CITY OF SCOTTSDALE

Volume One

Operating Budget

City of Scottsdale, Arizona
FY 2017/18 Budget

Adopted FY 2017/18 Budget

City of Scottsdale, Arizona

Volume One

Budget Summary

City Council

W.J. “Jim” Lane, Mayor

Suzanne Klapp, Vice Mayor

Virginia Korte

Kathy Littlefield

Linda Milhaven

Guy Phillips

David N. Smith

Administrative Staff

Jim Thompson, City Manager

Brent Stockwell, Assistant City Manager

Jeff Nichols, City Treasurer

Judy Doyle, Budget Director

FY 2017/18 Adopted Budget – Volume One

Budget Summary

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CITY OF
SCOTTSDALE

A REPORT TO OUR CITIZENS
FISCAL YEAR 2016/2017

About Scottsdale

The voters elect a mayor and six councilmembers to govern Scottsdale. The City Council appoints six officers to advise them on policy issues and run daily operations. 2,711 city employees and 5,509 volunteers serve the 238,000 citizens of Scottsdale.

What was accomplished?

These are a few selected accomplishments from the past year, grouped by strategic goal:

VALUE SCOTTSDALE'S UNIQUE LIFESTYLE AND CHARACTER

- New **Scottsdazzle** holiday and Western Week events focus attention on Downtown Scottsdale
- New monthly downtown e-newsletter provides info on city efforts to 1,500+ subscribers

SEEK SUSTAINABILITY

- Improved **green waste recycling** from single-family homes by 7 percent
- Improved safety and reduced risk in four city buildings by installing new fire alarms

PRESERVE MEANINGFUL OPEN SPACE

- Acquired 400+ acres of state land for Scottsdale's McDowell Sonoran Preserve
- Opened 7½ miles of **new preserve trails** north of Dynamite Boulevard

ADVANCE TRANSPORTATION

- Adjusted **traffic signals** to reduce commutes by 15+ percent on 4 major roads
- Began designing project to add bike lanes along McDowell Road corridor

ENHANCE NEIGHBORHOODS

- **Back to school program** provided 992 children with clothing and backpacks filled with supplies
- More than 4,000 participate in Library's fourth Ultimate Play Date for families
- Police and Fire departments hosted successful 5-day interactive teen academy

SUPPORT ECONOMIC VITALITY

- Attracted, retained or expanded **14 businesses with 1,019 jobs** with average wages of $62,744

How our residents rate Scottsdale

Percent "excellent" or "good"

As a place to live

94% 2006 | 96% 2010 | 98% 2016

Quality of life

90% 2006 | 94% 2010 | 96% 2016

For complete results go to ScottsdaleAZ.gov and search "survey."

How do we compare with our neighbors?

Scottsdale is part of the Phoenix metropolitan area, and taxes and rates vary across the eight largest cities. Scottsdale's rates are lower than all but two or three of the largest cities. Scottsdale's rates are also at or below last year's levels.

CITY PROPERTY TAX ON A $250,000 HOUSE

This is the amount of city-only property tax on a home assessed at $250,000 in area communities. About 10 percent of the total tax bill goes to the city. The rest goes for public schools, the county, and other special districts.

Source: City budget offices

$257	$271	$391	$623
Gilbert	Scottsdale	Average	Tempe

CITY SALES TAX ON A $25,000 CAR

This is the city sales tax that would be due on a new car valued at $25,000 in area communities. In Scottsdale, the city portion is 1.65% of the total 7.95% charged. The rest goes to the state and the county.

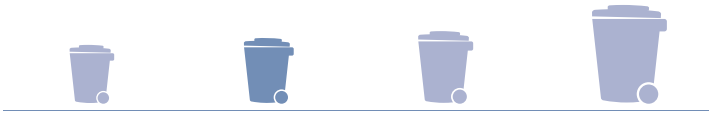
Source: Arizona Department of Revenue

$375	$413	$444	$550
Chandler & Gilbert	Scottsdale	Average	Glendale

MONTHLY RESIDENTIAL UTILITY BILL

This includes water, wastewater (sewer) and solid waste (trash and recycling) for a single-family residential customer in each community. Actual bills may vary based on actual usage and size of property.

Source: City of Tempe



$64	$71	$79	$114
Gilbert	Scottsdale	Average	Mesa

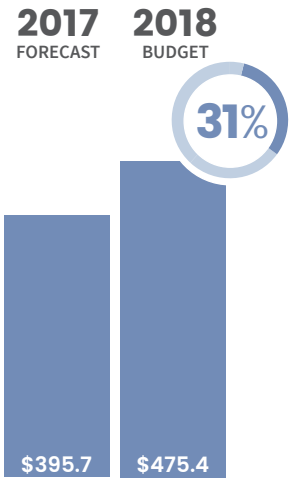
How are we doing?

This is a snapshot of measures from the city's Quarterly Performance Report. For more measures, go to ScottsdaleAZ.gov, search "performance."

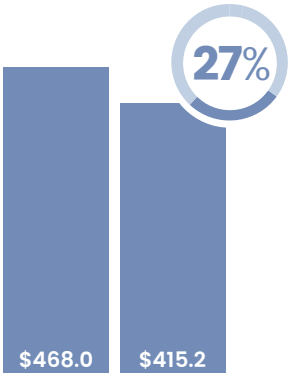
What does it cost to run the city and how are those costs paid?

Scottsdale is required by law to adopt a budget each year, and cannot spend more than that total amount. This includes all city funds for the fiscal year ending June 30. These numbers are as adopted by the City Council on June 2017. The city's financial statements are audited annually by an independent auditor. The most recent audit for 2016 received a clean opinion.

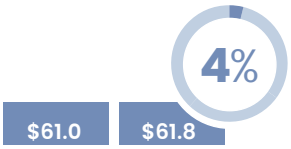
What financial resources are available for the City of Scottsdale? (in millions of dollars)



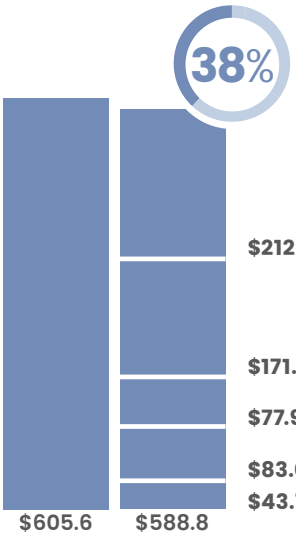
The **fund balance** consists of the accumulated surpluses from prior years held in contingency and reserve.



Other financing sources includes funds carried over from prior years for capital and utilities designated purposes.



Property taxes are collected to support city services, and also to pay for debt service on property, buildings and infrastructure.



The city receives revenue from **local sales and business taxes**, and **service charges** from customers. Key breakouts below.

$212.3 – LOCAL TAXES

$171.7 – UTILITIES AND ENTERPRISES

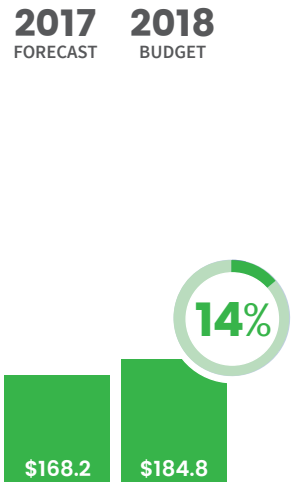
$77.9 – GRANTS, TRUSTS AND INTEREST EARNINGS

$83.0 – STATE AND REGIONAL TAXES

$43.7 – LICENSES, FINES & FEES

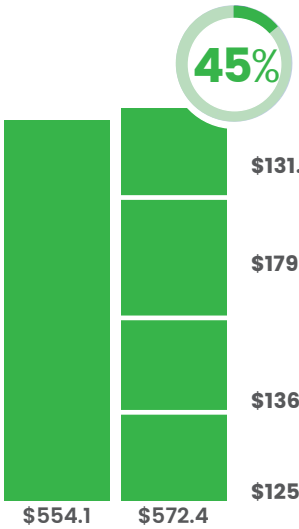
	2017 FORECAST	2018 BUDGET
Total financial resources available	**$1,530.3**	**$1,541.3**

What are the expenses for running the City of Scottsdale? (in millions of dollars)



The city sets aside about 14% of the total budget for **contingency and reserves.** This is the city's savings account.

The **capital budget** is used to acquire or construct major facilities including buildings, roads and water infrastructure.



The **operating budget** is used to pay for city services and to pay employees that provide those services. Key breakouts shown below.

$131.0 – UTILITY SERVICES FOR CUSTOMERS AND CITY INFRASTRUCTURE MAINTENANCE

$179.2 – ALL OTHER CITY SERVICES SUCH AS PLANNING, PARKS, LIBRARIES AND ADMINISTRATION

$136.7 – POLICE AND FIRE SERVICES

$125.4 – LONG-TERM DEBT

	2017 FORECAST	2018 BUDGET
Maximum expenditure limit	**$1,363.3**	**$1,279.8**

What are our priorities for Fiscal Year 2017/18?

The city's mission statement is Simply Better Service for a World-Class Community. The city has six long-term strategic goals and six short-term priorities. Selected objectives that advance these efforts are listed below.

Simply Better Service for a World-Class Community

PHOTOS: BOB BENNETT, SEAN DECKERT, MAUREEN ISREE, W. SCOTT MITCHELL

PRESERVE MEANINGFUL OPEN SPACE

- Initiate site design and public input process for new trailhead at Pima and Dynamite
- Acquire remaining private parcel within the Preserve recommended study boundary area

SUPPORT ECONOMIC VITALITY

- Develop and carry out strategies that support new investment in key employment centers
- Implement Downtown Marketing plan to attract regional visitors and support local business

ENHANCE NEIGHBORHOODS

- Create new grant-funded Family Resource Center to provide library and human services
- Build 3 new fire stations and refurbish another with bond financing approved by voters in 2015

ADVANCE TRANSPORTATION

- Begin planning and acquisition for Cactus Trolley, Airpark Trolley and Scottsdale Limited Bus service
- Invest additional $20 million to replace aging pavement to restore streets to pre-recession standard using bond financing approved by voters in 2015

SEEK SUSTAINABILITY

- Increase residential recycling diversion rate to 30% or more over next two years
- Improve citizen access to services and data through new online app and open data portal

VALUE SCOTTSDALE'S UNIQUE LIFESTYLE AND CHARACTER

- Improve pedestrian and disabled access along sidewalks and improve lighting Downtown
- Expand Canal Convergence event to two weekends and move event to Fall 2018

Citizen-Centric Reporting AGA

This report provides a snapshot of information available in the budget and comprehensive annual financial report documents which are available at ScottsdaleAZ.gov and search "finance."

This report is prepared according to AGA citizen centric reporting standards.

Please contact the City Manager's Office if you have comments or suggestions on how we can improve this report.

Scottsdale's City Manager's Office
3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251
480-312-2800
citymanager@ScottsdaleAZ.gov

Guiding Scottsdale Forward

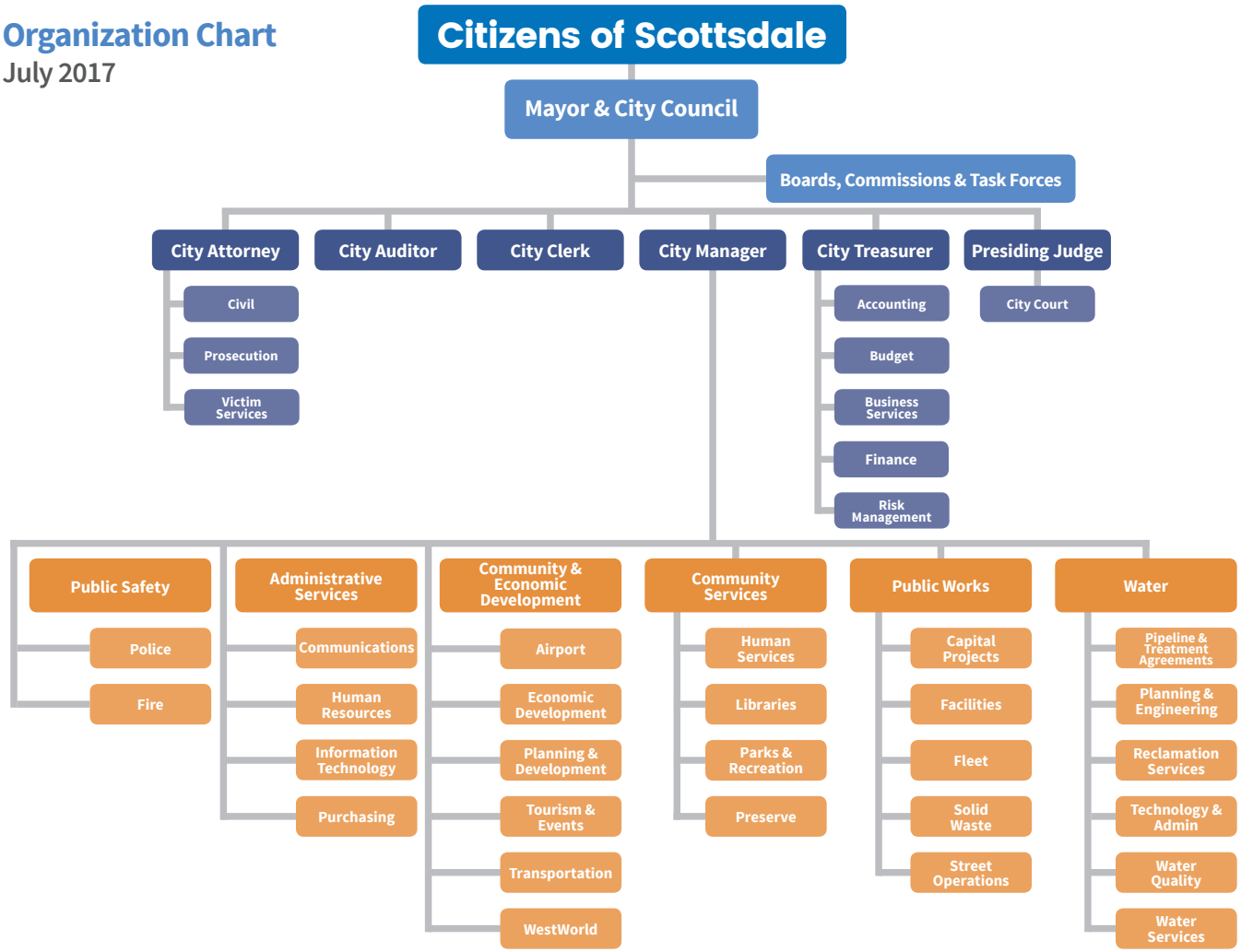
An Introduction to Our Leadership

The City Council is the governing body for Scottsdale. The council consists of the mayor and six council members who are elected to represent the city at large and serve overlapping, four-year terms. These seven citizens oversee the operations of city government and set policy, approve programs, appropriate funds, enact laws, select charter officers, and appoint residents to serve on advisory bodies. The mayor is the chair of the Scottsdale City Council and presides over its meetings, which are typically held on Tuesdays in the City Hall Kiva Forum located at 3939 N. Drinkwater Boulevard in downtown Scottsdale.

The City Council hires six officers to advise them on policy issues and run day-to-day operations. They are collectively known as the charter officers, because their positions are spelled out in the City Charter, a voter-approved document which describes the organization and authority of city government in Scottsdale. These positions are the city attorney, city auditor, city clerk, city manager, city treasurer and presiding city judge.

Organization Chart

July 2017



Scottsdale City Council

MAYOR W. J. "JIM" LANE

W. J. "Jim" Lane served for four years on the Scottsdale City Council beginning in June 2004, and began his third term as mayor in January 2017. Mayor Lane currently represents the city as a member of the Flinn Foundation Arizona Bioscience Roadmap Steering Committee. He is the current Treasurer and Secretary of the Arizona Municipal Water Users Association, a member of the Governor's Arizona Workforce Committee, member of the Executive Committee of the League of Arizona Cities and Towns, and a Chairman of the Maricopa Association of Governments Economic Development Committee. He serves on the Scottsdale Leadership Advisory Board, Arizona Game and Fish Appointment Recommendation Board, he is a member of the Phoenix Committee on Foreign Relations and an honorary member of the Taliesin West Board of Stewards. He came to Scottsdale from New Jersey in 1973 to take a position with KPMG (Peat Marwick), an international CPA firm. He worked as an Arizona CPA for 20 years with five of those years in public accounting as a financial statement auditor. Mayor Lane has owned and operated businesses in construction, mining, computer technology, telecommunications, regional aviation and financial consulting. Mayor Lane is also a former adjunct professor of Business and Accounting at Scottsdale Community College. He holds a Bachelor of Science degree in Accounting from Saint Joseph's University in Philadelphia.

jlane@ScottsdaleAZ.gov | 480-312-2466

COUNCILWOMAN SUZANNE KLAPP

Suzanne Klapp began her first term on the Scottsdale City Council in January 2009, and began her third term in January 2017. She has more than 40 years of management experience in manufacturing, distribution and retail operations. She began her career with Whirlpool Corp. where she worked for 14 years in a variety of positions in marketing, communications, human resources, production and material control. Later, she owned a custom plastics manufacturing plant in Indiana. She moved to Scottsdale in 1998 and since then has owned custom framing stores in Scottsdale and Phoenix. She is Chairman of the Valley Metro RPTA board and is a founder of the Scottsdale Gateway Alliance. She is a graduate of Valley Leadership and is on the Scottsdale Leadership Advisory Board. She serves as Chairman of the City Council's Audit Subcommittee. She holds a Bachelor of Arts degree in English and Journalism from the University of Evansville and Master of Business Administration from Southern Methodist University.

sklapp@ScottsdaleAZ.gov | 480-312-7402

COUNCILMEMBER VIRGINIA KORTE

Virginia Korte began her second term on the Scottsdale City Council in January 2017. She has an extensive background in business and nonprofit management as well as community service. In 1981, she joined Ray Korte Chevrolet to work with and learn from her father where she served in various roles until becoming general manager and dealer in 1991. In 1998, Virginia became the first executive director of the Center for Native & Urban Wildlife at Scottsdale Community College, serving until 2002, when she was hired as President and CEO of the Scottsdale Area Chamber of Commerce. She left the chamber in 2008 to serve as President and CEO of Scottsdale Training and Rehabilitation Services until 2014. She is currently a member of the board for Arizona Town Hall and Business United for Scottsdale Schools. Throughout her time in Scottsdale, Virginia has also served on a wide variety of volunteer boards and committees focused on serving the community.

vkorte@ScottsdaleAZ.gov | 480-312-7456

Kathy Littlefield began her first term on the Scottsdale City Council in January 2015. She has 25 years of financial and management experience. She co-founded (with her husband Bob Littlefield, who served three terms on the Scottsdale City Council from 2002 to 2015) and continues to manage a successful Scottsdale-based computer company, NetXpert Systems, Inc. Her previous professional experience includes several years working in the Budget Office of the City of Plano, Texas. Councilwoman Littlefield was President of her Civitan Club (an organization that helps developmentally disabled and underprivileged children) and was chosen "Civitan of the Year" for her efforts during her term of office. Currently she is active in the Daughters of the American Revolution working to help veterans and their families. Councilwoman Littlefield is a Scottsdale native who attended Ingleside Elementary and Arcadia High. She graduated with distinction from Arizona State University in 1970 with a bachelor's degree in business education.

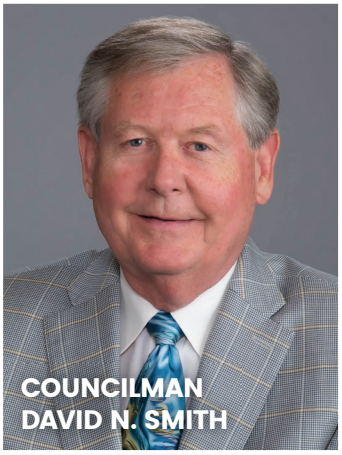
klittlefield@ScottsdaleAZ.gov | 480-312-7456

Linda Milhaven began serving on the Scottsdale City Council in January 2011 and was re-elected to a second term that began in January 2015. She has served in numerous volunteer capacities including Chair of the Board of Trustees of the Scottsdale Cultural Council, Chair of the Board of the Scottsdale Area Chamber of Commerce and Chair of the Board of the Better Business Bureau. She was a member of Class VIII of Scottsdale Leadership and in 2009 earned their Frank B. Hodges Alumni Achievement Award. As part of her 30 year banking career, she was a community bank president in Scottsdale from 1993 to 2005. Councilwoman Milhaven graduated from Paradise Valley High School. She holds a Bachelor of Arts degree in Psychology from Wellesley College in Wellesley, Massachusetts, and a Masters in Business Administration from Columbia University in New York.

lmilhaven@ScottsdaleAZ.gov | 480-312-7402

Guy Phillips began his second term on the Scottsdale City Council in January 2017. Councilman Phillips was raised in Phoenix where he graduated from Camelback High School in 1977. He moved to Scottsdale in 1994. He attended Maricopa Community College and subsequently started the air conditioning contracting business that he still owns and operates. He was a general contractor and homebuilder whose business was one of the first to implement Scottsdale's Green Building Program. He is a member of the Better Business Bureau, the Arizona Small Business Association, the North Scottsdale Chamber of Commerce, the Heritage Foundation, the National Rifle Association, and the Arizona Archaeological Society. He has created many startup businesses with a patent pending. Scottsdale is where Guy Phillips met his wife Cora, and together they raised a family of five children who all attended Scottsdale public schools.

gphillips@ScottsdaleAZ.gov | 480-312-2374



David N. Smith began his first term on the Scottsdale City Council in January 2015. Councilman Smith has more than 40 years of senior financial management experience, mostly in the public service and not-for-profit sectors. He served as Scottsdale's city treasurer and chief financial officer from October 2009 until he retired in July 2013. Prior to that, he served as vice chair of Scottsdale's citizen budget review commission. Before his service with the city of Scottsdale, Councilman Smith was the chief financial officer for Amtrak from 2004 to 2007 and served as the CFO for the Tennessee Valley Authority, the nation's largest electric utility, from 1995 to 2003. He and his wife Diana owned and published the Scottsdale Airpark News from 1986 to 1997. Councilman Smith earned a bachelor's degree in business administration and accounting from Northwestern University and a master's degree in finance from Northwestern's Kellogg School of Management.

dnsmith@ScottsdaleAZ.gov | 480-312-7423

Charter Officers

JIM THOMPSON
City Manager
jthompson@ScottsdaleAZ.gov
480-312-2800

BRUCE WASHBURN
City Attorney
bwashburn@ScottsdaleAZ.gov
480-312-2659

SHARRON WALKER
City Auditor
swalker@ScottsdaleAZ.gov
480-312-7867

CAROLYN JAGGER
City Clerk
cjagger@ScottsdaleAZ.gov
480-312-2411

JEFF NICHOLS
City Treasurer
jenichols@ScottsdaleAZ.gov
480-312-2364

JOSEPH OLCAVAGE
Presiding Judge
jolcavage@ScottsdaleAZ.gov
480-312-7604

Scottsdale employees honored for performance and commitment to community in 2016.

CITY OF SCOTTSDALE

For more information about Scottsdale's organization and leadership, go to ScottsdaleAZ.gov and search "directory."

Welcome to Scottsdale, Arizona

A world-class community

Located in the beautiful Sonoran Desert, Scottsdale is nestled between Paradise Valley and the McDowell Mountains. Scottsdale is a premier community known for a high quality of life with attractive residential, working and shopping areas. It is an internationally recognized visitor destination and a thriving location for business.

Scottsdale consistently ranks among the nation's best places to live, with top-rated schools, award winning parks, low crime and a vibrant economy. Downtown Scottsdale is home to many restaurants, retail shops, art galleries, and hotels. Scottsdale's McDowell Sonoran Preserve, in the city's northern reaches, throughout Scottsdale, is the largest municipally-owned park or preserve in the United States. There are recreational opportunities for everyone with many golf courses, tennis courts, parks, pools, bike paths, and trails.

Scottsdale was founded by Army Chaplain Winfield Scott in 1888, but was not incorporated until 1951 when Scottsdale was a small community of 2,000 residents situated on about two square miles of land. Today, Scottsdale has more than 230,000 residents spread across 185 square miles.

All Work and All Play

Business

Scottsdale is one of the state's leading job centers with a diverse economy built on medical research, high-tech innovation, tourism and corporate headquarters. Scottsdale is home to nearly 18,000 businesses supplying more than 150,000 jobs. The high-tech innovation center SkySong, located just a few miles from Downtown, is designed to help companies grow through a unique partnership with nearby Arizona State University. Downtown is an emerging center for high-tech businesses. Farther north, the Scottsdale Cure Corridor is a partnership of premier health care providers and biomedical companies seeking to advance medicine and patient care through cutting-edge research.

Tourism

With great weather, fantastic scenery and a calendar full of special events, Scottsdale is among the most popular tourist destinations in Arizona. About 9 million people visit Scottsdale annually. The city boasts many hotels and resorts, restaurants, and spas. That activity adds up to big business. The annual economic impact of Scottsdale visitors is estimated at more than $4 billion. Annual tax revenue generated by visitors was estimated around $38 million — representing about one in every five city tax dollars.

