form and content of basic financial statements. The city's Comprehensive Annual Financial Report (CAFR) outlines adjustments needed to convert Phoenix's budget basis of accounting to a GAAP basis.

GFOA – Government Finance Officers Association

Goal – A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

G. O. Bonds – See General Obligation Bonds.

Grant – A contribution by one government unit or funding source to another. The contribution is usually made to aid in the support of a specified function (e.g., library materials or drug enforcement, but it is sometimes for general purposes).



HUD – U.S. Department of Housing and Urban Development

Infrastructure – Facilities that support the daily life and growth of the city, for example, roads, water lines, sewers, public buildings, parks and airports.

Impact Fees – Fees adopted by the City Council in 1987 requiring new development in the city's outlying planning areas to pay its proportional share of the costs associated with providing necessary public infrastructure.

Improvement Districts – Special assessment districts formed by property owners who desire and are willing to pay for mutually enjoyed improvements such as streets, sidewalks, sewers and lighting.

In Lieu Property Taxes (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.

MBE/WBE – Minority- and Women-Owned Business Enterprise

Net Direct Debt Ratio – The ratio between property tax-supported debt service and secondary-assessed valuation. The Net Direct Debt Ratio is one way to gauge the ability of a local property tax base to support general obligation debt service.

Objective – Desired output-oriented accomplishments that can be measured and achieved within a given time frame, and 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. The funds are to be used for the purchase of state trust lands for the Sonoran Desert Preserve Open Space, and the development of regional and neighborhood parks to enhance community safety and recreation.

Pay-As-You-Go Capital Projects – Capital projects whose funding comes from day-to-day city operating revenue sources.

Percent-for-Art – An ordinance that allocates up to 1 percent of the city's capital improvement budget to fund public art projects.

Personal Services – All costs related to compensating city employees including employee benefits costs such as contributions for retirement, social security, and health and industrial insurance. It also includes fees paid to elected officials, jurors, and election judges and clerks. It does not include fees for professional or other services.

Plan Six Agreements – Agreements to provide funding to accelerate the construction of the Waddell and Cliff dams, and modification of the Roosevelt and Stewart dams, for the benefit of the city of Phoenix. These benefits include the use of additional unappropriated water, controlling floods, improving the safety of existing dams, and providing new and improved recreational facilities.

PLT – See Privilege License Tax.

Police Neighborhood Protection Fund – This fund is the Police portion of a voter-approved 0.1 percent sales tax increase approved by the voters in October 1993.

Preliminary Budget – A balanced budget presented to the City Council by the city manager (sometimes referred to as the City Manager's Budget) based upon an earlier Trial Budget, City Council and community feedback and/or changing economic forecasts. Any City Council changes to the Preliminary Budget are incorporated into the final adopted budget.

Primary Property Tax – A tax levy that can be used to support any public expense.

Privilege License Tax (PLT) – The city of Phoenix's local sales tax, made up of more than 14 general categories.

Privilege License Tax Fees – Includes fees charged for Privilege License Tax (PLT) licenses and the annual fee per apartment unit on the rental of non-transient lodging. Fees recover the costs associated with administering an efficient and equitable system. A PLT license allows the licensee the privilege to conduct taxable business activities and to collect and remit those taxes.

Program – A group of related activities performed by one or more organizational units.

Property Tax – A levy upon each \$100 of assessed valuation of property within the city of Phoenix. Arizona has two types of property taxes. Primary property taxes support the city's General Fund and secondary property taxes pay general obligation debt.

Public Safety Enhancement Funds – The Public Safety Enhancement funds are used to account for a 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The Police Public Safety Enhancement Fund is dedicated to Police and Emergency Management needs and receives 62 percent of the revenues generated. The Fire Public Safety Enhancement Fund is dedicated to Fire needs and receives 38 percent of the revenues generated.





Reappropriated Funds – Funds for contracts entered in a previous fiscal year but which are still in progress.

Recoveries – Canceled prior year encumbrances.

RPTA – Regional Public Transportation Authority

Resources – Total amounts available for appropriation including estimated revenues, fund transfers and beginning fund balances.

Restricted Funds – See Special Revenue Fund.

Salary Savings – Budget savings realized through employee turnover.

Secondary Property Tax – A tax levy restricted to the payment of debt service on bonded debt. The secondary property tax when combined with the primary property tax levy produces a total rate of \$1.82 per \$100 of assessed valuation.

Self-Insurance – Self-funding of insurance losses. With the exception of airport operations, police aircraft operations, and excess general and automobile liability for losses in excess of \$2 million, the city is self-insured for general and automobile liability exposures.

Special Revenue Fund – A fund used to account for receipts from revenue sources that have been earmarked for specific activities and related expenditures. Examples include Arizona Highway User Revenue (AHUR) funds, which must be used for street and highway purposes, and secondary property tax, which is restricted to general-bonded debt obligations.

Sports Facilities Fund – A special revenue fund established to account for revenue raised from a designated portion of the hotel/motel tax and tax on short-term motor vehicle rentals. These funds pay the city's portion of the debt service and other expenditures related to the downtown sports arena.

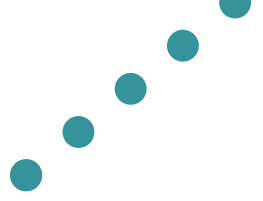
State Expenditure Limit – A limitation on annual expenditures imposed by the Arizona Constitution as approved by the voters in 1980. The limitation is based upon a city's actual 1979-80 expenditures adjusted for interim growth in population and inflation. Certain expenditures may be exempt by the state Constitution or by voter action.

State-Shared Revenues – Revenues levied and collected by the state but shared with local governments as determined by state government each year. In Arizona, a portion of the state's sales, income and vehicle license tax revenues are distributed on the basis of a city's relative population percentage.

Supplemental – Resources to provide new or enhanced programs or services over the base budget allocation.

Tax Levy – The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

Technical Review – A detailed line-item review of each city department's budget conducted by the Budget and Research Department.



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

Trial Budget – A budget developed in early spring that presents a proposed balanced budget for discussion by the City Council and the community before the city manager submits his or her Preliminary Budget in late spring.

User Fees or User Charges – A fee paid for a public service or use of a public facility by the individual or organization benefiting from the service.

Zero Base Budgeting – A process for allocating financial resources that provides for the comparison and prioritization of existing and proposed programs and services. The process includes organizing expenditures in individual decision packages and priority ranking all decision packages.