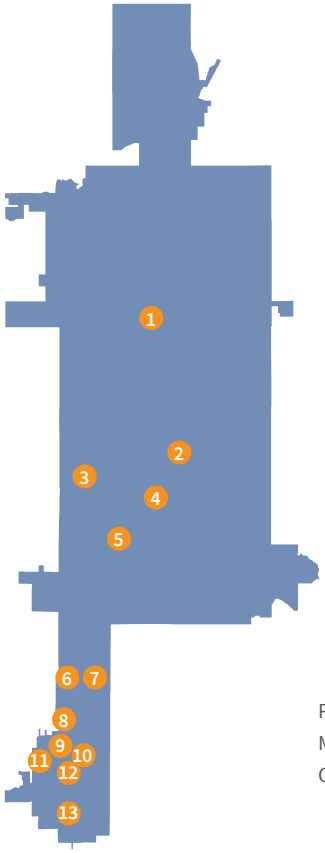
Special Events

Every January through March, Scottsdale captures the national spotlight with an eclectic mix of sport and cultural events that draw thousands of spectators and millions of television viewers. Scottsdale resorts annually host Fiesta Bowl teams and the city's Downtown becomes the focal point for pep rallies and fan parties. The Barrett-Jackson Collector Car Auction headlines a week of local automotive attractions and becomes the star of more than 40 hours of live TV coverage. The Waste Management Phoenix Open unfolds at the TPC Scottsdale, featuring more national TV coverage and the largest, loudest galleries in golf. The All Arabian Horse Show — among the largest horse shows in the nation — and Scottsdale's festive Parada del Sol Parade and Rodeo follow later. In March, Major League Baseball takes center stage. Downtown Scottsdale serves as the spring home of the San Francisco Giants and makes the city a headquarters for visiting fans and media from across the nation.

PHOTO BY: MAUREEN ISREE

Scottsdale Top Attractions

1. Pinnacle Peak Park
2. Preserve Gateway
3. TPC Scottsdale
4. WestWorld
5. Scottsdale Airport / Airpark
6. McCormick-Stillman Railroad Park
7. Indian Bend Wash Greenbelt
8. Scottsdale Fashion Square
9. Downtown Scottsdale
10. Scottsdale Historical Museum
11. Western Spirit: Scottsdale's Museum of the West
12. Scottsdale Stadium
13. SkySong, the ASU Scottsdale Innovation Center



PHOTOS BY: BERNARD GAGNON, KEN GRESHOWAK, MAUREEN ISREE, LOU PARKER, MCDOWELL SONORAN CONSERVANCY, DANIEL ORTEGA, BILL TIMMERMAN

Simply Better Service
for a World-Class Community

A Museum without Walls

Scottsdale's innovative and longstanding public art program makes the city a special place, contributing to the community's creative, cultural, and economic vitality. The program is one of several managed by the Scottsdale Cultural Council, the non-profit agency focused on art and culture in Scottsdale. The public art pieces featured below highlight the important role that water plays in our World-Class Community.

Soleri Bridge and Plaza

ARTIST: PAOLO SOLERI

PHOTO BY: BILL TIMMERMAN

Water Mark

ARTISTS: LAURA HADDAD AND TOM DRUGAN

PHOTO BY: ANNA HUBBARD

Woman and Fish

ARTIST: ABBOT PATTISON

Horseshoe Falls

ARTIST: MICHAEL MAGLICH

Water to Water

ARTIST: CHRISTINE TANZPAUL EDWARDS

Floating World

ARTIST: CALVIN ABESYLVIA TIDWELL

PHOTO BY CHRIS LOOMIS

Canal Convergence

The Scottsdale Waterfront shimmers and glows during Canal Convergence, an annual weekend of engaging and inspiring events and innovative large-scale installations by local and international artists. Canal Convergence is hosted by Scottsdale Public Art and has quickly become a regional attraction, adding to Scottsdale's cachet as Arizona's premier arts and cultural destination.

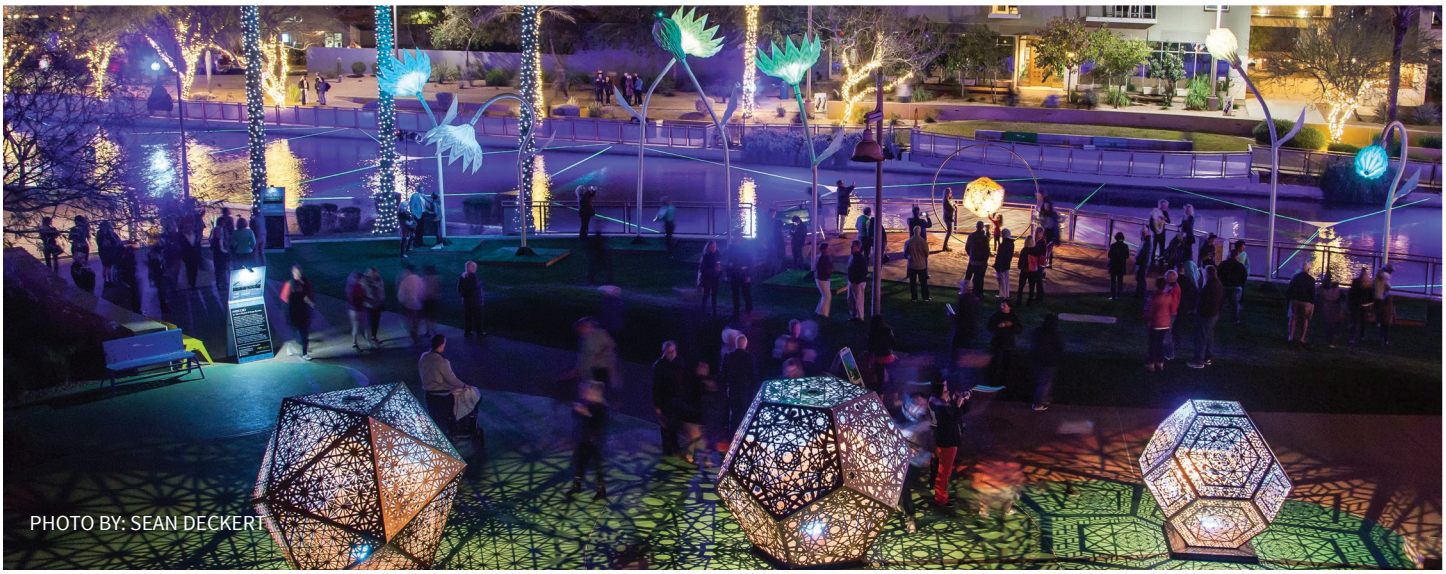


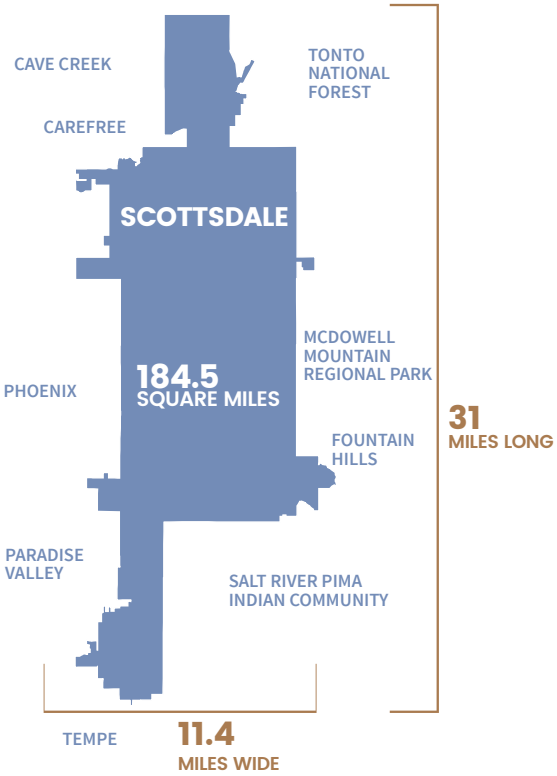
PHOTO BY: SEAN DECKERT

Scottsdale By The Numbers

A Demographic Summary

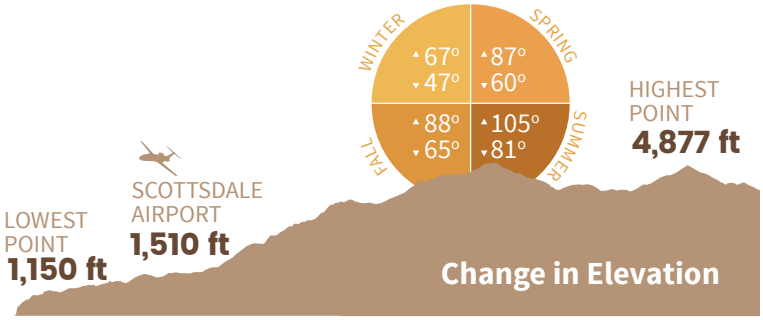
Scottsdale is the 45th largest city in the U.S. by area.

Source: U.S. Census and City of Scottsdale



Scottsdale's elevation rises by nearly 4,000 feet from south to north

Source: City of Scottsdale and Scottsdale Airport Weather Station

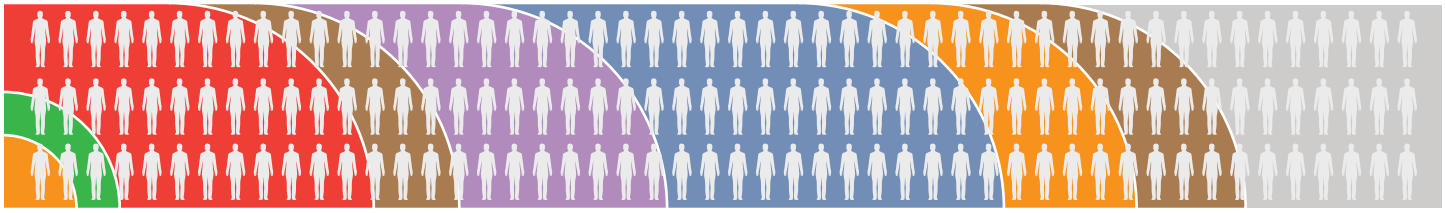


Scottsdale's 238,000 Citizens are Served by

- **1** Mayor
- **6** Council Members
- **6** Appointed Officers
- **163** Board and Commission Members
- **546** Part-time Employees
- **2,165** Full-time Employees
- **5,346** Volunteers

Scottsdale is the 85th largest city in the U.S. by population, and is forecast to pass 300,000 by 2050.

Source: U.S. Census and Arizona Office of Economic Opportunity



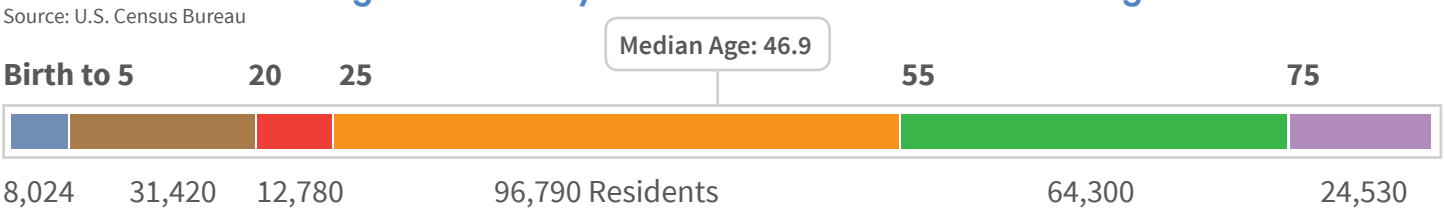
1951	1960	1970	1980	1990	2000	2010	2016	2050
2,021	10,026	67,841	88,364	130,069	202,705	217,365	238,000	311,900

PHOTOS: THOMAS PREZKOP, EUGENIA VALENTINE

Scottsdale's Residents

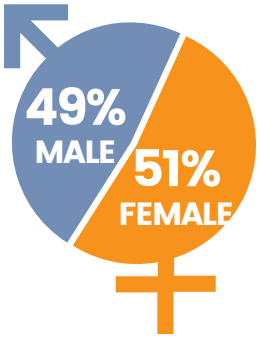
Scottsdale's median age of 46.9 is 9 years older than the U.S. median age of 37.8.

Source: U.S. Census Bureau



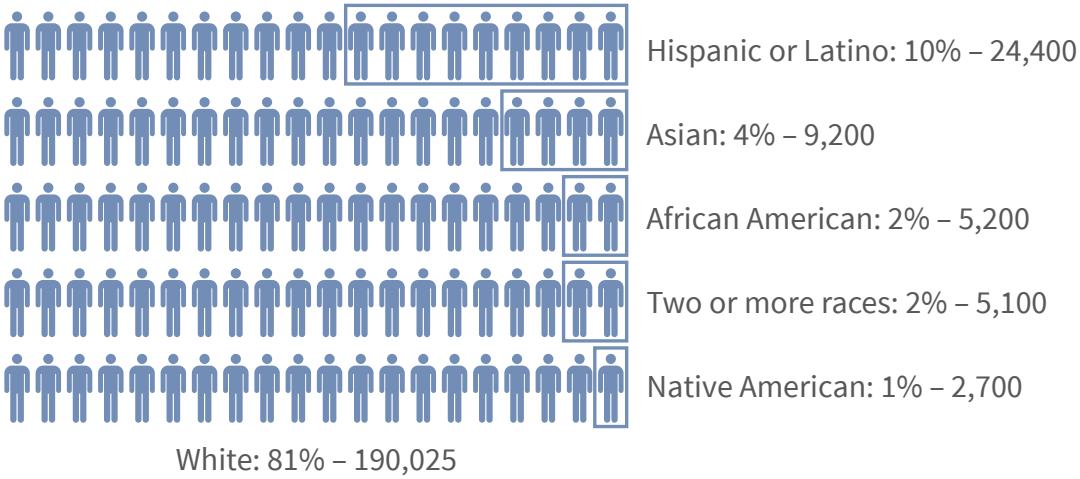
There are more women than men in Scottsdale

Source: U.S. Census Bureau



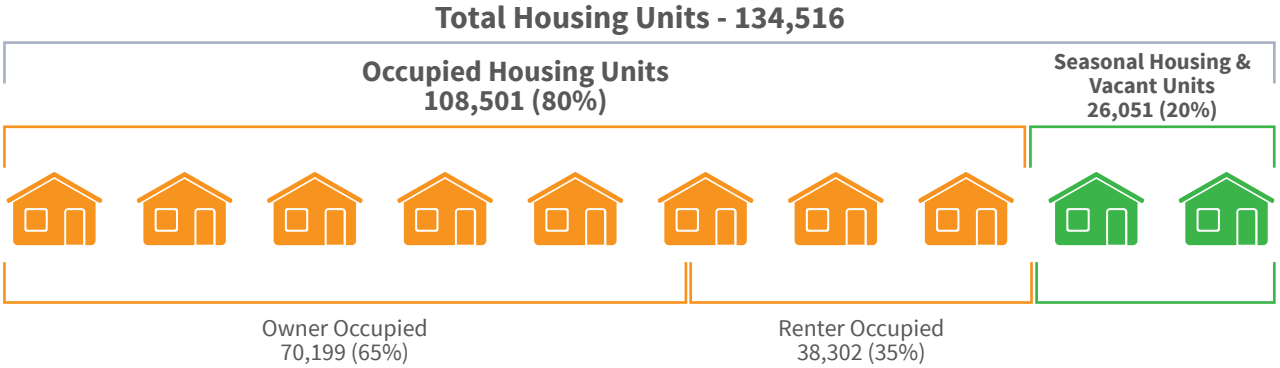
While most residents are white, about 1 in 10 are Hispanic or Latino.

Source: U.S. Census Bureau



While most homes are owner-occupied year-round, about 16,000 homes (12 percent) are for seasonal residents.

Source: U.S. Census Bureau

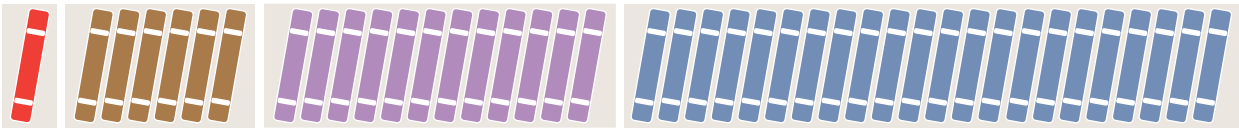


Homeowner vacancy rate 3.4%
Rental vacancy rate 10.3%

More than half of Scottsdale adults have earned a bachelor's degree or higher.

Source: U.S. Census Bureau

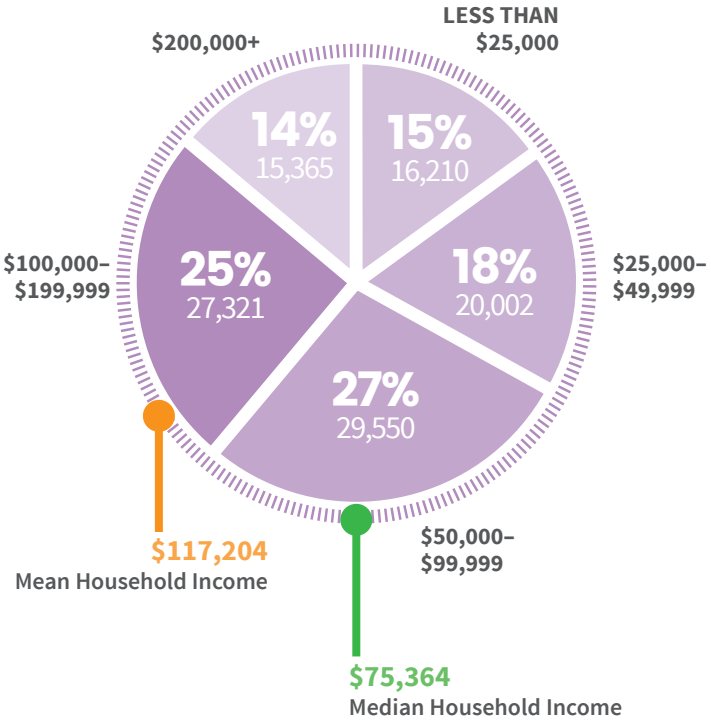
184,631
(Population 25 years and older)



LESS THAN HIGH SCHOOL GRADUATE	HIGH SCHOOL GRADUATE	ASSOCIATE DEGREE/ SOME COLLEGE	BACHELOR'S DEGREE OR HIGHER
10,030 (5%)	**23,940 (13%)**	**48,988 (27%)**	**101,673 (55%)**

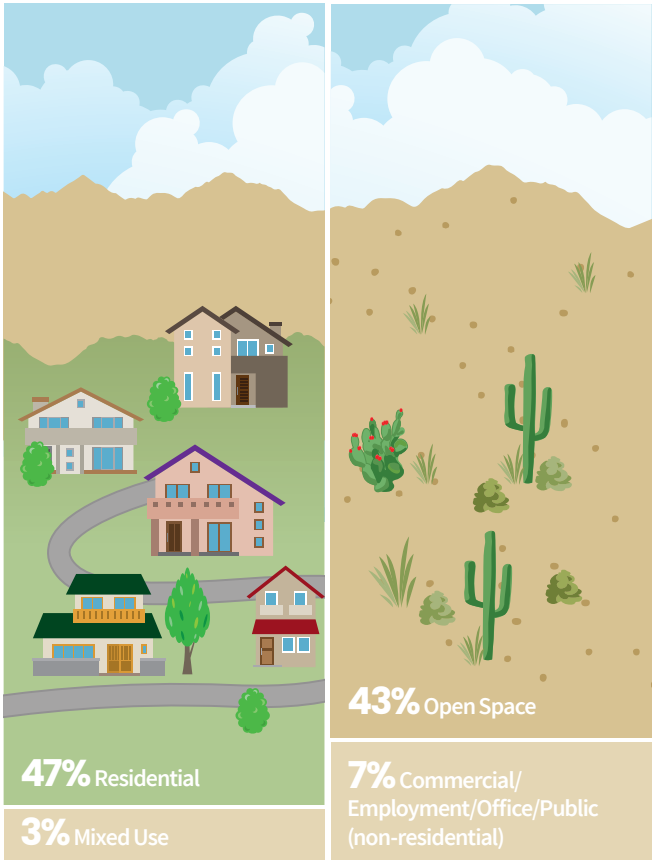
Almost 40% of Scottsdale households make more than 100,000 a year.

Source: U.S. Census Bureau



More than 40% of Scottsdale's land area is dedicated as Open Space.

Source: Scottsdale General Plan



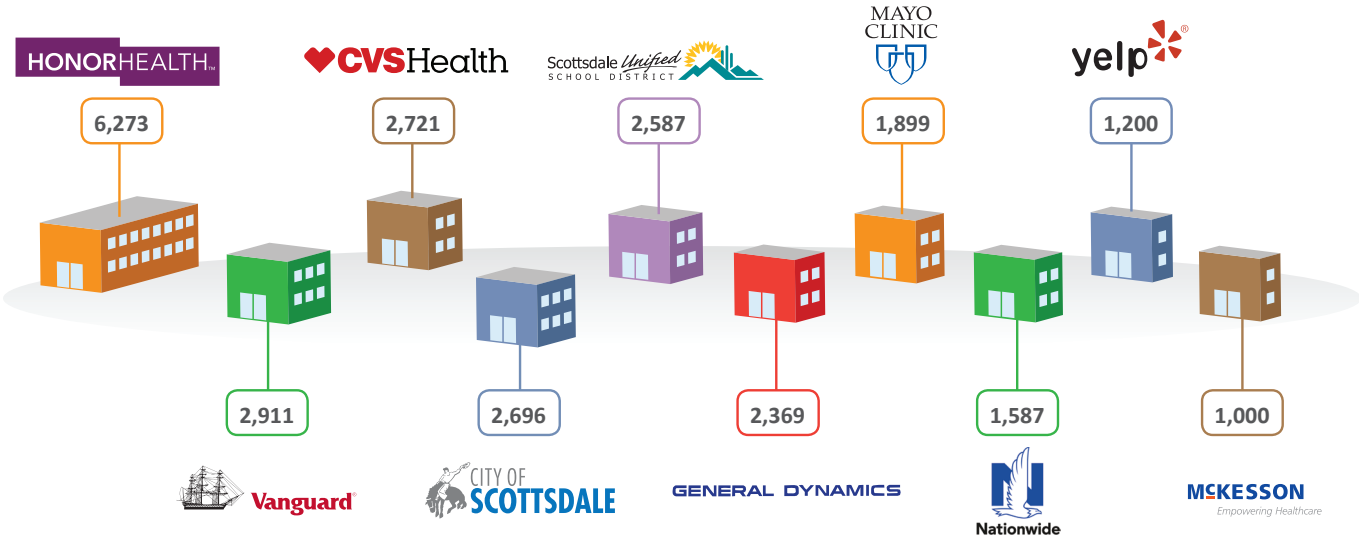
Scottsdale has the highest median housing price of any of the large Valley cities.

Source: U.S. Census Bureau

Phoenix	Mesa	Chandler	Glendale	Scottsdale	Gilbert	Tempe	Peoria
$200,800	$188,100	$273,600	$181,000	$434,700	$284,800	$246,200	$223,000

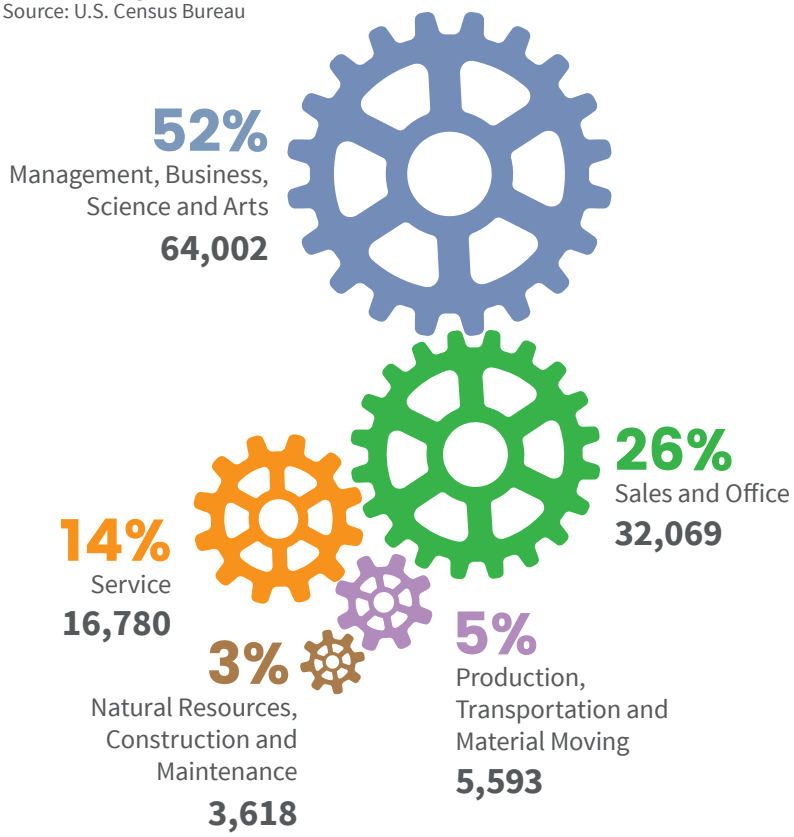
Health care, finance and technology firms dominate the list of large employers.

Source: Economic Development Department communications with employers, July 2017.



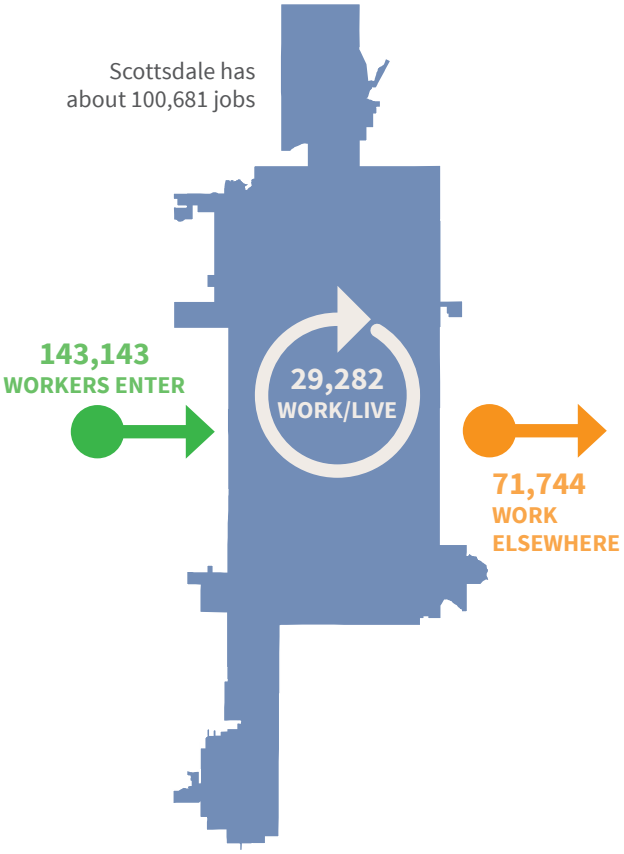
Most residents work in management or office jobs.

Source: U.S. Census Bureau



More workers come to Scottsdale than leave to work in other communities.

Source: U.S. Census Bureau



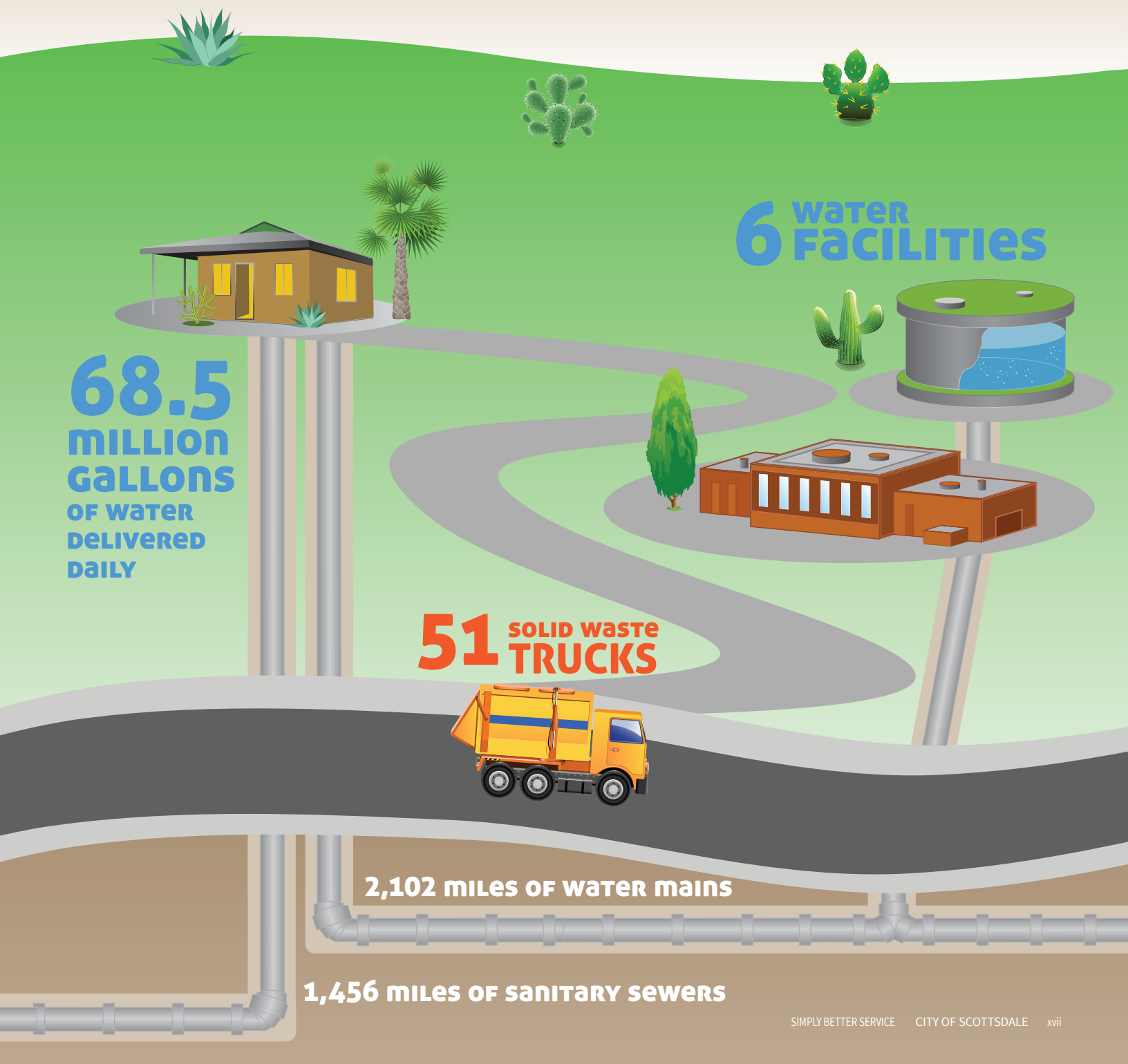
CITY OF SCOTTSDALE

More demographic information is available at ScottsdaleAZ.gov and search "about."

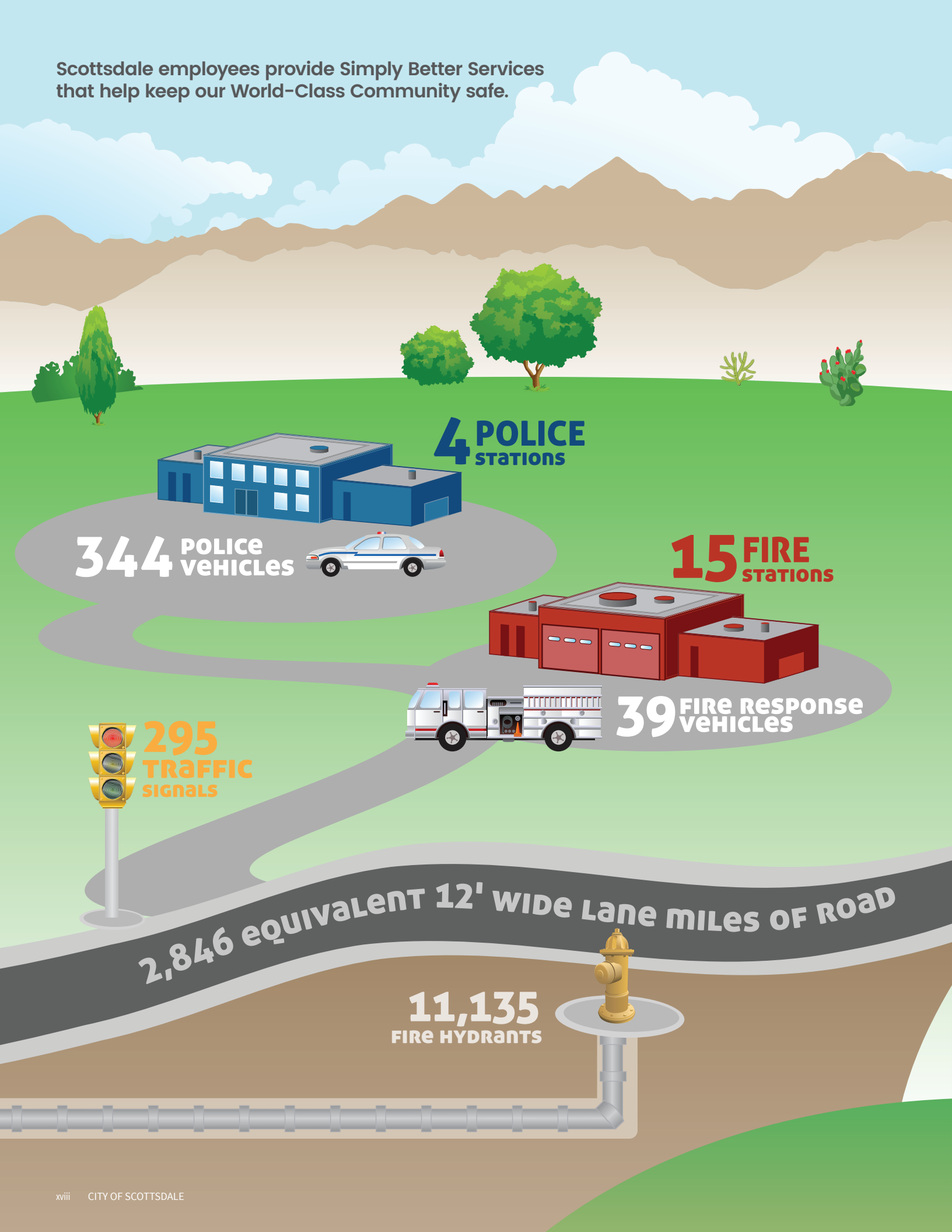
CITY OF **SCOTTSDALE**

Simply Better Service
for a World-Class Community

The mission of the City of Scottsdale is to provide Simply Better Service for a World-Class Community. Scottsdale employees provide services that help keep the community clean and healthy.



Scottsdale employees provide Simply Better Services that help keep our World-Class Community safe.



Scottsdale employees provide Simply Better Services that enhance the quality of life of residents and visitors.

Scottsdale has a vibrant business community and is a destination for arts, dining and tourism.

Scottsdale Progress

City Manager

3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251

PHONE 480-312-2800
FAX 480-312-9055
WEB www.ScottsdaleAZ.gov

July 1, 2017

Honorable Mayor and City Council:

The Fiscal Year 2017/18 budget supports Scottsdale's core services and the priorities and policy direction of the City Council. Highlights from the budget are outlined in this letter, with additional details available in the budget document itself.

Modest increases in sales tax, property tax and state shared revenues are projected

Sales tax revenue in the general fund is projected to increase $3.1 million (2.6 percent) over the previous fiscal year. The primary property tax levy is forecast to increase by $0.8 million – the additional dollars are due to the 2 percent statutory adjustment and new construction on the tax rolls.

The secondary property tax levy will remain flat in the new fiscal year at $33.6 million. Similar to the FY 2016/17 budget, the city is proposing using $0.6 million of accumulated secondary property tax reserves to reduce rate impacts to Scottsdale's taxpayers in FY 2017/18.

The budget also includes an increase of $2.6 million in state shared revenues, reflecting updated estimates received during the latter part of the budget process.

Additional expenditures will support employee benefits and programs

This operating budget increases general fund spending by $8.5 million from the FY 2016/17 budget. This includes a $7.8 million anticipated one-time use for public safety pension reimbursements related to statewide pension litigation.

It is important to note that the FY 2016/17 budget included $6.2 million of one-time funding to cover the additional pay period that occurred due to the timing of the payroll calendar. This additional pay period does not occur in this fiscal year.

With this major, one-time expenditure coming off the books, ongoing revenue is used in the FY 2017/18 budget to help pay for a number of priorities such as compensation programs, public safety retirement and employee health care as summarized below.

- **Fire Compensation**
  The budget includes an additional $0.8 million for the Fire Department 5 percent step program, which allows annual pay increases up to 5 percent for firefighters, fire engineers and fire captains based on performance. This program is designed to help the department remain competitive in the market from a personnel recruiting and retention standpoint.

- **Police Compensation**
  The budget includes $1.3 million to continue the police officer 5 percent step program, which allows annual pay increases up to 5 percent for police officers based on performance. New for FY 2017/18 is a performance-based 5 percent step program for police sergeants, who have similar responsibilities to fire captains, at a cost of $0.4 million.

- **Citywide Pay Program**
  The budget includes $2.2 million in the general fund ($3.2 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases up to 4 percent based on performance.

- **Classification and Compensation Study**
  An additional $0.1 million of general fund one-time money is included to complete a citywide assessment of positions and pay ranges. This assessment will help ensure a competitive, equitable and consistent classification and compensation plan for our employees.

- **Public Safety Personnel Retirement System (PSPRS)**
  The budget includes $7.8 million of one-time funds for the impact of a court decision related to statewide sworn personnel (police and fire). Additionally, due to this decision and other pension reform, PSPRS has increased the employer rates significantly in FY 2017/18, creating an ongoing $3.5 million increase in public safety retirement expenses to the city, which is included in the budget. The pension reform is designed to minimize future pension liabilities for sworn personnel hired on or after July 1, 2017.
- **Employee Health Care**
  The budget includes an additional $0.6 million in the general fund ($0.7 million all funds) to help cover an estimated $0.9 million increase in health care costs during the fiscal year. City employees will pay an additional $0.2 million through premium increases.

Capital Improvement Program (CIP)

An estimated $178 million will be spent on capital improvements this fiscal year. These projects address critical infrastructure needs and City Council priorities in a variety of areas, and are supported by different funds.

The City Council formed the Capital Improvement Plan Subcommittee Feb. 7 to review the CIP and make recommendations to the City Council. Their immediate work plan included identifying capital projects supported by general fund and transportation 0.2 percent sales tax funding in the FY 2017/18 through FY2021/22 CIP five-year plan.

The total FY 2017/18 CIP transfer from the general fund operating budget is $8.2 million, which consists of:

- $5.0 million – per financial policy #17, food tax (year 2 of 3-year phase-in)
- $2.5 million – per financial policy #17, transfer a minimum of 25 percent of construction sales tax
- $0.6 million – per financial policy #17, transfer net interest income in excess of $1.0 million
- $0.1 CIP Stadium – per the city's baseball facilities agreement with the Scottsdale Charros and San Francisco Giants, a capital improvement contribution equivalent to $0.40 per ticket sold to Spring Training games is transferred to the CIP to for improvements at Scottsdale Stadium

Some notable capital projects for next fiscal year include:

- **Build/Rebuild Fire Stations**
  FY 2017/18: $14.5 million
  The land has been acquired and design has begun to relocate Fire Station 603 (McCormick Ranch area); design is 90 percent complete to renovate Fire Station 605 (75th Street and Shea Boulevard); design is complete and construction will soon begin to build Fire Station 613 (Desert Foothills); and design is 30 percent complete for Fire Station 616 (Desert Mountain).
- **Downtown Sidewalk, Lighting and Restroom Improvements**
  FY 2017/18: $5.4 million
  Two separate projects currently under design will connect, widen and improve disabled accessibility to downtown sidewalks where needed, install new street light poles and luminaries and add electrical outlets to support seasonal downtown lighting. Additionally, locations are currently being researched for a new public restroom facility somewhere on Main Street in Downtown Scottsdale.
- **Granite Reef Watershed Drainage Improvements**
  FY 2017/18: $6.3 million ($45.0 million total remaining budget)
  Drainage improvements will provide 100-year flood protection and eliminate mandatory flood insurance requirements for structures in the Granite Reef Wash corridor between Thomas and McKellips roads. Construction for Phase I improvements are anticipated to begin this summer.
- **Pavement Replacement**
  FY 2017/18: $19.6 million ($45.8 million total remaining budget)
  Continuing a paving program designed to restore the average condition of city streets to the high standard attained prior to 2008.
- **Thomas Groundwater Treatment Facility**
  FY 2017/18: $24.5 million
  A new facility will receive water treated at the central groundwater treatment facility, further treat it and then blend it with other treated water so the final product meets or exceeds water quality standards. Design is underway and construction is anticipated in spring 2018.
- **Renovate Vista del Camino Park/Indian Bend Wash Area**
  FY 2017/18: $2.2 million ($23.5 million total remaining budget)
  Reconstruction of Vista del Camino lakes and other park improvements are planned to lower the park's annual operating cost, enhance water conservation and quality, resolve lake edge erosion and allow more effective use of the park open space areas. The project will be designed in FY 2017/18 with construction planned after that.

Conclusion

The Fiscal Year 2017/18 budget is financially sustainable and supports the city's mission of providing "Simply Better Service for a World-Class Community."

Sincerely,

Jim Thompson
City Manager

City Manager

3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251

PHONE 480-312-2800
FAX 480-312-9055
WEB www.ScottsdaleAZ.gov

April 4, 2017

Honorable Mayor and City Council:

The proposed Fiscal Year 2017/18 budget continues to support the city's core services and the priorities and policy direction of the City Council. Moderate revenue increases are projected, and will be needed to address a number of employee compensation, health care and retirement cost increases.

Revenues

Sales tax revenue in the general fund is projected to increase $3.1 million (2.6 percent) over the adopted FY 16/17 budget. The primary property tax levy is forecasted to remain almost flat at $0.3 million – the additional dollars are expected due to new construction on the tax rolls.

The secondary property tax levy will remain flat in the new fiscal year at $33.6 million. Similar to the FY 2016/17 adopted budget, the city is proposing using $0.6 million of accumulated secondary property tax reserves to reduce rate impacts to Scottsdale's taxpayers in FY 2017/18.

The proposed budget also includes an increase of $1.7 million in state shared revenues (this estimate is subject to change; the city should receive updated estimates from the state later in the spring).

Expenses

This operating budget increases general fund spending by $7.8 million from the FY 2016/17 adopted budget. Nearly all of this – $7.0 million – is for an anticipated one-time use for public safety pension reimbursements related to statewide pension litigation.

It is important to note that the FY 2016/17 budget included $6.4 million of one-time funding to cover the additional pay period that occurred last fiscal year due to the timing of the payroll calendar. This additional pay period does not occur in FY 2017/18.

With this major one-time expenditure coming off the books, new ongoing revenue is used in the proposed budget to help pay for a number of priorities such as compensation programs, public safety retirement and employee health care as summarized below.

Fire Compensation
The proposed budget includes an additional $0.8 million for the Fire Department 5 percent step program, which allows annual pay increases up to 5 percent for firefighters, fire engineers and fire captains based on performance. This program is designed to help the department remain competitive in the market from a personnel recruiting and retention standpoint.

Police Compensation
The proposed budget includes $1.3 million to continue the police officer 5 percent step program, which allows annual pay increases up to 5 percent for police officers based on performance. New

for FY 2017/18 is a performance-based 5 percent step program for police sergeants, who have similar responsibilities to fire captains, at a cost of $0.4 million.

Citywide Pay Program
The proposed budget includes $2.1 million in the General Fund ($3.2 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases based on performance.

Employee Health Care
The proposed budget includes an additional $0.6 million in the General Fund ($0.7 million all funds) to help cover an estimated $0.9 million increase in health care costs next fiscal year. City employees will pay an additional $0.2 million through premium increases. Heath plan options include additional incentives and another plan choice for participants.

Classification and Compensation Study
The proposed budget includes an additional $0.1 million of General Fund one-time money to complete a citywide assessment of city positions and pay ranges. This assessment will help ensure a competitive, equitable and consistent classification and compensation plan for city employees.

Public Safety Personnel Retirement System (PSPRS)
The proposed budget includes $7.0 million of one-time funds for the presumed impact of a forthcoming court decision related to statewide litigation concerning sworn personnel (police and fire). Additionally, due to this litigation and other pension reform, PSPRS has increased the employer rates significantly in FY 2017/18, creating an ongoing $3.5 million increase in public safety retirement expenses to the city, which is included in this proposal. The new legislation was designed to minimize future pension liabilities for those sworn personnel hired on or after July 1, 2017.

Capital Improvement Program

An estimated $178 million will be spent on capital improvements in the upcoming fiscal year. These projects address critical infrastructure needs and City Council priorities in a variety of areas, and are supported by different funds.

The City Council formed the Capital Improvement Plan Subcommittee Feb. 7 to review the CIP and make recommendations to the City Council. Their work plan includes identifying capital projects to be funded by General Fund and Transportation 0.2 percent Sales Tax funding in the FY 2017/18 through FY2021/22 CIP five-year plan.

A $10 million budget appropriation is included in the CIP to support projects that are yet to be identified by the CIP Subcommittee.

The total FY 2017/18 CIP transfer from the General Fund Operating budget is $8.2 million, which consists of:

- $5.0 million – per financial policy #17, food tax (year 2 of 3-year phase-in)
- $2.5 million – per financial policy #25, transfer a minimum of 25 percent of construction sales tax
- $0.6 million – per financial policy #17, transfer net interest income in excess of $1.0 million
- $0.1 CIP Stadium – per the city's Baseball Facilities agreement with the Scottsdale Charros and San Francisco Giants, transfer a capital improvement contribution equivalent to $0.40 per ticket sold to Spring Training games

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  FY 2017/18: $14.6 million
  The land has been acquired and design has begun to relocate Fire Station 603 (McCormick Ranch area); design is 90 percent complete to renovate Fire Station 605 (75th Street and Shea Boulevard); design is complete and construction will soon begin to build Fire Station 613 (Desert Foothills); and design is 30 percent complete for Fire Station 616 (Desert Mountain).

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  FY 2017/18: $5.5 million
  Two separate projects currently under design will connect, widen and improve disabled accessibility to Downtown sidewalks where needed, install new street light poles and luminaries and add electrical outlets to support seasonal downtown lighting. Additionally, locations are currently being researched for a new public restroom facility somewhere on Main Street in Downtown Scottsdale.

- **Granite Reef Watershed Drainage Improvements**
  FY 2017/18: $4.0 million ($45.6 million total remaining budget)
  Drainage improvements will provide 100-year flood protection and eliminate mandatory flood insurance requirements for structures in the Granite Reef Wash corridor between Thomas and McKellips roads. Construction for Phase I improvements are anticipated to begin this summer.

- **Pavement Replacement**
  FY 2017/18: $20.0 million ($39.7 million total remaining budget)
  Continuing a paving program designed to restore the average condition of city streets to the high standard attained prior to 2008.

- **Thomas Groundwater Treatment Facility**
  FY 2017/18: $24.6 million
  A new facility will receive water treated at the Central Groundwater Treatment Facility, further treat it and then blend it with other treated water so the final product meets or exceeds water quality standards. Design is underway and construction is anticipated in spring 2018.

- **Renovate Vista del Camino Park/Indian Bend Wash Area**
  FY 2017/18: $3.0 million ($23.5 million total remaining budget)
  Reconstruction of Vista del Camino lakes and other park improvements are planned to lower the park's annual operating cost, enhance water conservation and quality, resolve lake edge erosion and allow more effective use of the park open space areas. The project will be designed in FY 2017/18 with construction planned beyond that.

Conclusion

This proposed budget supports the full menu of core services that Scottsdale residents rely upon and keeps the city on solid financial ground. It is a starting-off point for conversations with the community and the City Council.

Sincerely,

Jim Thompson, City Manager

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Scottsdale

Arizona

For the Fiscal Year Beginning

July 1, 2016

Executive Director

ICMA

INTERNATIONAL CITY/COUNTY
MANAGEMENT ASSOCIATION

This

Certificate of Excellence

is presented to

Scottsdale, AZ

for exceeding the standards established by the International City/County Management Association in the identification and public reporting of key outcome measures, surveying of both residents and employees, and the pervasiveness of performance management in the organization's culture.

Presented at the 103rd ICMA Annual Conference
in San Antonio/Bexar County, Texas

23 October 2017

Marc A. Ott
ICMA Executive Director

Lee Feldman
ICMA President

Executive Summary

The City of Scottsdale's three budget volumes provide a comprehensive picture of the city's financial plan for FY 2017/18. This Executive Summary complements that information, highlighting items, issues and trends that shaped the budget.

Current year City Council policy decisions

The following are the major policy items included in the city's adopted FY 2017/18 budget. Each of these items was discussed during City Council's public budget review sessions:

- $2.2 million general fund ($3.2 million all funds), or the equivalency of 3 percent to the max of position ranges, for a citywide pay program, through which employees may receive pay increases up to 4 percent, based on performance (excluding police officers, police sergeants, firefighters, fire engineers and fire captains).

- $1.3 million general fund was included to continue the Police Officer up to 5 percent "step program", which allows annual pay increases up to 5 percent based on performance.

- $0.4 million general fund was included for the Police Sergeant up to 5 percent "step program" for compensation increases within the established range based on performance. This is the first year this program is being offered and was instituted to create parity with Fire Captains.

- $0.8 million general fund was included for the Firefighter, Fire Engineer and Fire Captain up to 5 percent "step program" for compensation increases within the established ranges based on performance. This program is designed to help the department remain competitive in the market from a personnel and recruiting standpoint.

- $0.6 million general fund ($0.7 million all funds) is included to help cover an estimated $0.9 million increase in health care costs. Through premium increases, city employees will pay an additional $0.2 million.

- $7.8 million general fund for one-time funds for the impact of a court decision ("Parker Case Ruling") related to the settlement of statewide sworn personnel (police and fire) and elected officials' retirement contributions paid in prior years.

- $3.5 million general fund was included for pension reform related to sworn public safety personnel. Through this pension reform Public Safety Personnel Retirement System (PSPRS) increased employer rates significantly creating ongoing impacts for these retirement expenses.

- $0.1 million general fund was included for a classification and compensation study. This one-time cost is to assess positions and pay ranges citywide and ensure a competitive, equitable, and consistent classification and compensation plan is available for employees. An additional $0.4 million general fund is included for possible mid-year adjustments depending on the outcome of the study.
- In FY 2017/18, the amount collected for the 1.1 percent sales tax on food for home consumption will be transferred to the Capital Improvement Plan in an effort to ensure the city's assets are properly maintained. This is year two of a three year phase in with the current year transfer expected to total $5.0 million. The full phase in is expected to occur during FY 2018/19 and is estimated at $7.7 million.
- An additional $0.8 million for the primary property tax levy in FY 2017/18 includes the 2 percent statutory adjustment and new construction on the tax rolls.
- The secondary property tax levy will remain flat for FY 2017/18 and uses $0.6 million of accumulated secondary property tax reserves to reduce rate impacts to taxpayers.
- Water and Water Reclamation include water rate and charges updates as well as adjustments to the base fees to reflect the recovery of fixed operating costs and to capture the demands placed on the system. Additionally, included is an increased water reclamation surcharge and increases to miscellaneous charges to also address cost recovery.
- Rate/fee adjustments are included for the Community and Economic Development, Community Services, and Public Safety – Fire divisions.

How the adopted budget will affect citizens' property tax rates

The FY 2017/18 adopted primary property tax levy will be used to support General Fund activities such as police and fire protection, operation and maintenance of parks and libraries, and other general governmental functions. The primary property tax levy also includes a repayment to the Self-Insurance Fund (Risk Management) reserve of $1.0 million for tort liability claim payments made during calendar year 2016.

For FY 2017/18, the city's total adopted primary property tax levy of $28.2 million is an increase of $0.8 million over the prior year levy mainly due to the 2 percent statutory adjustment. Additionally, the levy reflects new growth that occurred in the city. Due to an increase in the city's assessed valuation, the prior year primary property tax rate of $0.5071 cents decreased by $0.0115 to $0.4956 cents per $100 of assessed valuation in FY 2017/18.

For FY 2017/18, the city's adopted secondary property tax levy is remaining flat with the FY 2016/17 adopted budget of $33.6 million. The prior year secondary tax rate of $0.6219 decreased by $0.0330 to $0.5889 per $100 of assessed valuation in FY 2016/17 (mainly due to the use of $0.6 million of reserves).

The combined tax levy is the aggregate of the primary (limited) and secondary (unlimited) levies. For FY 2017/18 the city's total adopted combined property tax levy increased over FY 2016/17 by approximately $0.8 million.

In FY 2017/18, citizen tax bills will reflect an estimated combined property tax rate of $1.0845 which is $0.0445 less than the adopted combined FY 2016/17 rate of $1.1290. The management of the combined property tax rate is included in the city's adopted financial policies for debt management, which states that the combined tax rate will not exceed $1.50 per $100 of assessed value. Based on this combined rate, an owner of a home with a County Assessor's real property value of $100,000 will pay approximately $108.45 in city property taxes, applying the proposed combined property tax rate. The Maricopa County Assessor's Office, not the City of Scottsdale, determines real property values used to calculate property tax bills.

How the adopted budget will affect compensation and staffing levels

Compensation and benefits – The budget includes $3.2 million ($2.2 million General Fund) for performance based salary increases up to 4 percent for city employees (excluding police officers, police sergeants, firefighters, fire engineers, and fire captains).

Included in the budget is funding for the 5 percent police officer step program which totals $1.3 million for annual performance based increases. Police officers with satisfactory performance will continue to earn 5 percent increases each year until they reach the top of their pay range.

New in FY 2017/18 is funding for a 5 percent step program for police sergeants totaling $0.4 million. Police sergeants are eligible to earn up to 5 percent increases annually until reaching the top of their range as long as there is satisfactory performance. This program was created to ensure parity with fire captains.

Also included in the budget is $0.8 million for a 5 percent step program for firefighters, fire engineers and fire captains for annual performance based increases. Firefighters, fire engineers and fire captains are eligible to earn up to 5 percent increases annually until reaching the top of their range as long as there is satisfactory performance.

Additionally, the amounts that the city and employees will pay for health insurance premiums have increased by $0.9 million. While the city will see premiums increase by $0.7 million ($0.6 million General Fund) employees will pick up the remaining $0.2 million. These increases help cover normal inflationary increases related to claims expenses experienced in the Maricopa County market area and the growing usage of high cost specialty drugs. A tobacco surcharge of $20 per month for employees and/or family members who self-report the use of tobacco products remains in effect. Employees and applicable spouses can earn an incentive payment of up to $240 by completing a wellness exam and health risk assessment. New for FY 2017/18 and to help offset the increase to employees, is an additional $20 per month incentive available to employees who, through their doctors, report blood pressure results within certain approved ranges.

Staffing Changes – The city's total FTE count for FY 2017/18 is 2,491.22 which is a net increase of 12.97 FTE from the prior year adopted budget. This represents a slight increase over the prior year with these increases related to key positions in priority programs.

A total of 3 positions were eliminated through budget adoption, which included; Revenue Specialist, Revenue Collector, and an Enterprise Finance Manager. These positions were eliminated due to reduced workloads as a result of the Arizona Department of Revenue taking over sales tax collections and by adjusting the responsibilities in existing roles and operational changes within the organization.

A total of 15.97 FTE were added for FY 2017/18 through budget adoption and were spread across the divisions where needs were determined to warrant ongoing additions to staff. For example, 5.00 FTE positions were added in Public Works Fleet Management due to changing the current practice of contracting out maintenance for city owned trolleys and bringing the maintenance responsibilities in house all while being cost neutral to the city.

Additionally, several positions transferred from Administrative Services and Community and Economic Development to the City Manager to create the Citizen Service Department. These 8.00 FTE are now centrally located with a common mission to aid citizens through efforts and communications in a more efficient way. Through this reorganization the citywide FTE count remained unchanged.

These staffing changes are summarized in the following schedule, using full-time equivalent positions (FTEs).

FTE Changes from Prior Fiscal Year by Division

FY 2016/17 Adopted FTEs	**2,478.25**	
CITY MANAGER		
Intern (3 at 0.11 FTE)	0.33	
Citizen Liaison	1.00	GF
Neighborhood Resource Supv	1.00	GF
Citizen Services Assistant	2.00	GF
PNT Manager	1.00	GF
Citizen Advisor	2.00	GF
City Volunteer Program Manager	1.00	GF
CITY TREASURER		
Payroll Specialist	(1.00)	GF
Revenue Collector	(1.00)	GF
Administrative Assistant	1.00	
Enterprise Finance Manager	(1.00)	
PUBLIC WORKS		
Fleet Technician Crew Chief	1.00	
Fleet Technician II	1.00	
Fleet Technician III	2.00	
Equipment Parts Technician	1.00	
PUBLIC SAFETY - POLICE		
Forensic Scientist II	2.00	GF
Forensic Computer Examiner	1.00	GF
Police Officer	(1.00)	GF
Forensic Scientist II	(1.00)	
ADMINISTRATIVE SERVICES		
City Volunteer Program Manager	(1.00)	GF
Telecom Policy Coordinator	(1.00)	GF
COMMUNITY & ECONOMIC DEVELOPMENT		
Citizen Liaison	(1.00)	GF
Neighborhood Resource Supv	(1.00)	GF
Citizen Services Assistant	(2.00)	GF
PNT Manager	(1.00)	GF
Citizen Advisor	(2.00)	GF
Airport Operations Tech, Sr.	1.00	
Telecom Policy Coordinator	1.00	GF
COMMUNITY SERVICES		
Human Services Specialist (2 at 1.0 FTE)	2.00	GF
Recreation Leader III	1.00	
Coordinator - Family Resource Center (FRC)	1.00	*
Human Services Specialist - FRC	1.00	*
Early Learning Specialist - FRC (2 at 0.5 FTE)	1.00	*
Part-Time Hours in Recreation Positions	0.45	GF
WATER RESOURCES		
Intern	0.19	
Instrument & Controls Tech II	1.00	
Net Change All Divisions	**12.97**	
FY 2017/18 Adopted FTEs	**2,491.22**	

GF = General Fund

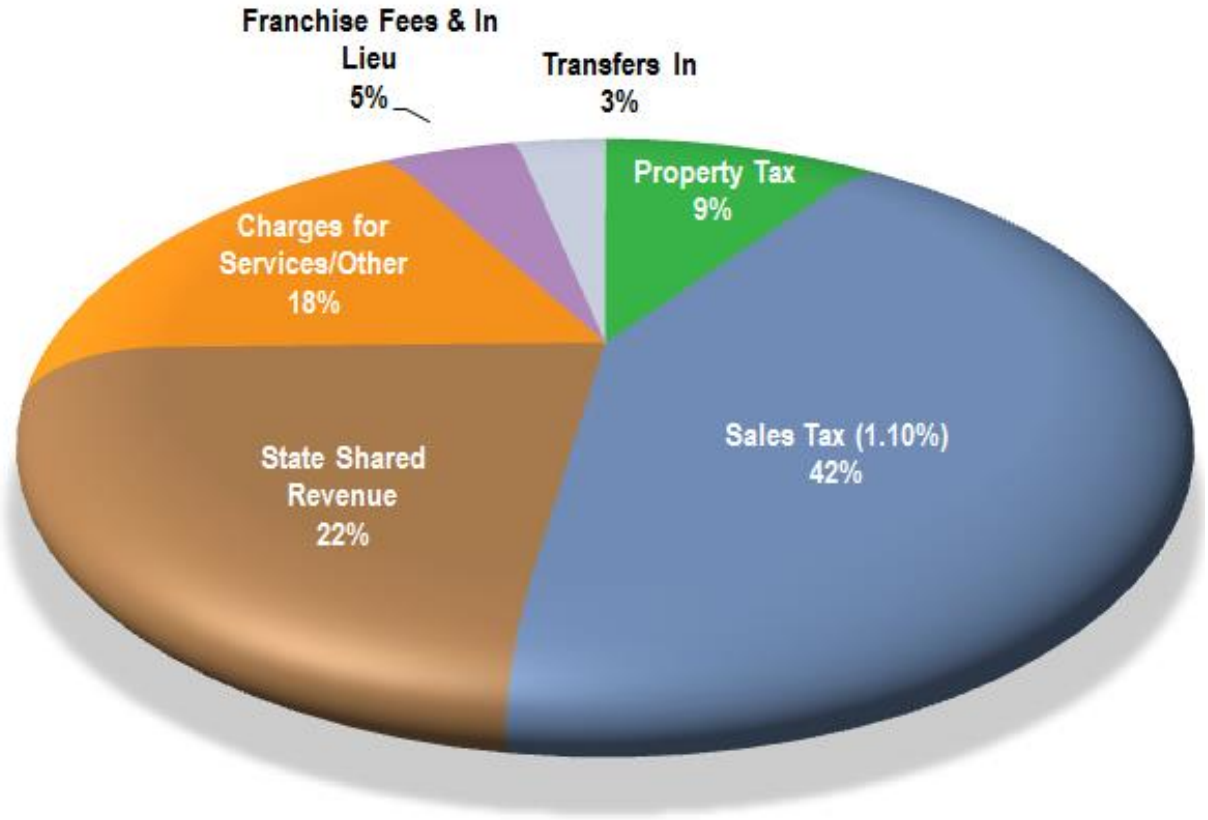
Fund Highlights

The remainder of this Executive Summary highlights the key elements of each fund in the FY 2017/18 budget. The General Fund is presented first and in more detail because of the size and importance.

General Fund - Sources

The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Forecasted General Fund sources for FY 2017/18 are $282.6 million, approximately $6.7 million (2.4 percent) more than the FY 2016/17 year-end forecasted budget. The following chart summarizes the major sources.

General Fund Sources FY 2017/18: $282.6 Million



Note: Rounding difference may occur

Listed below are the descriptions and forecasting context for these major revenues:

Sales Tax – Scottsdale's total city sales tax rate is 1.65 percent. Of that amount, 0.55 percent is dedicated to the specific purposes related to transportation and preservation (which are accounted for in Special Revenue Funds discussed later) and 0.10 percent is dedicated to public safety (accounted for in the General Fund). The remaining 1.0 percent of the sales tax is also accounted for in the General Fund and is available to fund basic municipal services such as police, fire, libraries, and parks. This general-purpose sales tax is the city's single largest revenue source and is susceptible to peaks and valleys, based on events in the national, state and local economies. The regional economy is showing consistent economic patterns over the past few years and sales tax is expected to grow moderately in the five-year revenue forecast. For FY 2017/18, the anticipated 1.1 percent sales tax revenue is budgeted at $120.7 million, approximately $5.7 million, or 5.0 percent, over the FY 2016/17 year-end forecast of $114.9 million. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection, and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily which resulted in a one-time reduction in

collections related to the timing of payments being received. Additionally, beginning in FY 2016/17 the portion of sales taxes collected related to food sold for home consumption was transferred to the city's Capital Improvement Plan. The current fiscal year represents year two of a three year phase-in, with the expected transfer for FY 2017/18 totaling $5.0 million. The final year phase-in transfer is estimated at $7.7 million, at which point slight annual adjustments will occur based on the forecasted sales tax collections.

State Shared Revenue – These revenues are derived from the portion of the state's sales and income taxes that are shared with Arizona cities and towns, based on a statutorily determined formula, primarily driven by population. These revenues are also derived from part of the vehicle license fees collected by Maricopa County (25 percent of the net revenues collected for the licensing of motor vehicles by the county are distributed back to the cities and towns based on population).

Charges for Services/Other – Charges for Services include numerous revenues such as, building permit fees/charges, recreation fees, fire department fees, WestWorld fees, property rentals, and court and library fines. Certain components of this revenue source are subject to dramatic peaks and valleys from year to year. For example, building permit fees are based on developers' interest in construction projects and ability to secure financing for the projects. Construction activity is expected to grow modestly, but as the city reaches build-out this funding will transition from new construction to redevelopment.

Franchise Fees & In-Lieu – This category represents revenues from the utility providers and is fairly constant from year-to-year.

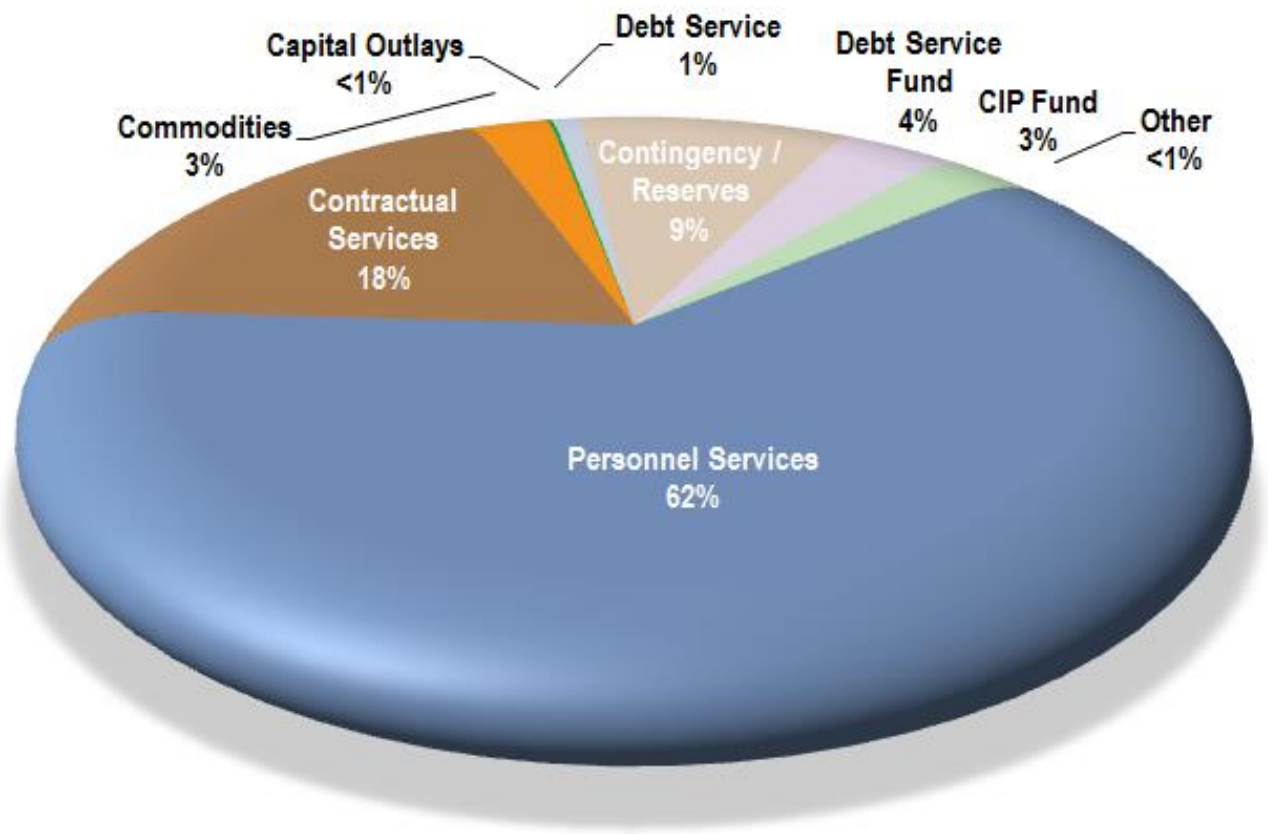
Transfers In – This category represents authorized exchanges between funds. Enterprise in-lieu franchise fees of $7.2 million account for 79 percent of the General Fund transfers in.

Property Tax – For FY 2017/18, the city's total adopted primary property tax levy in the General Fund is $27.2 million, which is an increase of $0.9 million over the prior year levy mainly due to the 2 percent statutory adjustment and new construction. The prior year primary property tax rate of $0.5071 cents decreased by $0.0115 to $0.4956 cents per $100 of assessed valuation in FY 2017/18.

General Fund - Uses

The adopted FY 2017/18 General Fund uses budget is projected to be approximately $318.9 million (including $29.8 million in contingency and reserves). Included this coming year is $8.7 million to be used for one-time items such as: the Parker Case Ruling settlement regarding retirement contributions for sworn and elected personnel ($7.8 million); maintaining or improving city owned assets and other capital improvements ($0.8 million); and a class and compensation study ($0.2 million). The following chart provides a summary of the General Fund uses.

General Fund Uses FY 2017/18: $318.9 Million



Note: Rounding difference may occur

General Fund Ending Balance

The FY 2017/18 budget includes the following:

General Fund Reserve – This reserve is budgeted to be $26.8 million at June 30, 2018; or 10 percent of annual General Fund operating expenses per City Council adopted financial policy. Use of the reserve requires City Council approval and will only be used to protect Scottsdale in times of unforeseen emergencies or catastrophic impacts to the city. Maintaining a sufficient Genera Fund reserve also preserves the city's highest possible bond ratings from all three major rating agencies.

Operating Contingency – The budget includes a $3.0 million operating contingency to meet unforeseen expenses during the year. The operating contingency can only be used after it is determined that existing resources could not be used and requires City Council approval.

Undesignated, Unreserved Fund Balance – An undesignated, unreserved fund balance of $16.4 million is expected at June 30, 2018. The undesignated, unreserved fund balance represents accumulated surpluses of prior years.

Special Revenue Funds

The city accounts for sources earmarked for specific purposes – by law or city policy – through Special Revenue Funds. There are four Special Revenue Funds – Transportation Fund, Preservation Fund, Special Programs Fund, and the Tourism Development Fund.

The **Transportation Fund** accounts for Highway User Revenue Fund (HURF) dollars shared with cities from state gas taxes. The fund also includes revenues from sales tax (0.20 percent) and the State's Local Transportation Assistance Fund, which is funding from lottery proceeds and it is distributed to cities and towns through an annual application process. Total sources are expected to be about $39.2 million.

Uses total about $36.6 million; $26.1 million represents operating expenses and $10.5 million for transportation capital projects, which per financial policy is 50 percent of the transportation sales tax revenue. The operating expenses are those necessary to operate and maintain the city's transportation system. The largest expenses include transit contracts, trolley maintenance and the street overlay program.

The **Preservation Fund** is used to account for sources and uses related to the acquisition of the Scottsdale McDowell Sonoran Preserve. Funding comes from the 1995 (0.20 percent) and 2004 (0.15 percent) voter-approved sales tax. Under the sales tax ballot language, the preservation sales tax revenues are to be used only for preserve acquisition, preserve-related construction and trailheads.

These sales tax revenues are forecasted to be $37.8 million. Approximately $31.9 million of this amount will be required for debt service payments for debt already issued for land purchases. The ending fund balance on June 30, 2018 is expected to be $30.0 million. The timing and amount of any future preservation bond issuances depends on revenue and the availability and price for state lands.

The **Special Programs Fund** is a collection of smaller restricted sources dedicated to specific uses. The services included in these various programs are intended to be self-supporting and not subsidized by the General Fund. Examples of these funds include Public Safety - Police racketeering influenced corrupt organization (RICO) funds, the City Court's court enhancement funds (CEF), and the McCormick-Stillman Railroad Park funds.

The **Tourism Development Fund** is a special revenue fund created to account for transient occupancy (bed) tax revenues and Fairmont Princess Hotel Lease payments both of which are to be used for tourism related activities and General Fund support. Ordinance No. 4018, approved by Scottsdale City Council in May 2012, identifies the authorized expenditures to be made from this fund. The fund currently has annual sources of $21.1 million, annual uses of $19.2 million and a projected June 30, 2018 ending fund balance of $14.6 million.

Debt Service Fund

Debt Service Funds are designated for payment of long-term debt. Total sources are $89.1 million for FY 2017/18.

A total of about $86.0 million is planned for debt service payments in FY 2017/18, which is approximately $2.9 million more than the FY 2016/17 year-end forecast.

Enterprise Funds

Enterprise funds account for the city's water and water reclamation, solid waste and aviation services, which operate as stand-alone businesses. User fees are assessed to cover cost of services.

Water & Water Reclamation Funds – Revenue requirements for the water enterprise fund are significantly impacted by the rising cost of raw water provided by the Central Arizona Project (CAP). The cost of CAP water is projected to rise substantially through the five year planning period. Other cost factors affecting the Water Fund revenue requirements over the five year planning period include:

- Long term capital and associated operating impacts costs of federal water quality regulations (i.e., arsenic and disinfection by-products) enacted by the U.S. Environmental Protection Agency (EPA)
- Capital costs for rate-funded water treatment and distribution system improvements to address aging infrastructure replacement needs identified through the asset management program effort

- Operating cost increases for preventative maintenance

Increases to base fees were adopted for FY 2017/18 to better reflect the recovery of fixed operating costs and were adjusted to capture the demands placed on the system. Overall, the water base fee and rate adjustments are forecasted to generate an annual revenue increase of approximately $2.6 million, or 2.9 percent, and are effective November 1, 2017.

Additional water rate and charges updates were also adopted for FY 2017/18 such as: an increase of the out of city water surcharge; an increase to the bulk water rate; a new automatic meter reading technology turn-off charge; a new commercial private fire suppression charge; and a new residential/commercial water hauler base fee.

Finally, to address cost recovery, several increases to water miscellaneous charges were adopted to meet the city's financial policy that charges recover all direct and indirect costs of service. Miscellaneous water charges, i.e. water meter installation, hydrant meter installation and removal, etc., are assessed to specific users of the service so that general rate payers do not bear the burden. Cost drivers that affect water miscellaneous charges include installation of smart meters and the rising cost of water meters. Other water miscellaneous charges have increased due to higher labor rates and equipment costs which have risen due to general inflation.

Water Reclamation Fund – Revenue requirements for the Water Reclamation Fund are significantly impacted by the Sub Regional Operating Group (SROG) multicity water reclamation plant operating costs. Other cost factors affecting the Water Reclamation Fund revenue requirements over the five year planning period include:

- Capital costs for rate-funded water reclamation treatment and collection system improvements to address aging infrastructure replacement needs identified through the asset management program effort
- Wastewater collection system maintenance and improvements that are essential to ensure regulatory compliance with Capacity, Management, Operations and Maintenance (CMOM) regulations and minimize wastewater system overflows
- Operating cost increases for compliance with federal regulations
- Operating cost increases for preventative maintenance

To address cost recovery and to account for the fixed costs demands related to the relative flows and loading experienced by the water reclamation system, the city approved modifications to the water reclamation rates which will increase revenue by 2.6 percent, or approximately $1.0 million. In addition, a water reclamation surcharge increase to out-of-city customers has also been adopted for FY 2017/18 to cover higher labor rates and equipment costs which have risen due to general inflation.

Solid Waste Fund – There residential solid waste program indicates that existing rates and fees will generate sufficient revenues to cover forecasted costs and fund an operating reserve; therefore, no residential solid waste adjustments were included for FY 2017/18.

During the FY 2016/17 commercial rate increase, a second rate increase in the commercial program was expected in FY 2017/18. However, even with current projections indicating that the revenue in the commercial program has declined slightly, operational improvements have led to lower operating costs. Therefore, no commercial rate increases were included in FY 2017/18. Commercial rate increases will be reassessed in FY 2018/19 and considers the current rate base, operational improvements and continued efforts on the community solid waste and recycling strategic plan.

Aviation Fund – The current five year financial plan indicates that existing rates and fees will generate sufficient revenues to cover the forecasted costs and fund an operating reserve; therefore, no adjustments to the aviation rates were included in the FY 2017/18 adopted budget.

Internal Service Funds

Internal Service Funds account for services and equipment provided to all city divisions by centralized departments.

The **Fleet Management Fund** accounts for the costs of operating, maintaining, and acquiring all of the city's vehicles and other rolling stock. User divisions are assessed maintenance and operation costs ($8.6 million), acquisition costs ($8.0 million), and fuel costs ($3.3 million). Fleet Management establishes, collects, and manages funds to provide acquisition and/or replacement of approved City of Scottsdale fleet assets based on life cycle cost analysis performed on each equipment class. Fleet Management, in cooperation with the using division, calculates an annual rate for each individual asset based on condition, suitability for the service, current economy, the repair history, the actual utilization rate of each asset and other applicable factors. The fund balance of about $7.8 million estimated at June 30, 2018 represents funds previously collected for maintenance, operations and vehicle/equipment acquisitions that will be expended in future years.

The **Personal Computer (PC) Replacement Fund** accounts for the uses associated with purchasing computers, monitors and printers. Acquisition of computers, monitors and printers is charged to the city divisions as an internal operating charge based on the quantity and type of hardware used. For FY 2017/18, user divisions are assessed estimated costs of $1.0 million – leaving an estimated ending fund balance of $1.7 million on June 30, 2018.

The **Risk Management Fund** accounts for the activity related to the city's property, liability, and workers compensation programs. User divisions are assessed estimated costs of $9.7 million. The estimated ending fund balance on June 30, 2018 of about $20.8 million is within the actuarial estimate of the reserves required to ensure the long-term sustainability of the fund and complies with the governing body's (Loss Trust Fund Board) requirement to maintain an 85 percent confidence level in the actuarial assessment.

The **Healthcare Self-Insurance Fund** accounts for the activity related to employee healthcare programs (medical and dental). The estimated $30.9 million in healthcare costs is shared by the city, its employees and public safety disabled retirees. For FY 2017/18, there was a 1.3 percent premium rate increase, or $0.9 million, in healthcare. The benefits plan includes a tobacco surcharge of $20 per month for employees and/or family members who self-report the use of tobacco products. Additionally, employees and applicable spouses/partners can earn an incentive payment of up to $240 by completing a wellness exam and health risk assessment to help offset the increase in premiums. New in FY 2017/18 is an additional $20 per month incentive available to employees who, through their doctors, report blood pressure results within certain approved ranges.

Beginning in FY 2017/18 the city implemented an annual city contribution to a Health Savings Account (HSA), changed prescription benefits to include more cost effective options, and added an additional health plan that offers reduced premiums for those that utilize only those doctors in the network.

The estimated ending fund balance on June 30, 2018 of $8.0 million includes a reserve for large claims beyond what was anticipated and for incurred but not reported claims and an operating contingency used only for unforeseen emergencies.

Grant Funds and Special Districts Fund

Each year the city receives **Grant Funds** from a variety of federal, state, regional and local agencies. Within the $12.1 million total grants are two larger grants – Section 8 Housing at $6.1 million and the Community Development Block Grant (CDBG) at $2.2 million. In addition to numerous identified smaller grants, the city includes $4.5 million in the grant budget for anticipated and/or unidentified future grants. This gives the City Council the budget authority to accept and spend grant funds that are not specifically known at the time the budget is adopted. This practice also allows the city to comply with state budget laws regarding annual expenditure limits. The ending fund balance of the individual grants is carried forward to future periods, re-budgeted, and is available to be spent solely for the intended purposes.

A **Special Districts Fund** is used to account for the proceeds received from property owners in the city's more than 355 street light districts. The intention is that only the amount needed to provide the service is assessed to the customer.

Sources and uses are estimated at $0.6 million for FY 2017/18. If an ending fund balance of the Special Districts Fund exists, it is carried forward to future periods and is available to be re-budgeted but must be spent solely for the intended purposes. The fund balance is used to lower assessments.

Capital Improvement Plan

A separate, key component of the city's annual financial plan is the five-year Capital Improvement Plan (CIP) for infrastructure and public facilities – including roads, water and water reclamation improvements, parks, buildings and information technology. Projects listed in the capital budget are funded by a combination of funding sources and typically take multiple years to complete. Some of the various funding sources include the city's transportation sales tax; voter approved general obligation bonds, user fees, grants, Proposition 400 regional transportation sales tax, voter-approved preservation sales tax, development impact fees and General Fund transfers. The city established a fund for each funding source to account for the diverse resources used to pay the acquisition or construction of major capital facilities.

Below is a brief summary of the $522.6 million capital budget highlights by program, along with some notable examples in each capital program area:

Community Facilities *($17.5 million)* – focuses on providing parks, park improvements, multiuse paths, neighborhood enhancements, youth sports lighting, aquatic centers, library facilities and senior centers. Approximately 3.3 percent of the CIP addresses the needs of this program. Significant Community Facilities projects include the initiation of the design to Renovate Vista del Camino Park/Indian Bend Wash Area and the continuation of the design and construction of the various Downtown sidewalk and lighting projects.

Preservation *($47.6 million)* – addresses the goal of preserving the character and environment of Scottsdale. This goal is met by land acquisition activities for the Scottsdale McDowell Sonoran Preserve for the purpose of maintaining scenic views, preserving native plants and wildlife, and providing public access to the McDowell Mountains and Sonoran Desert. Approximately 9.1 percent of the CIP addresses this program. Significant preserve projects include the North Area Access Control and Stabilization, the North Area Trail Construction and the Pima/Dynamite Trailhead.

Drainage and Flood Control *($8.8 million)* – addresses flood plain mapping, meeting regulatory requirements, and identifying and correcting hazards to reduce future flood damage potential. This is accomplished through the use of detention basins, culvert and channel projects, and a program of neighborhood drainage improvements. Approximately 1.7 percent of the CIP addresses the drainage and flood control needs of the city. Major Drainage and Flood Control projects include the initiation of construction for the Granite Reef Watershed Phase 1 improvements between Indian School and McDonald Drive.

Public Safety *($18.6 million)* – addresses the construction, acquisition, and purchase of capital assets for the Police and Fire Departments, such as fire and police stations, training facilities and automation systems related to fire and police operations. Approximately 3.6 percent of the CIP addresses the public safety needs of the city. The Public Safety budget includes key projects such as the design of the relocation of Fire Station 613, the design and construction of Fires Station 616 and the Closed Circuit Television Security Camera System and Access Control Replacement.

Service Facilities *($20.1 million)* – addresses the goal of coordinating land use and infrastructure planning. These programs achieve this goal through the renovation of current facilities and technology necessary for the efficient and effective operations of the city. Approximately 3.8 percent of the CIP addresses this program. Service Facilities projects include Facilities Repair and Maintenance Program, Network and Server Infrastructure replacement program and begin design and construction of a Fleet Fuel site.

Transportation *($163.5 million)* – addresses the multi-modal transportation needs. Approximately 31.3 percent of the CIP addresses the transportation needs of the city. Significant Transportation projects include an Airport Terminal Remodel, the

extension of Raintree Drive from Scottsdale to Hayden Roads, the Mustang Transit Passenger Facility and the Pavement Overlay Program.

Water Management *($246.6 million)* – focuses on the capital needs required to deliver safe, reliable water and providing water reclamation services. This program also addresses the requirement to achieve federal and state regulations. Approximately 47.2 percent of the CIP addresses the water and water reclamation needs of the city. Significant projects such as Reclaimed Water Distribution System (RWDS) Improvements, the Wastewater Treatment Facility Improvements, the Booster Station Upgrades, the Frank Lloyd Wright 24-inch Transmission Main and Booster Station 83B Modifications and the Thomas Groundwater Treatment Facility.

The five-year CIP uses conservative financial forecasts and reflects only those high priority projects expected to be started and often completed during the next five years. This approach helps the city manage operating costs for new facilities and avoids raising expectations for projects that are not well defined.

The budget continues the practice of leveraging one-time elastic revenue from the General Fund (e.g., construction sales tax and development fees) to help pay for capital projects. The municipal bond rating agencies view this as a sound fiscal practice. In FY 2017/18, the budget assumes the General Fund will transfer a total of $8.2 million to the CIP.

The City of Scottsdale's FY 2017/18 budget is comprised of three volumes:

Volume One - Budget Summary includes the city's award winning annual report. The report is produced for taxpayers and demonstrates the city's commitment to good government and responsible fiscal action in a citizen-centric format.

The **Overview** section of Volume One includes the City Manager's Adopted and Proposed Budget Transmittal letters. The letters are used to transmit the adopted and proposed budgets to City Council and highlight the prevailing economic condition under which the budget was prepared. The section also includes an Executive Summary which highlights items, issues and trends that shaped the FY 2017/18 budget. This section describes in further detail the city's budget development process including:

- Roles and responsibilities of City Council, divisional staff and review teams
- Budget adoption, implementation and amendment processes
- Use of contingency/reserves
- Basis of accounting used to prepare the budget
- Operating and capital budget relationship

This section includes a budget planning and development calendar to offer a visual timeline of the strategic planning process along with the city divisional staff that support the budget development efforts. This section concludes with a summary of the city's adopted Comprehensive Financial Policies and Governing Guidance, which are used to build the budget and manage the city's finances.

The **Budget by Fund** section begins with *Fund Accounting - Fund Types* which provides a description of the generic governmental fund types used by the city. The remainder of this section provides a total budget overview, total appropriation, fund overview, fund summary and Five Year Financial Forecast as well as information on the sources, uses, transfers, fund balance/reserve/contingency, including *Sales Tax Five Year Forecast by Business Category, Debt Service Expense, Long-Term Debt Outstanding, Property Tax Supported Debt*, and *Legal Debt Margins.*

Volume Two - Division Operating Budget provides detailed information on each of the city's divisions, prior year highlights, priorities, staffing, and a summary of the operating budgets by expenditure category and the applicable funding sources. This volume provides the following detailed information:

- Authorized personnel pie charts displaying personnel by division and funding source
- A listing of all authorized personnel positions by division and by division and fund
- A listing of all authorized personnel positions by division, department and title
- The city's FY 2017/18 classification/compensation schedule
- Summaries of the operating budget by division, department and account category/funding source
- A summary of each division's/department's relationship with the city's strategic goals
- Operating projects listed by division
- Charted staffing and expenditure summaries, descriptions of services provided, prior year achievements, current year objectives, charted performance measures, operating budgets by expenditure category and the applicable funding sources, as well as significant changes, performance measures, and volunteer information

Volume Three - Capital Improvement Plan provides the basis for control of expenditures for the acquisition of significant city assets and construction of all capital facilities. A five-year Capital Improvement Plan is developed and updated annually, including anticipated funding sources. This volume provides the following detailed information:

- A summary of CIP sources and use of funding
- CIP Financial Summary & Five-Year Forecast
- Project lists displayed by division and program
- CIP operating impacts

Volume Three concludes with the **Appendix**, which includes the City Council's ordinances reflecting the adoption of the city's FY 2017/18 budget and property tax levy, a list of Acronyms and a Glossary of terms used throughout the city's budget.

FY 2017/18 Adopted Budget

City of Scottsdale's Budget Process

Recommended Budget Practices

The City of Scottsdale's budget process incorporates the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB).

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. In fulfilling that role, the NACSLB set forth a framework that has provided the context for the development of a set of budget practices for state and local governments. The significance about the practices is that they represent an unprecedented cooperative effort by several organizations with diverse interests to examine and agree on key aspects of good budgeting. The NACSLB was founded by eight organizations representing elected officials, government administrators, and finance professionals at both the state and local government level.

The NACSLB's work focused on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources. The following are excerpts of the NACSLB's guiding principles and budget practice recommendations.

Budget Definition

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

Mission of the Budget Process

The mission of the budget process is to help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

The term stakeholder refers to anyone affected by or who has a stake in government. This term stakeholder includes, but is not limited to: citizens, customers, elected officials, management, employees, businesses, vendors, other governments, and the media.

The budget process should accomplish the following:

- Involve stakeholders
- Identify stakeholder issues and concerns
- Obtain stakeholder support for the overall budgeting process
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholders' view of government

The importance of this aspect of the budget process cannot be overstated. Regular and frequent reporting is necessary to provide accountability and educate and inform stakeholders. Communication and involvement are essential components of every aspect of the budget process.

Principles and Elements of the Budget Process

The budget process consists of four broad principles that stem from the definition and mission previously described. These principles encompass many functions that spread across a governmental organization. They reflect the fact that development of a balanced budget is a political and managerial process that also has financial and technical dimensions.

Each of the principles of the budget process incorporates components or elements that represent achievable results. These elements help translate the guiding principles into action components. Individual budgetary practices are derived from these elements and are a way to accomplish the elements. The principles and elements provide a structure to categorize budgetary practices.

1. Establish Broad Goals to Guide Government Decision Making – *A government should have broad goals that provide overall direction for the government and serve as a basis for decision-making.*

- Assess community needs, priorities, challenges and opportunities
- Identify opportunities and challenges for government services, capital assets, and management
- Develop and disseminate broad goals

2. Develop Approaches to Achieve Goals – *A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.*

- Adopt financial policies
- Develop programmatic, operating, and capital policies and plans
- Develop programs and services that are consistent with policies and plans
- Develop management strategies

3. Develop a Budget Consistent with Approaches to Achieve Goals – *A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.*

- Develop a process for preparing and adopting a budget
- Develop and evaluate financial options
- Make choices necessary to adopt a budget

4. Evaluate Performance and Make Adjustments – *Program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.*

- Monitor, measure, and evaluate performance
- Make adjustments, as needed

The NACSLB's work goes on to identify 59 practices to achieve the higher-level activities identified in the principles and elements of budgeting. Scottsdale's budget process attempts to incorporate all of the NACSLB's recommended practices.

Budget Roles and Responsibilities

Every City of Scottsdale employee plays a role in the city's budget — whether in its formulation, preparation, implementation, administration, or evaluation. Ultimately, of course, each division director, through the city manager, and the charter officers, is accountable to the City Council for the performance of program personnel in meeting City Council's broad goals and specific work plan objectives within allocated resource limits.

The actual budget responsibilities of the employees are identified more specifically below:

The *program manager* is responsible for preparing an estimate of cost requirements and revenues, if applicable, for the current fiscal year, projecting the base budget requirements for the next fiscal year, and developing other requests that change or revise the program so that it will be more effective, efficient, productive, and economical.

The city divisions have *budget liaisons* that coordinate the day-to-day budget management within their respective divisions along with the budget staff. The budget liaisons serve as the vital communication link between their city division and the Budget Department on matters related to their specific operating budget. Budget liaisons are responsible for revenue and expenditure forecasts, monthly expenditure and revenue variance analysis, calculating user fees, monitoring the budget, support to the Accounting Department in the Comprehensive Annual Financial Report preparation, and

preparing budget review materials for the city treasurer, division directors, city manager, City Council, media and citizens.

The *capital improvement plan (CIP) liaisons* essentially serve the same role as the budget liaisons; however, their focus is on the coordination of capital projects, multi-year capital planning and capital project operating impacts with the budget staff. In some cases, the same individual serves as both the divisional budget liaison and CIP liaison. A list of budget liaisons and CIP liaisons and their area of responsibility appears later in this section.

The *CIP technology review team* and *CIP construction review team* are comprised of supervisors and managers from various city divisions. These cross-divisional teams are responsible for the initial review of all of the city's capital projects. Their reviews are focused on timing and cost considerations, compiling lifecycle costs, and preparing a preliminary capital improvement plan recommendation for review and revision by the division directors, budget staff, city treasurer, city manager, City Council and various citizen boards and commissions.

The *division directors and charter officers* are responsible for reviewing historical performance, anticipating future problems and opportunities, considering alternative solutions, and modifying and assembling their program data into a cohesive budget information package. Each division director is responsible for evaluating, reviewing, justifying and prioritizing all operating and capital budget requests for their division. Only those requests that a division director believes support the City Council's broad goals, the city's general plan, city manager's work plan, administrative direction and program objectives are to be submitted to the budget staff.

The *senior budget analysts* are responsible for preparing the multi-fund short-range and long-range revenue and expenditure forecasts, coordinating with budget liaisons in calculating user fees, calculating the indirect cost rate, developing the process and related forms for preparing and monitoring the budget, coordinating the compilation of budget data, analyzing operating and capital budget requests, supporting the Accounting Department in the Comprehensive Annual Financial Report preparation, asset monitoring, evaluating and summarizing budget requests from divisions and preparing budget review materials for the city treasurer, division directors, city manager, City Council, media and citizens.

The *city treasurer* and *division directors* collaborate in developing programmatic, operating, and capital policies and financial plans that help define how Scottsdale will achieve its long-term goals. They are responsible for reviewing the program operating budget and capital budget requests and working with program managers to develop service recommendations that are consistent with City Council's broad goals, management strategies and the city's adopted comprehensive financial policies.

The *city manager* is responsible for reviewing the multi-year, multi-fund financial plan and submitting a balanced citywide proposed budget to the Mayor and City Council, which supports their broad goals. From December through May, the city manager holds bi-weekly meetings with the budget director and city treasurer to ensure the staff is preparing a proposed budget that addresses City Council's priorities and to provide guidance on key policy issues related to the budget development.

The *Mayor and City Council* set the direction for staff related to the forthcoming budget by establishing broad goals for the organization to serve as a basis for decision-making. The City Council reviews key aspects of the city manager's proposed budget such as -- the city's multi-year financial plan including an examination of the revenue forecast and related assumptions, employee compensation including healthcare and retirement costs, changes to rates and fees, comprehensive financial policies, debt schedules, property tax rate and the capital budget. The budget process culminates in late spring with the Mayor and City Council holding public budget hearings. The Mayor and City Council are ultimately responsible for the review of the city manager's proposed budget, tentative budget adoption (mid-May) and final adoption of the budget (early June). All City Council budget discussions are open to the public for comment and are broadcast on CityCable 11 and the city's web page.

The *CIP Subcommittee* is comprised of a subset of members of the City Council. Subcommittee meetings are held regularly over the course of the fiscal year. In the fall, members identify city capital needs and funding sources and discuss long term CIP financial planning. In the spring, members review the city's proposed CIP and make funding recommendations to the full City Council. Ultimately, their recommendations are discussed at public meetings prior to budget adoption.

Needs Assessment and Financial Capacity Phase

In this phase, which begins in the late summer and continues up to the final budget adoption, the staff compiles and updates on an ongoing basis the city's multi-fund, multi-year revenue forecast. The first year of the revenue estimates is the most critical in the process, as that will ultimately define the expenditure limitations for the forthcoming budget year. The multi-year revenue perspective further refines the city's planning for current and future period expenditures — with the goal of not adding service areas, services or staff which do not have a 'sustainable' funding source over the five year planning timeframe.

The preliminary assumptions are used to forecast the city's fiscal capacity and provide the financial framework within which the proposed division budget service levels, capital budget operating impacts and capital infrastructure project budgets must be developed.

Policy/Strategy Development and Prioritization Process Phase

In the fall and winter, City Council typically reviews citizen input, citizen board and commission feedback, financial policies, citizen survey results and the most current financial forecast. They discuss broad organizational goals, priorities, and constituents' suggestions and expectations for Scottsdale. From this, the City Council establishes broad goals and strategic directives, which are the cornerstone for the development of the budget. These broad goals provide the overall direction for Scottsdale and serve as a basis for decision-making. The division directors and senior management staff update city financial policies, plans, programs, and management strategies to define how the city will achieve the broad goals. It is within this framework that the city staff formulates the proposed operating and capital budgets.

Budget Development and Prioritization Process Phase

In the early fall, the capital improvement plan (CIP) development begins in conjunction with the city's multi-year financial forecasts. Initial divisional capital project requests and changes to existing capital projects are reviewed by cross-divisional teams for accurate costing, congruence with city objectives and prioritized using a set of pre-determined criteria. Financing sources are then sought for the highest-ranking projects. The teams involved in this process include the CIP technology review team and the CIP construction review team. The CIP technology review team is made up of mid-level technology managers from various city divisions. The CIP construction review team is made up of mid-level capital project management staff with expertise in public building planning and construction, street improvements, stormwater management, landscaping, etc. The staff, when developing their division operating budget plans, closely considers the ongoing operating impacts of current and proposed capital projects. Staff also considers City Council's broad goals and strategic directives as they develop program objectives and work plans for the budget period.

Later in the fall after the CIP is underway, the city staff update their proposed performance measurements. The performance measurements are developed to assess results and ensure accountability, which enable managers and policy makers to evaluate progress towards stated goals and objectives. The staff also prepares their proposed program operating budgets at this time, using a modified zero-based budget approach, which requires that the budget be prepared solely at the existing service operating levels – no modifications are permitted at this stage of the budget development process. The divisional staff is also asked to evaluate their programs and/or positions for possible trade-offs, reductions or eliminations, or service level changes to offset inflation, contractual, compensation, and benefit cost increases.

Under the city's modified zero-based budget approach, any proposed changes in service levels, new programs, population/service growth, additional staff, and program trade-offs resulting in service level reductions/increases must be submitted to the Budget Department in a decision package. A decision package provides extensive analysis and justification for the division's request and is reviewed by the city manager, city treasurer and budget director during the budget development and prioritization process. In the later stages of the city's budget development process, decision packages are considered and balanced among numerous competing demands within the city's available, ongoing resources. When funding needs exceed the city's funding limits, remedies may include one or more of the following: reduce the base budget, identify new revenues, employ process management tools, and/or form partnerships with other city programs or non-profit organizations.

City Management Review and Modification Phase

In the early winter, the divisions submit their proposed operating budget and capital project budget requests to the Budget Department. The initial multi-faceted review focuses on ascertaining the divisions complied with the Budget Department's budget instructions, reviewing the mathematical accuracy and logic of the divisional base budget and capital project requests, and any decision packages. The review also includes a broader assessment of whether the divisional budget proposals address City Council's broad goals, strategic directives, and service needs while maintaining a citywide perspective ensuring the fiscal integrity of the city (not exceeding forecasted resources/limits).

The city manager, division directors, city treasurer, and budget staff collaborate on the development of a recommended five-year financial plan and proposed budget for each fund and then submit the plans to the City Council for review and adoption. The City Council also reviews the proposed multi-year revenue forecasts for reasonableness and the expenditure budgets for efficiencies and alignment with community needs and expectations.

City Council Budget Review and Adoption Phase

Throughout the fiscal year, the CIP Subcommittee meets to discuss citywide CIP needs from a policy perspective. In the spring, funding recommendations are discussed at public meetings.

Staff presents an overview of the proposed operating and capital budgets to the City Council and citizens for consideration and further public input. The budget is also communicated to the general public through televised public meetings, internet and/or a combination of these formats.

The City Council holds public meetings to review key operating and capital budget policy items. The discussions also focus on the city's five-year financial plans and how the divisions' operating and capital budgets address citizens' priorities and City Council's broad goals. Additionally, the City Council holds meetings to review rates and fees, financial policies and compensation, including benefits.

Next, a series of required public budget hearings are held and the City Council adopts the budget and property tax levy consistent with the City Charter and state law. Per the City Charter, the City Council must have tentative adoption of the proposed budget, on or before the second regular City Council meeting in May each year. This meeting is usually held in mid-May. *(Note: state law requires on or before the third Monday in July of each fiscal year, the City Council must adopt the tentative budget).* Tentative adoption sets the legal maximum expenditure limit (i.e., appropriation) for the coming fiscal year budget.

Under the City Charter, final adoption of the budget must occur at the first regular City Council meeting in June. *(Note: There is no specific date set by state law for adoption of the final budget. However, for jurisdictions with a property tax, such as Scottsdale, the deadline for adoption of the property tax levy is the third Monday in August. Since state law requires a period of at least 14 days between adoption of the final budget and adoption of the property tax levy, the budget should be adopted by*

the first Monday in August of each year).

Arizona state law requires a "balanced" budget, which is "all-inclusive". Arizona State Revised Statute (ARS 42-17151) defines a "balanced" budget as follow:

> *"Fix, levy and assess the amount to be raised from primary property taxation and secondary property taxation. This amount, plus all other sources of revenue, as estimated, and restricted and unrestricted unencumbered balances from the preceding fiscal year, shall equal the total of amounts proposed to be spent in the budget for the current fiscal year."*

Under Arizona state law "all-inclusive" means if an item is not budgeted (i.e. does not have an appropriation), it cannot legally be spent during the fiscal year. Therefore, the budget must include sufficient appropriation and contingency provisions for expenditures related to revenues (e.g., possible future grants) that cannot be accurately determined or even anticipated when the budget is adopted in June. This budgetary flexibility allows the city to comply with the Arizona state law and to pro-actively pursue emerging revenue sources as the budget year unfolds. Expenditures (i.e., appropriations) associated with items such as possible future grants/revenues may not be spent without City Council's prior approval at a public meeting.

Arizona State Revised Statutes only requires communities to prepare budgets for two funds — the General Fund (ARS 42-17101) and Highway User Revenue Fund (ARS 28-6533) (See the Transportation Fund). In addition to these two funds the city prepares budgets and requests legal appropriation for the following funds — Special Revenue, Debt Service, Enterprise, Internal Service, Grants, and Capital Improvement Plan Funds. The ordinance adopting the annual budget requires City Council authorization for expenditures from the aforementioned funds, which in the aggregate constitute the city's total operating, capital budget and contingency/reserves for purposes of complying with the state's balanced budget and legal maximum appropriations requirements.

Implementing, Monitoring, and Amending the Budget Phase

In July, the city staff begins the process of implementing the newly adopted budget and is accountable for budgetary control throughout the fiscal year. Sources and uses patterns are examined, compared to budget plans, and corrective action, if necessary, is taken during the fiscal year. The senior budget analysts and divisional budget liaisons meet every month to review current demographic, economic and financial trends, which may impact the city, and to discuss possible strategies to ensure the city's fiscal integrity. City management and City Council are also provided monthly financial updates and reports disclosing actual revenue, expenditure, and fund balance performance as compared to the budget plan.

Upon the final adoption of the budget, staff implements the operating budget and the capital improvement plan. The final operating budget and capital improvement plan books are typically published by September.

Scottsdale's programs and activities are periodically reviewed to determine if they are achieving City Council's broad goals, accomplishing strategic objectives and making efficient use of limited resources. City values of "plan and innovate for the future" and "focus on quality customer service" along with city manager directed studies of several programs during the next budget year help communicate this expectation. The City Treasurer's staff, division directors, and the internal audit staff all provide assistance in their review of programs.

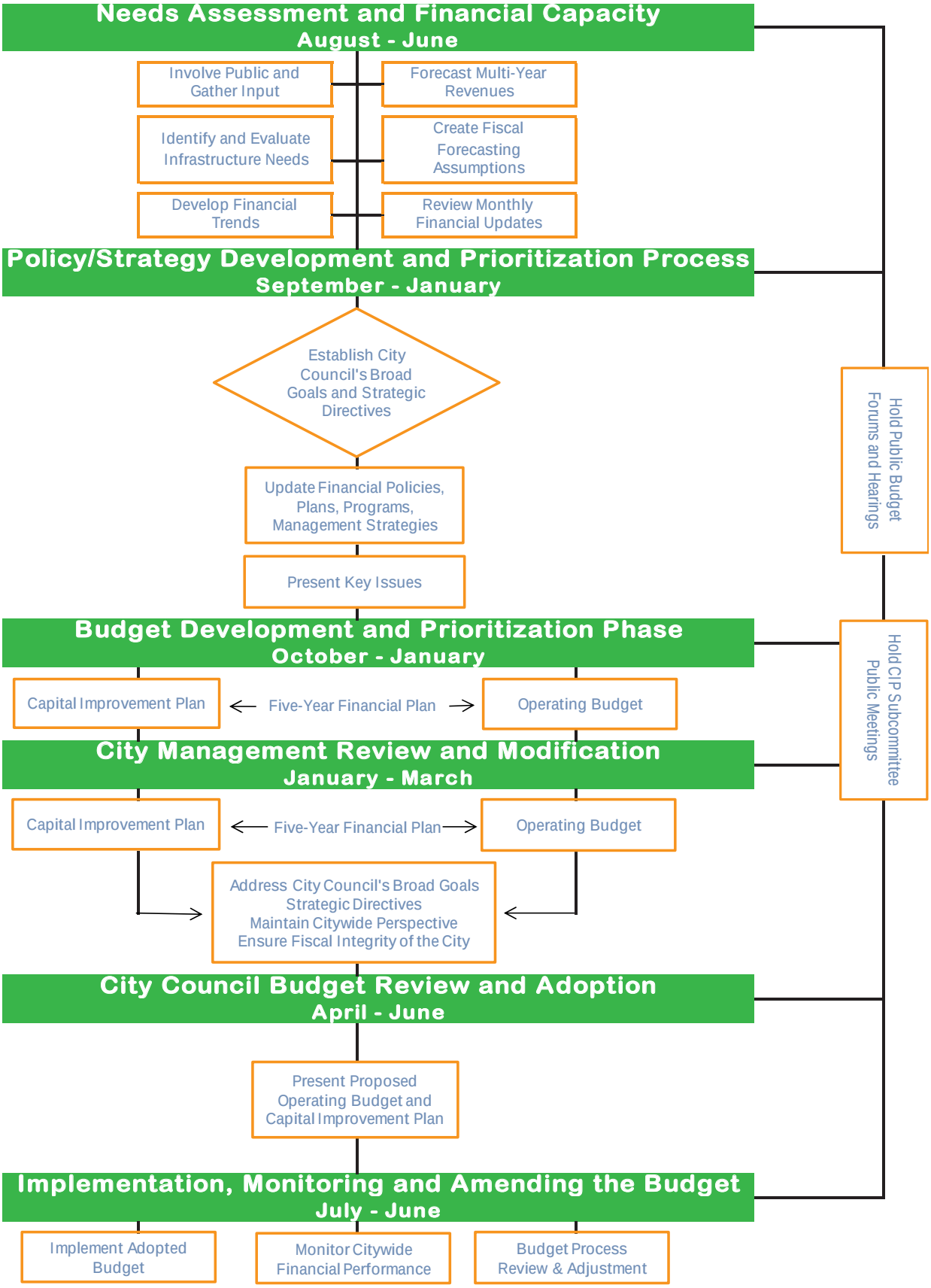
The staff of every city program is expected to conduct self-assessments and develop cost and quality measures of efficiency and effectiveness. Internal performance measurements are developed, reviewed and reported on quarterly. Scottsdale's culture, along with the city value of "listen, communicate, and take action" stresses open communication and stakeholder involvement determining satisfaction with programs and in identifying areas needing additional attention.

Ongoing monitoring of the city's financial performance is required of all program managers on a monthly basis. Written budget to actual expenditure variance reports must be submitted monthly by all city divisions explaining any significant variances and provide a solution for corrective action. Additionally, the divisions must be able to explain in writing to the Budget Department the projected year-end budget savings and/or fund balances.

The City of Scottsdale's operating budget is adopted at a division level and the capital improvement plan is adopted at a project level.

All amendments to the budget that require a budget transfer from the Contingency/Reserve Funds require City Council's prior approval at a public meeting before the adjustment can be made by staff. If approved, the transfer is processed in the budget system by the Budget Department.

OVERVIEW | Budget Development Process



Use of Contingency/Reserve Funds

Contingency/Reserve Funds are strictly defined in the city's financial policies adopted by City Council annually and used when additional funds are necessary to offset unexpected expenditure increases so that budgeted citizen service measures can be maintained; unanticipated grants are received; and when unanticipated and/or inadequately budgeted events threaten the public health or safety. Use of Contingency/Reserve Funds is to be utilized only after all alternative budget funding sources and other options have been fully considered. All Contingency/Reserve Fund requests require a written justification and an explanation of the fiscal impact, which is reviewed and approved in writing by the city treasurer, budget director, the applicable division director, and city manager before being presented to City Council for consideration in a public meeting.

Budgetary and Accounting Basis

Scottsdale's budget is prepared on a basis generally consistent with Generally Accepted Accounting Principles (GAAP). The city's governmental funds consist of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Governmental fund type budgets are developed using the modified accrual basis of accounting.

Under the modified accrual basis, revenues are estimated for the fiscal year if they are accrued (amounts can be determined and will be collected within the current period). Principal and interest on general long-term debt is budgeted as expenditures when due, whereas other expenditures are budgeted for based on the timing of the receipt of the good or service.

Proprietary fund budgets – Water, Water Reclamation, Solid Waste, Aviation and Internal Service Funds – are adopted using the full accrual basis of accounting whereby revenue projections are developed recognizing revenues earned in the period. Expenditure estimates are developed for all expenses incurred during the fiscal year.

The major differences between the budget and the Comprehensive Annual Financial Report (CAFR) are:

- Certain revenues, expenditures, and transfers are not included in the budget, but are accrued and reported in the CAFR. For example, increases or decreases in compensated absences are not included for budget purposes, but are presented in the CAFR.
- Franchise fees charged to the Enterprise Funds are accounted for as transfers in or out in the budget, but are recorded as revenues and expenses in the CAFR.
- Capital outlays in the Enterprise Funds are presented as expenses in the budget, but are recorded as assets along with associated depreciation expenses in the CAFR.
- Debt service principal payments in the Enterprise Funds are expenses in the budget, but reported as reduction of long-term debt liability in the CAFR.
- Certain debt service principal and interest payments are accounted for as expenses in the General Fund for the budget, but are reported as expenses in the Debt Service Funds in the CAFR.
- For budget purposes the Risk Management Fund presents claim expenditures on a cash basis, while in the CAFR the claim expenditures reflect an accrual for "incurred but not reported" (IBNR) claims.

All actual amounts in the budget document are shown on the budgetary basis to facilitate meaningful comparisons. Budgeted funds include the General, Special Revenue, Debt Service, Enterprise, Internal Service, Grants, and Capital Improvement Plan.

Operating and Capital Budget Relationship

The City of Scottsdale's Budget for FY 2017/18 is comprised of three volumes:

Volume One – Budget Summary includes the City Council's mission statement and broad goals, the city manager's transmittal letters, executive summary, and adopted financial policies. Volume One also contains a budget by fund section which includes five-year financial forecasts that cover the period FY 2017/18 through FY 2021/22. This section also provides five-year historical summaries for sources and uses by fund.

Volume Two – Division Operating Budget contains descriptions of services provided by each division staffing summaries, operating budgets by expenditure category and the applicable funding sources, current fiscal year objectives, as well as prior year achievements, significant changes, and performance measures. In addition, included are department operating budgets and their relationship with the broad goals and the general plan

Volume Three - Capital Improvement Plan includes the Capital Project Budget and Five-Year Capital Improvement Plan with more detailed information for each project. Capital Project Budget funding sources are matched with budgeted expenditures. Future year projected operating impacts are also included. Finally, there is an appendix which includes the signed budget adoption and property tax levy ordinances, final state forms, lists of acronyms and a glossary.

Governmental accounting procedures and state law require expenditures for the five-year capital improvement plan to be budgeted at an amount sufficient to pay for an entire contract, meaning the legal authority is available and appropriated in the period in which a contract is entered into by the city. Therefore, capital expenditures are presented on a budget basis reflecting the total appropriated amount, as opposed to a cash flow basis, which may take several fiscal years to be paid out. For example, a 180-day construction contract entered into in May of fiscal year one would have cash expenditures from May of fiscal year one through October of fiscal year two, however, the entire budget for this contract must be appropriated in fiscal year one, the year in which the contract was entered; any unspent funds at the end of fiscal year one would be carried forward and re-budgeted again in fiscal year two.

Funding sources for the five-year capital improvement plan are presented on a budget basis, except for cash transfers in from the operating budget, which are presented on a purely cash basis. These resources are presented in the period that the cash funding will be transferred in order to provide continuity between the operating budget and the capital improvement plan. As a result of presenting the cash transfers in on a purely cash basis, the funding sources may not equal the budgeted expenditures in each period, creating a fund balance as cash accumulates each year for planned larger capital expenditures in later fiscal years.

For further information regarding capital project funding sources and uses, refer to Volume Three - Capital Improvement Plan.

Five-Year Financial Plan

The city's five-year financial planning process used to develop the proposed budget is a year-round process. The budget process begins in the early fall with the Budget Office's initial updating of the five-year financial plan for each of the city's major funds. The staff reviews the five-year financial plans for the following funds that appear in the budget – General, Transportation, Preservation, Special Programs, Tourism Development, Special Districts, Debt Service, Water & Water Reclamation, Solid Waste, Aviation, Fleet, PC Replacement, Risk Management, and Healthcare. Using the latest fiscal, operational, and legislative information, the staff works collaboratively with the city divisions to update the forecast for the current fiscal year related to the most recently adopted budget and to create a forecast for the coming budget year. The forecasts serve as the basis for the development of the city's proposed five-year financial plan.

In April, the city manager provides the City Council with the updated five-year financial plans for their review and consideration. The staff works with the City Council to review the underlying assumptions and reasonableness of the plans. The plans are used to develop the budget for the coming year (i.e. the first year of the plan) and subsequent years of the five-year financial forecast period. This time is also used to identify future service and financial issues requiring attention during the budget planning process.

The five-year financial plans provide the City Council, city management, citizens and municipal bond rating agencies with the benefits of a long-term financial perspective of revenues, expenditures, cash transfers in/out, fund balances, and capital financing options. They also serve as the basis to test the potential impacts of proposed policy and operational modifications and pending legislative changes all intended to avoid

subjecting citizens to wide or irregular fluctuations in rates/fees and service levels.

Proposed future operating impacts of capital projects are also included in the forecast, which facilitates the planning, integration, and timing of the capital projects into the city's five-year financial plans. The City Council and city management use the plans to assess the impact of their proposed decisions in a long-range financial context. These decisions may include the proposed addition of new staff, new debt issuances and debt refunding, tax rate changes, the desire to create, modify or eliminate rates/fees, new or expanded services and state legislation changes. Based on the fiscal impact of these decisions, City Council has an opportunity to modify the proposed plans.

As noted above, the development and updating of the five-year financial plans is a year-round process. The staff monitors the current budget on a monthly basis and makes adjustments to the estimated annual revenues and expenditures based on the latest economic information, legislative changes and City Council priorities. The revenue and expenditure variances, estimated ending fund balances and the status of the current year contingency usage are reported monthly to the City Council, city management and other stakeholders via the Monthly Financial Update and Monthly Financial Report. The staff also monitors and identifies changes in the financial and economic climates and considers solutions to negative trends, thereby preserving the financial health of Scottsdale.

Revenue Forecasting

The City of Scottsdale uses both qualitative and quantitative methods for forecasting revenues, blending various techniques to develop conservative and prudent revenue projections. Qualitative revenue forecasting methods used by staff to develop multi-year financial plans include consensus, judgmental, and expert forecasting, while trend analysis is used as a quantitative technique. This balanced approach to revenue forecasting is strongly encouraged by the Government Finance Officers Association (GFOA), since research shows that forecasting accuracy is improved by combining qualitative and quantitative techniques. According to the GFOA, each method by itself has inherent weaknesses: qualitative methods can be too subjective at times and may be subject to wishful thinking and selective perception on behalf of the forecasters; quantitative methods may fail to consider changing conditions inside and outside a jurisdiction and also tend to discount important historical events. By combining qualitative and quantitative methods, forecasters integrate judgmental assumptions within the forecasting framework to produce more realistic revenue projections.

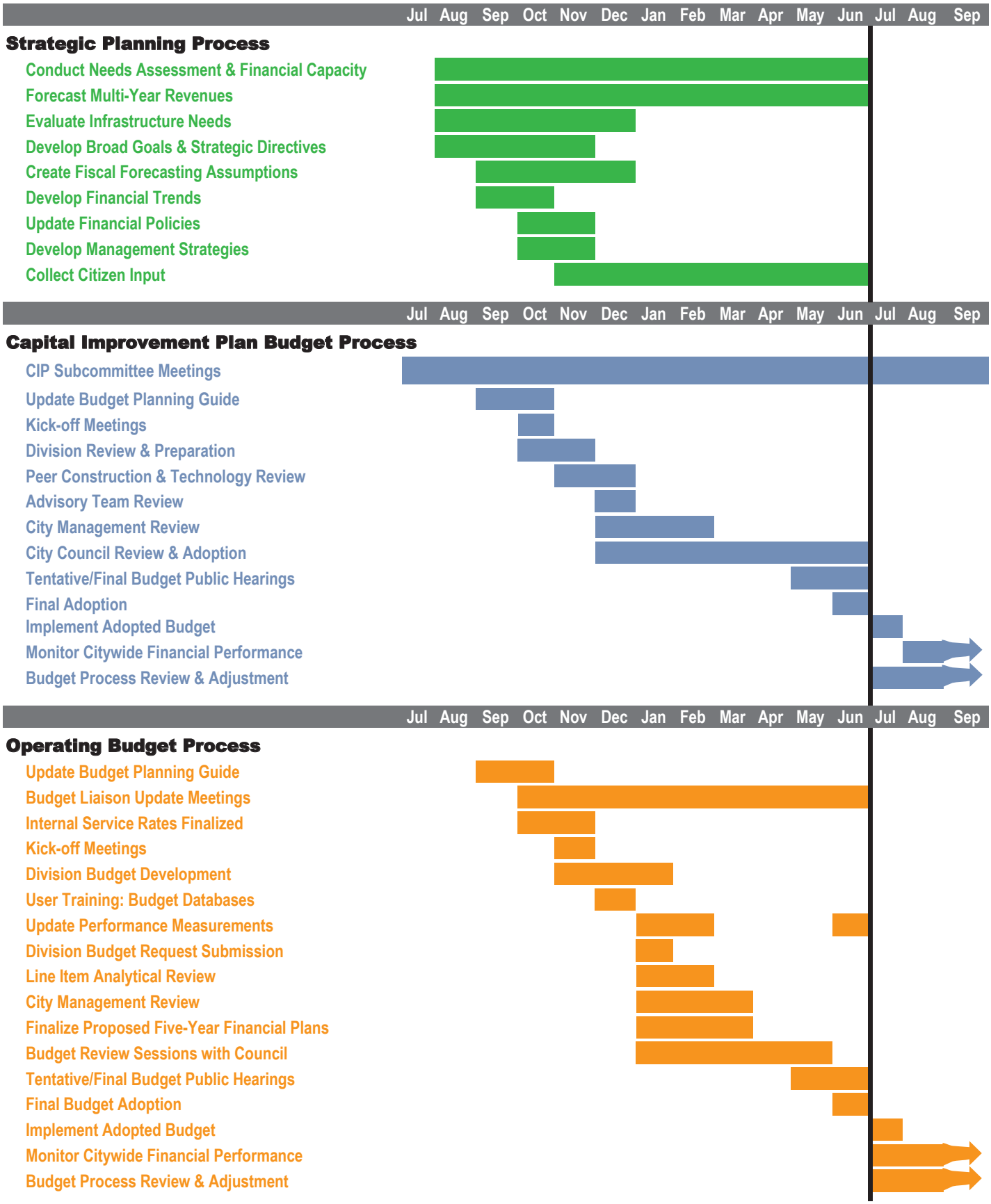
To enhance the revenue forecasting process and gain the broader input into the planning process, the Budget Department staff works collaboratively with the city divisions throughout the year to prepare the revenue estimates. This multi-disciplinary approach and continual reassessment creates a synergy between the central Budget Department staff and the division field staff, which reduces the likelihood of miscommunications in formulating the revenue estimates. The field staff's participation in the revenue estimates also increases their ownership and accountability for achieving the proposed plan.

Expenditure and Year-End Savings Forecasting

Each month throughout the fiscal year, the Budget Department staff works with the city divisions to monitor year-to-date actual expenditures against the year-to-date approved budget and prior year actual expenditures. Each division is also required to forecast their year-end expenditures and related expenditure savings. All significant actual or forecasted variances are researched and a reason for the likely variance as well as possible alternatives to resolve the variance is considered by the staff. Pro-active management of the budget to actual/forecasted expenditures allows staff the opportunity to promptly notify city management and the City Council of potential budget concerns.

FY 2017/18 Adopted Budget

BUDGET PLANNING AND DEVELOPMENT
FISCAL YEAR 2017/18 CALENDAR



OVERVIEW | Budget Liaisons & CIP Liaisons

Budget Liaisons and *CIP Liaisons* coordinate the budget within their respective divisions/departments. The Budget Liaisons serve as the vital communication link between their city divisions/departments and the City Treasurer's Office on matters related to their specific operating budget. Budget Liaisons are responsible for the review, analysis, and coordination of information; ensuring the proper completion and submission of forms and documentation; monitoring the internal review process to meet timelines; and facilitating problem resolution throughout the budget process. The *CIP Liaisons* (identified with an asterisk) essentially serve the same role; however, their focus is on coordination of capital projects and multiyear capital planning with the City Treasurer's Office staff. In many cases the same individual serves both roles.

Division / Department	Budget / CIP Liaison
Mayor & City Council	Kelli Kuester
City Attorney	Danielle Taebel *
City Auditor	Sharron Walker
City Clerk	Cathleen Butteweg
City Court	Ken Kung *
City Manager	Brent Stockwell
City Treasurer	Jaqua Davis *
Administrative Services	Jennifer Jensen *
Community Services	Bryan Bundy *
Community & Economic Development	
Aviation	Carmen Williams *
Economic Development	Paula Guidry *
Planning and Development	Dan VandenHam *
Tourism and Events	Rose Rimsnider / Karen Churchard *
Transportation	Monica Staats *
WestWorld	Jennifer Bowley *
Public Safety – Fire	Teresa Martin / Ryan Freeburg *
Public Safety – Police	Christy Alonzo *
Public Works	Monica Staats *
Water Resources	Gina Kirklin / Ron Dolan *

Operating Management

1. All divisions will participate in the responsibility of meeting policy goals and ensuring long-term financial health of the city. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements. In order to ensure compliance with policy, sunset provisions will be required on all grant program initiatives and incorporated into other service plans, as appropriate.
2. The budget process is intended to weigh all competing requests for city resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
3. Annual budgets shall include documentation that departments met intended objectives ("effectiveness criteria") and provide value in terms of dollars allocated ("efficiency criteria").
4. The budget shall be considered balanced if all sources of revenue, as estimated, are equal to, or exceed, the total of amounts proposed to be used in the operating budget for the current fiscal year, by fund. To the extent unencumbered balances from the preceding fiscal year are required to achieve a balanced budget, use of unencumbered balances from the preceding fiscal year will be only as authorized by City Council.
5. The full City Council will solicit citizen input and review the operating and capital budget recommendations from a divisional, program, and goals perspective.
6. Revenues will not be dedicated for specific purposes, unless approved by City Council or required by law. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
7. A diversified and stable revenue system will be developed to protect city services from short-term fluctuations in any single revenue source.
8. Balanced revenue and expenditure forecasts will be prepared annually and include a five-year plan for each fund to demonstrate the city's ability to adapt to forecast changes in the economy, service demands, and capital improvements.
9. Enterprise (Water, Water Reclamation, Solid Waste Management, and Aviation) user fees and charges will be examined annually to ensure that they recover all direct and indirect costs of service, debt service, provide adequate funding for future capital needs and be approved by the City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents. Rate adjustments for enterprise operations will be developed pursuant to a multi-year financial plan that levels the impact of user rate changes.
10. All other user fees and charges will be examined periodically to determine the direct and indirect cost of service recovery rate, excluding voter-approved debt service. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council.
11. Development impact fees, as permitted by state law, for capital expenses attributable to new development will be reviewed periodically with an engineering assessment to ensure that fees recover all direct development-related expenses and be approved by City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents.
12. The use or replacement of Fleet and Information Technology (PC, phones and copier systems) will be accounted for through the use of a direct or a "rental" rate structure. The rates will be revised annually to ensure that charges to operating divisions are sufficient for operation and replacement of vehicles and other equipment. Replacement costs will be based upon equipment lifecycle financial analysis.
13. Grant funding will be considered to leverage city funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be

budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, city resources will be substituted only after all program priorities and alternatives are considered during the budget process.

14. Alternative means of service delivery will be evaluated to ensure that quality services are provided to our citizens at the most competitive and economical cost. Divisions, in cooperation with the City Manager, City Auditor and City Treasurer, will identify activities or services that could be provided over the long-term more efficiently or effectively by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the need for the service will be performed on a reasonably periodic or on an "opportunity" basis.

15. Cash and Investment programs will ensure that proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.

16. Uncollectible accounts, excluding City Court, will be no more than 0.5 of one percent (1%) of revenue on an annual basis unless otherwise approved by City Council.

17. Any year-end General Fund operating surpluses not needed to restore contingency reserves or cover unforeseen shortfalls in the budget, but in no case less than (1) twenty-five percent (25%) of construction privilege tax revenues; (2) one hundred percent (100%) of net interest income in excess of $1.0 million; and (3) one and one tenths percent (1.1%) sales tax collected on food for home consumption (phased in over three years beginning in FY 2016/-17) will be transferred to the General Fund Capital Improvement Program in the following fiscal year unless otherwise directed by City Council.

18. Addition of personnel will only be requested to meet program initiatives and policy directives; after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased net revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.

19. Benefits and compensation will be administered in accordance with policy given by City Council. As part of a cost-containment strategy, total costs for health insurance premiums will be shared between the employer, employees and public safety disabled retirees. Total premiums will be evaluated on an annual basis to ensure they are reasonable and competitive and that total premiums are expected to provide adequate funding of anticipated claims and a reasonable level of loss reserves.

20. An annual General Fund transfer will be made to the Benefits Healthcare Self-Insurance Fund to subsidize the cost of providing healthcare benefits to sworn public safety accidental disabled retirees.

21. Property tax will be levied to recover: (1) general obligation debt service and (2) revenues required for the General Fund equal to (a) the prior year's revenue plus new growth added to the tax role and (b) the prior year's tort liability payments as approved by City Council. Council may also approve the legally allowable maximum over the previous year's primary levy.

21A. One hundred percent (100%) of the transient lodging (bed) taxes received by the city shall be deposited into the Special Revenue Fund for Tourism Development. Additionally, the Special Revenue Fund for Tourism Development shall receive one hundred percent (100%) of Princess Hotel lease revenues.

As approved by the voters, fifty percent (50%) of the transient lodging (bed) tax revenues will be used for tourism-marketing. Use of the remaining Special Revenue Fund for Tourism

Development revenues will be allocated annually as follows:

- $1,500,000 for the General Fund;
- $1,200,000 for Events and Event Development;
- $500,000 for tourism-related administration and research;
- $500,000 for one-time commitments to capital projects, events and event development, or administration and research;
- The balance for tourism-related capital projects, in the form of one-time commitments or multi-year annual commitments, not to exceed $600,000 per project.

At the end of each fiscal year, any unused funds in the Special Revenue Fund for Tourism Development will be available for use in following years for any of the non-marketing tourism categories (except the general fund category) and may be allocated without limitations, except that they may not be leveraged for multi-year annual commitments, such as debt service payments.

22. Any year-end Transportation Fund operating surpluses not needed to restore contingency reserves or cover unforeseen shortfalls in the budget will be transferred to the Transportation Fund Capital Improvement Program in the following fiscal year unless otherwise directed by City Council.

23. For the purpose of preparing the annual operating budget, the City Manager will include funds sufficient to provide increases of up to five percent (5%) based on performance for each qualified sworn police officer, firefighter, fire engineer and fire captain up to the maximum salary of the pay range unless otherwise directed by City Council.

Capital Management

24. A five-year Capital Improvement Plan will be developed and updated annually, including anticipated spending as well as funding sources. Capital improvement projects are defined typically as multi-year efforts which may include purchases or construction of infrastructure or equipment which results in a new capitalized asset costing more than $25,000 and having a useful life of five years or more. No funding commitments will be made for any project in the CIP unless the project has sufficient budget authority in the current budget year to meet the entire amount of the commitment. For each year of the CIP, total anticipated expenditures and commitments will not exceed projected starting fund balance plus total anticipated revenues for that year.

25. Pay-as-you-go Capital Improvement Plan financing should account for a minimum of twenty-five percent (25%) of all capital improvement projects, excluding Preservation and Enterprise, for each five-year planning period. Pay-as-you-go financing is defined as all sources of revenue other than city debt issuance, i.e., fund balance contributions, developer contributions, grants, endowments, etc.

26. Proposed capital projects will be reviewed and prioritized by a cross-divisional team regarding accurate costing (design, capital, and operating), prevention of existing infrastructure deterioration before the addition of new infrastructure and overall consistency with the City's General Plan and City Council's goals and objectives.

27. Dedicated two-tenths of percent (0.2%) privilege tax revenue for transportation improvements will be restricted to funding the planning, design, construction and acquisition costs associated with building, renovating, or enhancing capital projects for streets, highways, traffic control, and transit; and for transportation improvement

operating expenses. No more than fifty percent (50%) of the privilege tax revenue for transportation improvements will be allocated to transportation improvement operating expenses.

28. Future operating, maintenance, and capital costs associated with new capital improvements and contractual obligations approved by Council will be forecasted and included in the Operating Budget, five-year financial plan and the Capital Improvement Plan.

Debt Management

29. General Obligation debt, which is supported by property tax revenues and grows in proportion to the city's assessed valuation and/or property tax rate increases, will be utilized only as authorized by voters. Other types of voter-approved debt may also be utilized only when they are supported by dedicated revenue sources.

30. General Obligation debt issuances (excluding Preserve General Obligation debt) will be managed on an annual basis to match funds to Capital Improvement Plan cash flow requirements. The city will not exceed $1.50 combined property tax per $100 assessed value unless otherwise directed by City Council.

31. Non-voter approved debt will be utilized only when a dedicated revenue source (e.g., facility revenue and bed tax) can be identified to pay, or reimburse the city for paying, debt service expenses. City Debt Service (excluding enterprise, general obligation and preservation) costs (Municipal Property Corporation, Revenue Bond, and Contractual Debt) should not exceed five percent (5%) of the city's current or future annual operating revenue in order to control fixed costs and ensure expenditure flexibility. The following considerations will be made to the question of pledging of project (facility) revenues towards debt service requirements:
    a. The project requires monies not available from other sources.
    b. Matching fund monies are available which may be lost if not applied for in a timely manner.
    c. Catastrophic conditions.
    d. The city shall not give or loan its credit in aid of, nor make any donation, grant or payment of any public funds, by subsidy or otherwise, to any individual, association, or corporation, except where there is a clearly identified public purpose and the city either receives direct consideration substantially equal to its expenditure or provides direct assistance to those in need.

32. McDowell Sonoran Preservation debt service will be funded by the dedicated 0.35% privilege tax. The city's privilege taxes to revenue bond debt service goal will be at least 1.5:1 for senior lien debt to ensure the city's ability to pay for preserve debt from this elastic revenue source.

33. Improvement District (ID) and Community Facility District (CFD) Bonds shall be permitted only when there is a general city benefit. ID and CFD bonds will be utilized only when it is expected that they will be issued for their full term. It is intended that ID and CFD bonds will be primarily issued for existing neighborhoods desiring improvements to their property such as roads, water lines, sewer lines, streetlights, and drainage.
    a. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant

and administered by the city. In addition, the city's cumulative improvement district debt will not exceed 5 percent of the city's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

b. Community Facility District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. In addition, the city's cumulative facility district debt will not exceed 5 percent of the city's secondary assessed valuation. The landowner/developer shall also contribute $0.25 in public infrastructure improvement costs of each dollar of public infrastructure improvement debt to be financed by the district.

34. Bond interest earnings will be limited to funding changes to the bond financed Capital Improvement Plan, as approved by City Council, or be applied to debt service payment on the bonds issued for construction of this plan.

35. While considering the bond rating impacts, the effect on short-term user rates and the level of cash reserves, the Water and Water Reclamation Enterprise Funds will use long-term debt when prudent to achieve a ratio of long-term debt to tangible fixed assets (capital assets net of depreciation plus equity in joint venture) of no more than fifty percent (50%).

Reserve Management

36. All fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the city's balanced five-year financial plan.

37. The following stabilization reserves will be maintained for unforeseen emergencies or catastrophic impacts to the city:
    a. General Fund Stabilization Reserve of 10 percent of annual General Fund operating expenditures;
    b. Transportation Fund Stabilization Reserve of 10 percent of annual Transportation Fund operating expenditures.
    c. An Excise Tax Stabilization Reserve will be funded at no less than $5.0 million to be temporarily used for unforeseen emergencies or catastrophic impacts to the city.

38. Debt Service Reserve will be funded with secondary property taxes, levied by City Council, sufficient to pay the bonded indebtedness for General Obligation bond principal and interest (excluding Preserve General Obligation bonds). A debt service sinking fund will be maintained to account for these restricted revenues and debt payments, as well as any additional debt amounts deemed to be advisable and necessary for any public or municipal purposes.

39. Contingency Reserves for each fund to be established annually will be maintained to offset unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. Use of contingency funds should be utilized only after all budget sources have been examined for available funds, and subject to City Council approval.

40. Separate Operating Fund Reserves will be maintained for the city's Water, Water Reclamation, Solid Waste Management, and Aviation Enterprise Funds. Such reserves shall be funded between 60 and 90 days of budgeted operating expenditures, excluding expenditures

for debt service. Operating Fund Reserves shall be maintained to provide contingency funding and expenditure flexibility in the event of unexpected declines in revenue or increases in costs.

41. Replacement and Extension Reserves will be maintained by the Water and Water Reclamation Enterprise Funds to ensure adequate resources for replacement of water and water reclamation infrastructure. Such reserves shall equal two percent (2%) of the gross book value of all tangible fixed assets of the system and shall be utilized only to provide contingency funding and expenditure flexibility during times of unusual circumstances.

42. Self-Insurance Reserves will be maintained at a level that will adequately fund the city's financial obligations for the payment of property, workers' compensation, liability, and health benefit losses. A qualified actuarial firm shall be retained on an annual basis to project and develop losses in order to recommend appropriate reserve levels. The Loss Trust Fund Board's target is to maintain a Risk Management reserve fund balance equivalent to the actuaries 85 percent confidence interval of projected total outstanding claims liability.

43. The Fleet Fund and PC Replacement Fund will be maintained to ensure adequate funding for systematic replacement and operational needs.

44. Any intentional drawdown of fund reserves requires City Council approval.

Financial Reporting

45. The city's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB). The City Treasurer shall issue timely monthly financial reports to City Council.

46. Accounting methods will include essential policies, procedures and internal controls to monitor all general ledger activity on an ongoing basis.

47. Prior to the end of each fiscal year the Council shall designate certified public accountants who, shall perform an independent audit of the city's annual financial statements in accordance with generally accepted government auditing standards. The certified public accountants shall be independent of the city government, having no personal interest, direct or indirect, in the fiscal affairs of city government or any of its officers. The certified public accountants shall submit their reports to the Council. All such audit reports shall be a matter of public record.

JAIL
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Fund Accounting Structure

To ensure legal compliance and financial management for the various restricted revenues and program expenditures, the city's accounting and budget structure is segregated into various funds. This approach is unique to the government sector. Fund accounting segregates functions and activities into separate self-balancing funds that are created and maintained for specific purposes. For example, Special Revenue Funds are used to account for the expenditure of restricted revenues, while Enterprise Funds account for self-sustaining "business" related activities for which a fee is charged to cover all costs associated with that business. The General Fund is the city's chief operating fund and is used to account for all financial resources, except those that are legally required to be accounted for in another fund.

A **fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General

The General Fund is the primary operating fund of the city. It exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, parks and recreation, planning and economic development, general administration of the city, and any other activity for which a special fund has not been created.

Special Revenue

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The city maintains the following six Special Revenue Funds: Transportation, Tourism Development, Preservation, Special Programs, Special Districts and Grants.

Debt Service

Debt Service Fund is used to account for the accumulation of resources and for the payment of, general long-term debt principal and interest. It does not include contractual obligations accounted for in the individual funds.

Enterprise

Enterprise Funds are used to account for operations, including debt service, which are financed and operated similarly to private businesses, where the intent is that the service is self-sufficient, with all costs supported predominantly by user charges. The city maintains three Enterprise Funds to account for Water & Water Reclamation, Solid Waste, and Aviation activities.

Internal Service

Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the city. The city maintains Internal Service Funds to account for Fleet Management, PC Replacement and Self-Insurance activities.

Capital Improvement Plan

Capital Improvement Plan Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The city maintains several Capital Improvement Plan Funds to ensure legal compliance and financial management for various restricted revenues. Examples of restricted revenue funds are:

Bond Capital Funds – used to account for bond proceeds to be used only for approved bond projects.

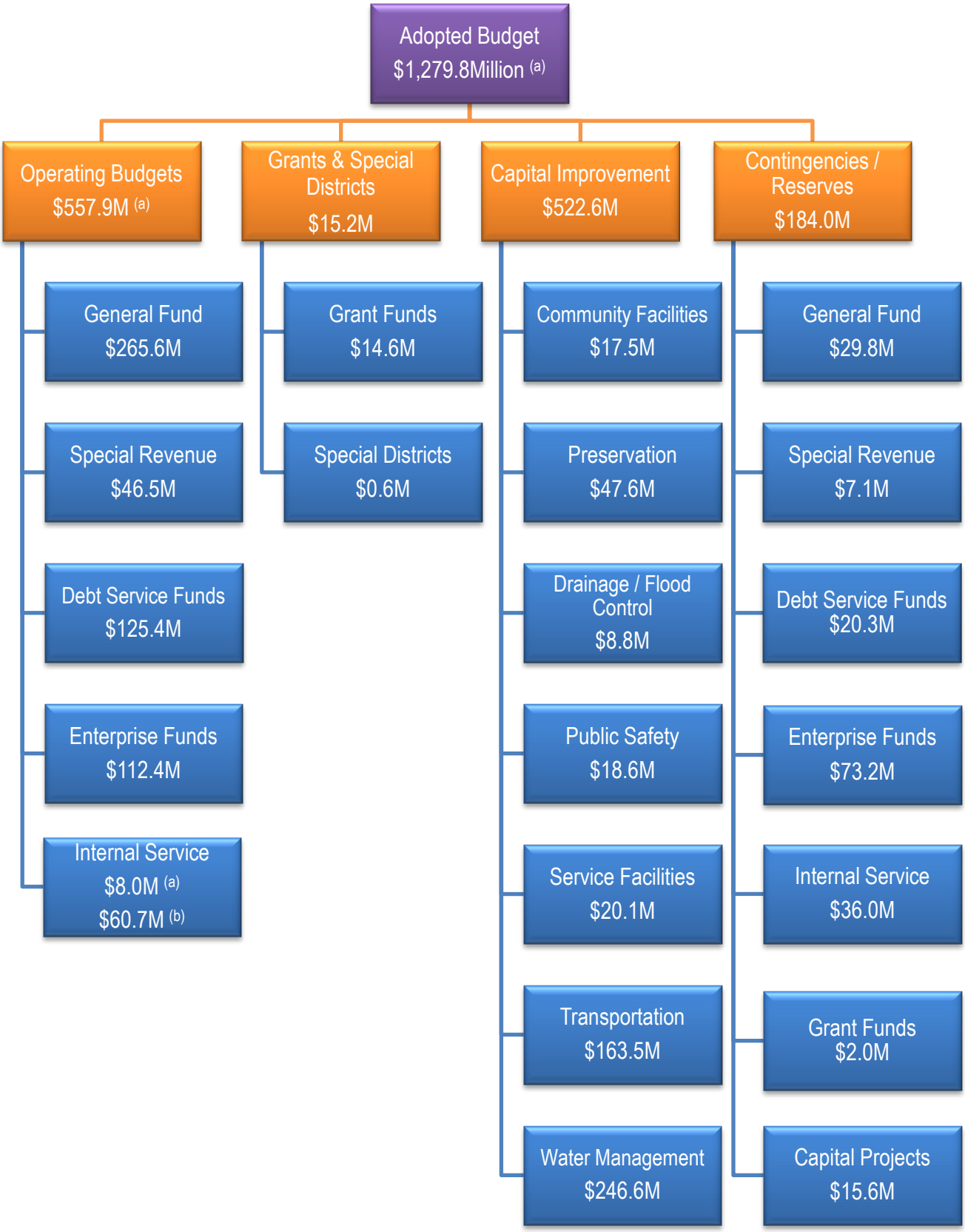
Transportation Sales Tax Capital Funds – used to account solely for transportation projects.

Enterprise Capital Funds – used to account for utility rates and development fees for specific projects.

General Capital Funds – used to account for transfers-in from the General Fund operating budget and for any other activity for which a restricted revenue fund has not been created.

FY 2017/18 Adopted Budget

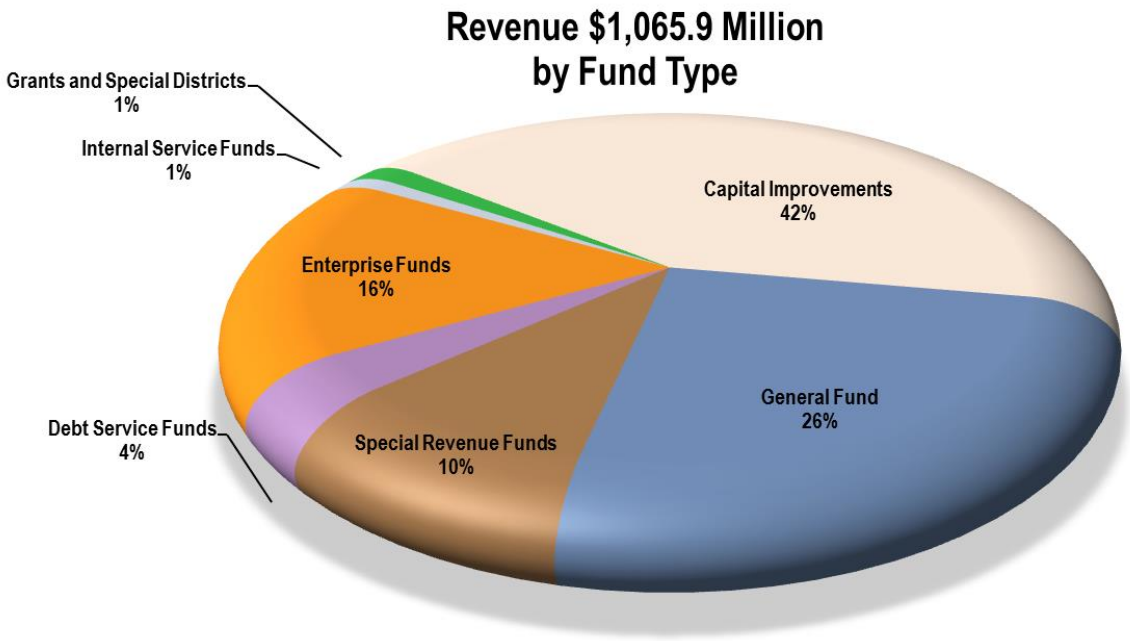
BUDGET BY FUND | Total Budget Overview



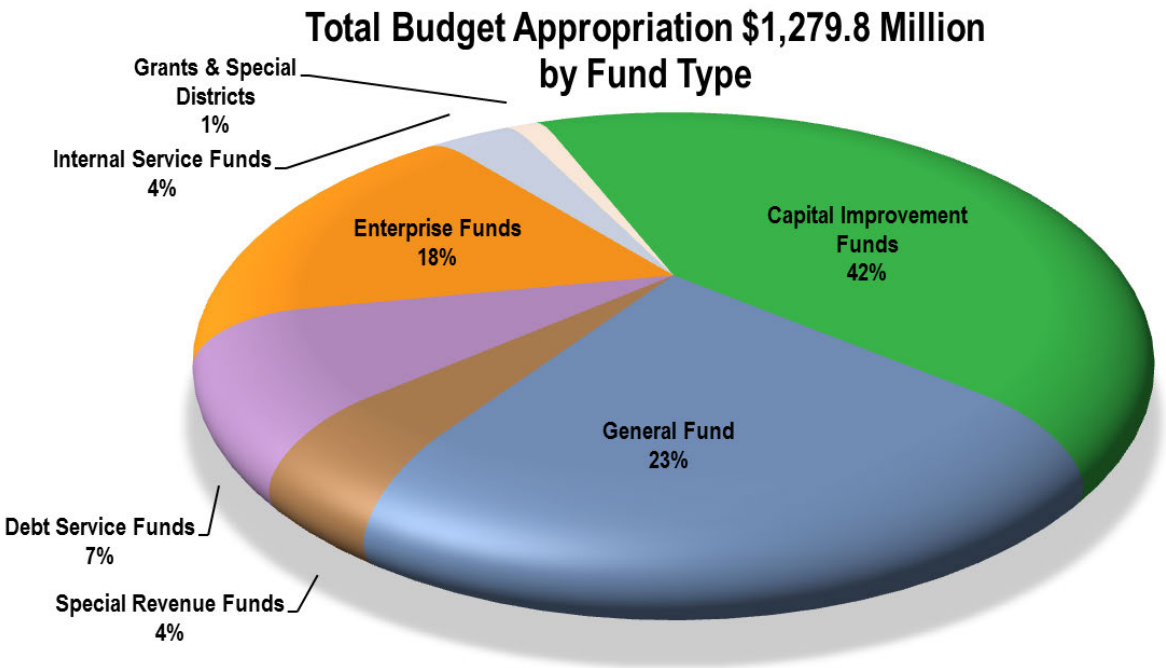
(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

Note: Amounts are rounded in millions; therefore, differences may occur.

The total Scottsdale budget consists of $1,065.9 million in revenue including, $344.3 million in prior year CIP unexpended funds, $71.0 million in anticipated bond proceeds, $61.8 million in property taxes, and $588.8 million in other operating and capital revenues. A complete detail of revenues can be found on the Total Budget Appropriation schedule. Below is the revenues breakdown by fund type.

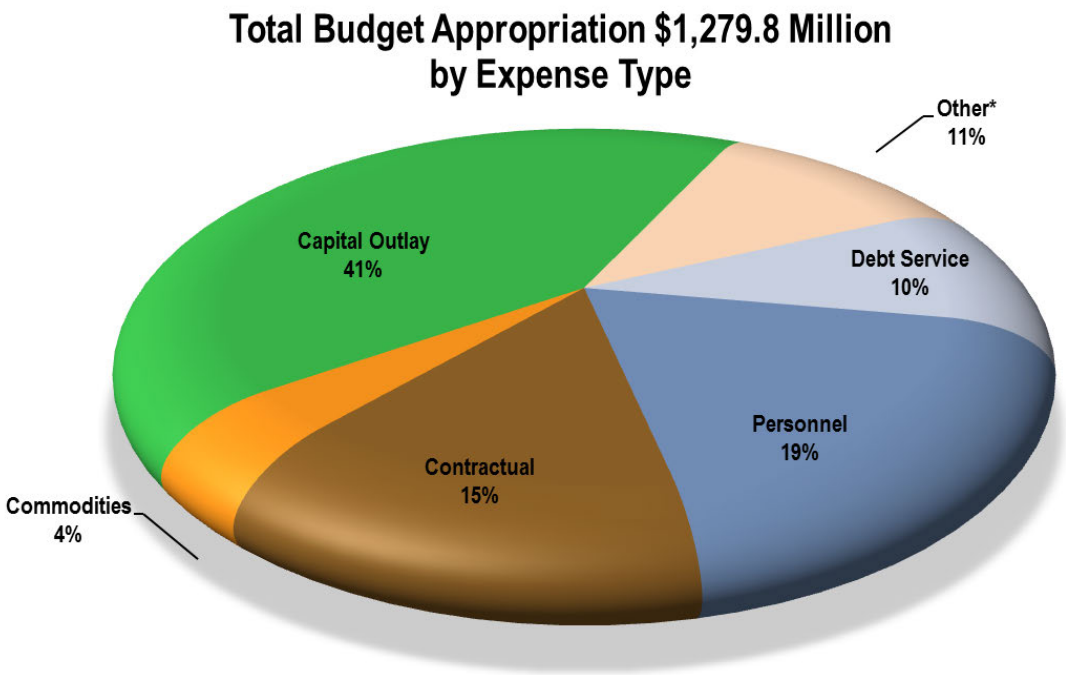


The total Scottsdale adopted budget appropriates $1,279.8 million, which includes $184.0 million in contingencies/reserves. The Capital Improvement Funds account for the largest portion of the annual budget appropriation at $522.6 million.



BUDGET BY FUND | Total Budget Overview

The largest expense category in the FY 2017/18 budget is for Capital Outlay, expenses for Personnel Services, Contractual, and Commodities together account for $479.5 million, or approximately 37 percent of the total authorized budget.



*Other includes Contingency, Reserve Appropriations, Internal Service Offsets and Indirect Costs

		Sources		Uses						
	Beginning Balance	Revenue	Transfers In	Personnel	Contractual & Debt Service	Commodities	Capital Outlay	Other*	Transfers Out	Ending Balance
General Fund	52,601,967	273,525,326	9,116,167	197,855,739	61,705,024	8,415,626	456,778	29,843,300	20,584,437	16,382,556
Special Revenue Funds										
Transportation	10,512,986	38,868,181	300,000	6,682,322	18,233,877	1,077,564	153,250	3,114,701	10,491,407	9,928,046
Preservation	27,604,130	38,165,920	-	-	2,200	-	-	-	35,734,473	30,033,377
Special Programs	11,047,183	8,961,478	10,000	1,710,497	3,097,118	1,539,267	257,000	1,500,000	451,552	11,463,227
Tourism Development	12,671,579	21,128,886	-	267,129	12,947,131	4,820	520,354	2,500,000	5,491,763	12,069,268
Debt Service Funds	21,508,163	37,190,364	51,874,249	-	86,033,213	-	-	20,329,026	4,210,537	-
Enterprise Funds										
Water/Water Reclamation	67,926,514	151,289,665	54,280,429	20,297,365	65,151,139	30,835,853	556,500	69,882,234	86,773,517	-
Solid Waste	9,430,318	20,144,807	-	7,270,866	11,287,256	627,310	27,299	7,008,511	10,500	3,343,383
Aviation	8,523,408	3,973,622	-	1,272,546	3,361,211	78,360	500,000	3,972,330	215,570	3,097,013
Internal Service Funds										
Fleet Management	8,605,917	836,653	-	3,974,922	1,654,802	6,871,577	7,527,000	(13,239,592)	1,571,544	1,082,317
PC Replacement	1,422,810	-	-	-	-	-	709,200	(521,072)	-	1,234,682
Risk Management	18,547,371	1,471,624	-	835,704	8,133,973	87,336	-	10,959,682	2,300	-
Health Self Insurance	7,992,248	8,731,187	230,000	98,052	30,474,665	348,192	-	(13,967,474)	-	-
Grants and Special Districts										
Grants	-	16,638,456	-	1,005,871	11,050,595	52,089	-	4,526,101	3,800	-
Special Districts	25,469	598,296	-	-	623,765	-	-	-	-	-
Capital Improvements	216,973,676	447,839,788	66,350,702	-	-	-	522,604,656	15,600,100	16,620,147	176,339,263
Total All Funds	**475,393,739**	**1,069,364,253**	**182,161,547**	**241,271,013**	**313,755,969**	**49,937,994**	**533,312,037**	**141,507,847**	**182,161,547**	**264,973,132**

Total Budget Appropriation** **1,279,784,860**

*Other includes Operating Contingency, Reserve Appropriations, Internal Service Offsets and Indirect Costs

**Total Budget Appropriation excludes Transfers Out and ssumes use of reserve appropriations

BUDGET BY FUND | Total Appropriation

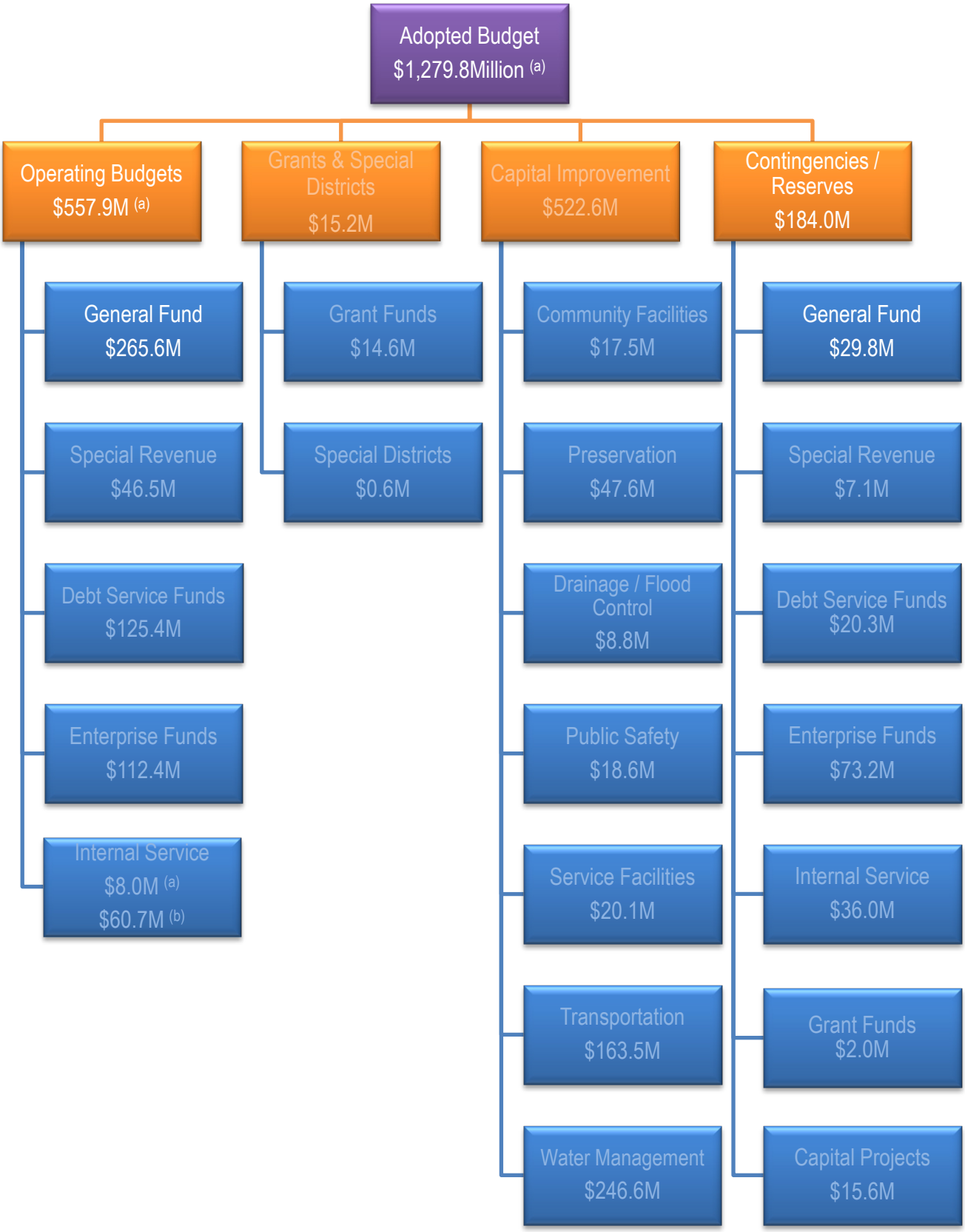
	General	Special Revenue	Debt Service	Enterprise	Internal Service	Grants & Special Districts	Capital	Total
Beginning Fund Balance	**52,601,967**	**61,835,878**	**21,508,163**	**85,880,240**	**36,568,346**	**25,469**	**216,973,676**	**475,393,739**
Revenues								
Taxes - Local								
Sales Tax (1.00%)	109,876,026							109,876,026
Sales Tax - Transportation (0.20%)		20,933,413						20,933,413
Sales Tax - Preservation (0.20%)		21,580,838						21,580,838
Sales Tax - Preservation (0.15%)		16,185,629						16,185,629
Sales Tax - Public Safety (0.10%)	10,790,420							10,790,420
Property Tax	27,197,112		33,558,964		1,046,624			61,802,700
Transient Occupancy Tax		19,441,159						19,441,159
Electric & Gas Franchise	8,467,000							8,467,000
Cable TV License Fee	3,637,100							3,637,100
Salt River Project In Lieu Tax	225,000							225,000
Stormwater Water Quality Charge	916,878			268,500				1,185,378
State Shared Revenues								
State Shared Sales Tax	23,131,809							23,131,809
State Shared Income Tax	29,726,061							29,726,061
Auto Lieu Tax	10,278,542							10,278,542
AZ STA/MCSD Revenue			3,486,400					3,486,400
Highway User Tax		16,381,995						16,381,995
Internal Service Charges								
Fleet Management					20,791,591			20,791,591
PC Replacement Charges					1,021,072			1,021,072
Self-Insurance					40,926,108			40,926,108
Licenses, Permits & Fees								
Building Permit Fees & Charges	14,998,399							14,998,399
Recreation Fees	4,160,102							4,160,102
WestWorld	4,763,504							4,763,504
Fire Service Charges	703,630							703,630
Business Licenses & Fees	1,892,612							1,892,612
Fines & Forfeitures								
Attorney Svc. Enhancement Fee	309,090							309,090
Court Fines	3,283,272							3,283,272
Photo Enforcement	3,019,803							3,019,803
Parking Fines	226,401							226,401
Library Fines & Fees	304,100							304,100
Interest Earnings/Property Rental								
Interest Earnings	1,615,319	399,453		1,215,943			1,572,646	4,803,361
Property Rental	3,103,273	1,667,227		103,059				4,873,559
Utilities & Enterprises								
Water Service Charges				91,774,100				91,774,100
Water Reclamation Svc. Charges				39,894,800				39,894,800
Non-Potable Water Svc. Charges				16,217,900				16,217,900
Solid Waste Svc. Charged				20,053,480				20,053,480
Airport Fees & Charges				3,811,312				3,811,312
Other Revenue								
Indirect/Direct (Fire) Cost Allocation	6,896,702	557,773		804,500				8,258,975
Grants, Trust & Special Districts						15,236,752	14,035,274	29,272,026
Intergovernmental Revenue	1,750,989	980,000					11,132,005	13,862,994
Miscellaneous/Reimbursements	2,252,182	35,500		1,264,500			5,884,848	9,437,030
Special Programs Revenue		7,461,478						7,461,478
Bond Proceeds/MPC							70,950,000	70,950,000
Spring Exhibition Surcharge			145,000					145,000
CIP Unexpended Year End							344,265,015	344,265,015
Less Internal Service Funds Offset					(52,745,931)			(52,745,931)
Subtotal	***273,525,326***	***105,624,465***	***37,190,364***	***175,408,094***	***11,039,464***	***15,236,752***	***447,839,788***	***1,065,864,253***
Transfers In								
Operating Transfers From								
General Fund		10,000	12,111,151		230,000		8,233,286	20,584,437
Special Revenue Funds	1,901,727	300,000	35,552,561				14,414,907	52,169,195
Debt Service Funds			4,210,537					4,210,537
Enterprise Funds	7,214,440			37,660,282			42,124,865	86,999,587
Internal Service Funds							1,573,844	1,573,844
Grants	-						3,800	3,800
Capital Improvement Funds				16,620,147				16,620,147
Subtotal	***9,116,167***	***310,000***	***51,874,249***	***54,280,429***	***230,000***	***-***	***66,350,702***	***182,161,547***
Other Activity								
Reserve Appropriations								
Operating Contingency / Reserves		1,500,000				2,000,000		3,500,000
Subtotal	***-***	***1,500,000***	***-***	***-***	***-***	***2,000,000***	***-***	***3,500,000***
Total Sources	**282,641,493**	**107,434,465**	**89,064,613**	**229,688,523**	**11,269,464**	**17,236,752**	**514,190,490**	**1,251,525,800**

BUDGET BY FUND | Total Appropriation

	General	Special Revenue	Debt Service	Enterprise	Internal Service	Grants & Special Districts	Capital	Total
Expenditures								
Divisions								
Mayor and City Council	630,584	7,500						638,084
City Attorney	6,854,484							6,854,484
City Auditor	908,926							908,926
City Clerk	757,912							757,912
City Court	4,724,457	1,479,773						6,204,230
City Manager	2,432,791							2,432,791
City Treasurer	6,232,292			3,054,608	9,035,686			18,322,586
Administrative Services	17,110,377				31,627,622			48,737,999
Community & Economic Development	24,054,328	23,579,866		2,663,163				50,297,357
Community Services	35,525,762	4,274,931						39,800,693
Public Safety - Fire	37,094,259	3,691						37,097,950
Public Safety - Police	97,732,710	1,751,154						99,483,864
Public Works	11,925,387	13,817,597		18,184,191	20,118,445			64,045,620
Water Resources				63,918,663				63,918,663
Savings From Vacant Positions	(3,953,520)	(159,400)		(1,301,063)	(225,000)			(5,638,983)
Leave Accrual Payments	2,150,000	51,100		532,501	50,000			2,783,601
Parker Case Ruling	7,783,645							7,783,645
Utilities	8,554,237	1,479,665		16,504,232				26,538,134
Compensation Adjustments	395,341							395,341
Fire 5 Percent Step	791,017							791,017
Police Officer 5 Percent Step	1,309,608							1,309,608
Sergeant 5 Percent Step	393,427							393,427
Citywide Pay Program	2,150,685	204,452		622,553	108,670	23,299		3,109,659
Preservation Professional Services		2,200						2,200
Indirect/Direct Cost Allocation				8,258,996				8,258,996
Internal Service Fund Offsets					(52,745,931)			(52,745,931)
Subtotal	***265,558,709***	***46,492,529***	***-***	***112,437,844***	***7,969,492***	***23,299***	***-***	***432,481,873***
Grant and Trust Activity								
Grants						14,611,357		14,611,357
Trust and Special Districts						623,765		623,765
Subtotal	***-***	***-***	***-***	***-***	***-***	***15,235,122***	***-***	***15,235,122***
Capital Improvements								
Community Facilities							17,459,860	17,459,860
Preservation							47,589,469	47,589,469
Drainage / Flood Control							8,751,079	8,751,079
Public Safety							18,632,159	18,632,159
Service Facilities							20,056,559	20,056,559
Transportation							163,549,401	163,549,401
Water Management							246,566,129	246,566,129
Subtotal	***-***	***-***	***-***	***-***	***-***	***-***	***522,604,656***	***522,604,656***
Debt Service								
General Obligation Bonds			59,883,474					59,883,474
Preserve Authority Revenue Bonds			6,129,963					6,129,963
Revenue Bonds				4,565,088				4,565,088
MPC Bonds			20,019,776	31,956,194				51,975,970
Contracts Payable	325,779							325,779
Certificates of Participation	2,548,679							2,548,679
Subtotal	***2,874,458***	***-***	***86,033,213***	***36,521,282***	***-***	***-***	***-***	***125,428,953***
Other Activity								
Reserve Appropriations								
Operating Contingency	29,843,300	7,114,701	20,329,026			2,000,000	15,600,100	74,887,127
Solid Waste				5,188,696				5,188,696
Aviation				3,972,330				3,972,330
Self-Insurance					35,977,475			35,977,475
Water/Water Reclamation				64,008,628				64,008,628
Subtotal	***29,843,300***	***7,114,701***	***20,329,026***	***73,169,654***	***35,977,475***	***2,000,000***	***15,600,100***	***184,034,256***
TOTAL BUDGET	**298,276,467**	**53,607,230**	**106,362,239**	**222,128,780**	**43,946,967**	**17,258,421**	**538,204,756**	**1,279,784,860**
Transfers Out								
Capital Improvement Program	8,233,286	14,414,907		42,124,865	1,573,844	3,800		66,350,702
Operating Transfers To								
General Fund		1,801,727						1,801,727
Special Programs Funds	10,000	400,000						410,000
Debt Service Funds	12,111,151	35,552,561	4,210,537	37,660,282			15,720,147	105,254,678
Internal Service Funds	230,000							230,000
Enterprise Funds							900,000	900,000
Enterprise Transfers								
Franchise Fee				7,214,440				7,214,440
Subtotal	***20,584,437***	***52,169,195***	***4,210,537***	***86,999,587***	***1,573,844***	***3,800***	***16,620,147***	***182,161,547***
Total Uses	**318,860,904**	**105,776,425**	**110,572,776**	**309,128,367**	**45,520,811**	**17,262,221**	**554,824,903**	**1,461,946,407**
Sources Over/(Under) Uses	**(36,219,411)**	**1,658,040**	**(21,508,163)**	**(79,439,844)**	**(34,251,347)**	**(25,469)**	**(40,634,413)**	**(210,420,607)**
Ending Fund Balance *	**16,382,556**	**63,493,918**	**-**	**6,440,396**	**2,316,999**	**-**	**176,339,263**	**264,973,132**

* Assuming Use of Reserve Appropriations

BUDGET BY FUND | General Fund Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

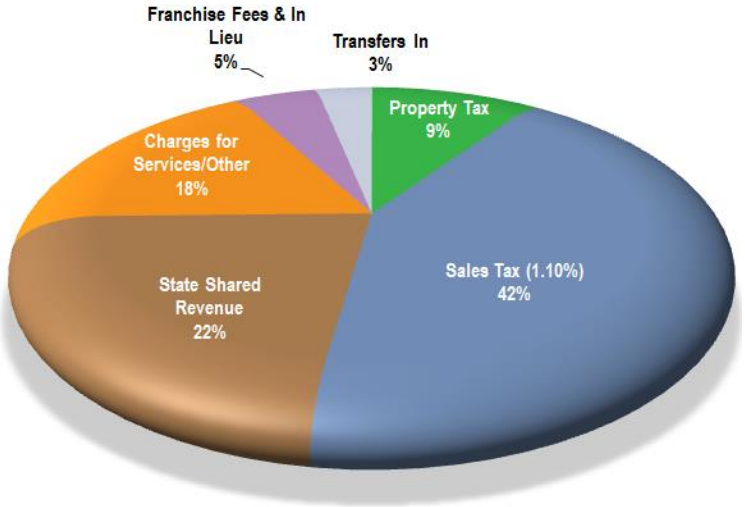
Note: Amounts are rounded in millions; therefore, differences may occur.

Fund Purpose

The General Fund exists to account for the activity associated with traditional local government services such as police, fire, parks and recreation, planning and economic development and general city administration. Under Arizona State law, each city and town must maintain a General Fund and account for Highway User Revenues (see the Transportation Fund in the Special Revenue Fund section). The General Fund is the largest operating fund, includes the most diverse operations and because its use is unrestricted is typically the fund of most interest and significance to citizens.

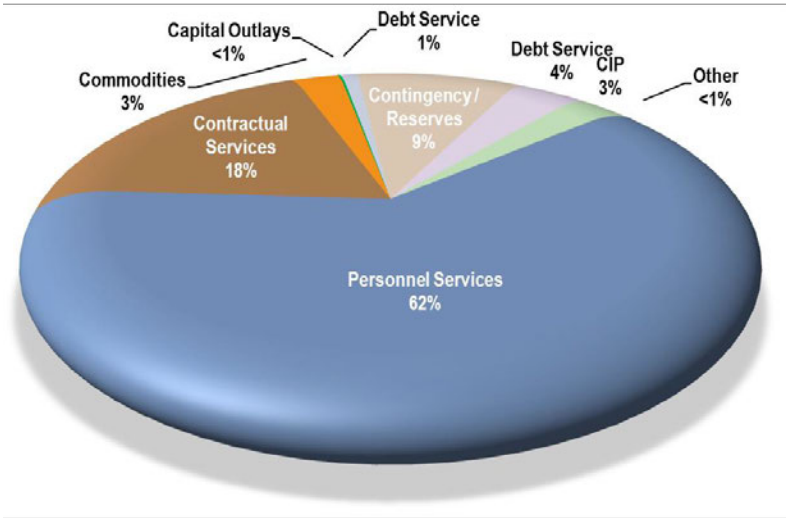
General Fund Sources (in $ millions)

Property Tax	27.2
Sales Tax (1.10%)	120.7
State Shared Revenue	63.1
Charges for Services/Other	49.3
Franchise Fees & In Lieu	13.2
Total Revenue	273.5
Transfers In	9.1
Total Sources	282.6



General Fund Uses (in $ millions)

Personnel Services	197.9
Contractual Services	58.8
Commodities	8.4
Capital Outlays	0.5
Debt Service	2.9
Contingency/Reserves	29.8
Adopted Budget	298.3
Transfers Out	
Debt Service	12.1
CIP	8.2
Other	0.2
Total Uses	318.9



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | General Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
General Fund Reserve	23,482,847	24,391,300	24,003,700	24,003,700	25,625,900
Operating Contingency	3,000,000	1,732,000	3,000,000	3,000,000	3,000,000
Undesignated, Unreserved Fund Balance	23,833,525	28,146,576	33,356,624	33,356,624	23,976,067
Total Beginning Fund Balance [a]	**50,316,372**	**54,269,876**	**60,360,324**	**60,360,324**	**52,601,967**
Revenues					
Sales Taxes					
Sales Tax (1.00%)	104,994,603	107,088,035	107,088,035	104,653,628	109,876,026
Sales Tax - Public Safety (0.10%)	10,294,057	10,495,414	10,495,414	10,277,342	10,790,420
State Shared Revenues					
State Shared Sales Tax	20,647,067	22,318,898	22,318,898	22,318,898	23,131,809
State Shared Income Tax	26,173,125	29,009,725	29,009,725	28,985,984	29,726,061
Auto Lieu Tax	8,991,309	9,213,063	9,213,063	9,463,063	10,278,542
Property Tax					
Property Tax	25,868,439	26,395,890	26,395,890	26,347,083	27,197,112
Franchise Fees & In-Lieu					
Electric & Gas Franchise	8,552,437	8,393,572	8,393,572	8,393,572	8,467,000
Cable TV License Fee	3,815,573	3,619,900	3,619,900	3,619,900	3,637,100
Salt River Project In Lieu Tax	249,699	241,000	241,000	230,900	225,000
Stormwater Quality Fees	912,891	907,800	907,800	907,800	916,878
Charges for Services/Other					
Licenses, Permits & Fees					
Building Permit Fees & Charges	13,218,898	14,665,400	14,665,400	14,665,400	14,998,399
Recreation Fees	4,145,899	3,861,743	3,861,743	3,861,743	4,160,102
WestWorld	4,243,600	4,590,798	4,590,798	4,590,798	4,763,504
Fire Service Charges	903,545	790,920	790,920	790,920	703,630
Business Licenses & Fees	1,838,176	1,946,800	1,946,800	1,946,800	1,892,612
Fines & Forfeitures					
City Attorney Service Enhancement Fee	304,603	306,030	306,030	306,030	309,090
Court Fines	3,764,497	3,405,984	3,405,984	3,405,984	3,283,272
Photo Enforcement	3,080,897	3,782,951	3,782,951	3,132,951	3,019,803
Parking Fines	301,715	271,121	271,121	271,121	226,401
Library Fines & Fees	338,860	341,800	341,800	341,800	304,100
Interest Earnings/Property Rental					
Interest Earnings	1,382,402	1,398,824	1,398,824	1,398,824	1,615,319
Property Rental	2,879,647	3,231,020	3,231,020	3,570,844	3,103,273
Other Revenue					
Indirect / Direct (Fire) Cost Allocation	5,966,387	6,416,104	6,416,104	6,416,104	6,896,702
Intergovernmental Revenue	1,271,374	1,271,577	1,271,577	1,601,577	1,750,989
Miscellaneous	5,705,524	892,619	892,619	892,619	1,101,589
Reimbursements	1,528,674	953,713	-	953,713	1,150,593
Subtotal	***261,373,898***	***265,810,701***	***265,810,701***	***263,345,398***	***273,525,326***
Transfers In					
Special Programs Fund (30-Day Tow Program)	394,464	368,288	368,288	368,288	301,727
Tourism Development Fund	1,500,000	1,500,000	1,500,000	1,500,000	1,600,000
Debt Service - Spring Training MCSD & AZSTA Funded	2,443,225	3,454,425	3,454,425	3,454,425	-
Other	370,776	-	-	-	-
Enterprise Franchise Fees	7,051,278	7,211,400	7,211,400	7,256,155	7,214,440
Subtotal	***11,759,743***	***12,534,113***	***12,534,113***	***12,578,868***	***9,116,167***
Total Sources	**273,133,641**	**278,344,814**	**278,344,814**	**275,924,266**	**282,641,493**

[a] Excludes accrued liabilities of $6.2 million in FY 2015/16 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Expenditures					
Divisions					
Mayor and City Council	735,292	789,960	797,847	797,847	630,584
City Attorney	7,080,428	7,074,203	7,217,025	7,117,025	6,854,484
City Auditor	819,101	913,455	930,184	930,184	908,926
City Clerk	1,133,841	1,033,601	1,050,035	1,050,035	757,912
City Court	4,027,991	4,742,649	4,665,113	4,665,113	4,724,457
City Manager	1,088,025	1,303,590	1,180,241	1,180,241	2,432,791
City Treasurer	5,627,438	6,285,074	6,254,710	6,153,658	6,232,292
Administrative Services	15,559,386	17,066,162	17,251,019	17,251,019	17,110,377
Community & Economic Development	23,085,028	25,778,927	25,704,227	25,291,850	24,054,328
Community Services	34,406,029	35,789,470	36,090,500	36,183,012	35,525,762
Public Safety - Fire	34,483,131	35,873,511	36,873,009	37,422,158	37,094,259
Public Safety - Police	90,914,721	96,527,651	97,839,597	94,812,625	97,732,710
Public Works	18,232,308	21,092,624	21,045,824	17,660,144	11,925,387
CIP Operating Impacts	-	-	-	-	-
Savings from Vacant Positions	-	(3,876,000)	(477,620)	(477,620)	(3,953,520)
Leave Accrual Payments	-	1,947,500	375,987	375,987	2,150,000
Parker Case Ruling	-	-	-	-	7,783,645
Utilities	-	-	-	2,986,332	8,554,237
Compensation Adjustments	-	-	-	-	395,341
Fire 5 Percent Step	-	869,339	-	-	791,017
Police Officer 5 Percent Step	-	1,290,311	-	-	1,309,608
Sergeant 5 Percent Step	-	-	-	-	393,427
Citywide Pay Program	-	2,563,831	17,550	-	2,150,685
Subtotal	***237,192,719***	***257,065,858***	***256,815,248***	***253,399,610***	***265,558,709***
Contracts Payable & Certificates of Participation (COPs)					
Contracts Payable	295,491	310,266	310,266	310,266	325,779
Certificates of Participation	2,548,679	2,548,680	2,548,680	2,548,680	2,548,679
Subtotal	***2,844,170***	***2,858,946***	***2,858,946***	***2,858,946***	***2,874,458***
TOTAL OPERATING BUDGET	**240,036,889**	**259,924,804**	**259,674,194**	**256,258,556**	**268,433,167**
Transfers Out					
Debt Service Fund - MPC Excise Debt	11,922,724	12,015,182	12,015,182	12,012,002	12,111,151
Debt Service - Spring Training MCSD & AZSTA Funded	2,443,225	3,454,425	3,454,425	3,454,425	-
CIP Stadium	75,483	67,400	67,400	67,400	67,400
CIP 25% Construction Sales Tax	2,567,895	2,340,723	2,340,723	2,470,087	2,539,667
CIP Food Tax	0	2,484,263	2,484,263	2,365,714	5,010,900
CIP Excess Interest Earnings	382,402	398,824	398,824	398,824	615,319
CIP PAYGO	4,584,711	5,000,000	5,000,000	6,430,982	-
Other	194	-	-	-	-
Healthcare Retirees	693,000	-	-	-	-
Healthcare Public Safety (Disabled) Subsidy	323,166	400,000	400,000	214,633	230,000
Special Programs Fund - Preservation Rehab	60,000	60,000	60,000	10,000	10,000
Subtotal	***23,052,800***	***26,220,817***	***26,220,817***	***27,424,067***	***20,584,437***
Total Uses	**263,089,689**	**286,145,621**	**285,895,011**	**283,682,623**	**289,017,604**
Sources Over/(Under) Uses	**10,043,952**	**(7,800,807)**	**(7,550,197)**	**(7,758,357)**	**(6,376,111)**
Ending Fund Balance					
General Fund Reserve	24,003,700	25,992,500	25,967,400	25,625,900	26,843,300
Operating Contingency	2,005,000	3,000,000	2,880,000	2,880,000	3,000,000
Undesignated, Unreserved Fund Balance	34,351,624	17,476,569	23,962,727	24,096,067	16,382,556
Total Ending Fund Balance [a]	**60,360,324**	**46,469,069**	**52,810,127**	**52,601,967**	**46,225,856**

[a] Excludes accrued liabilities of $6.2 million in FY 2015/16 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Five-Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
General Fund Reserve	25,625,900	26,843,300	26,809,800	27,337,300	27,609,900
Operating Contingency	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Undesignated, Unreserved Fund Balance	23,976,067	16,382,556	15,401,956	16,275,356	22,599,356
Total Beginning Fund Balance [a]	**52,601,967**	**46,225,856**	**45,211,756**	**46,612,656**	**53,209,256**
Revenues					
Sales Taxes					
Sales Tax (1.00%)	109,876,026	113,269,900	116,540,100	119,881,500	123,510,900
Sales Tax - Public Safety (0.10%)	10,790,420	11,126,000	11,448,900	11,778,800	12,137,600
State Shared Revenues					
State Shared Sales Tax	23,131,809	23,825,800	24,540,500	25,276,800	26,035,100
State Shared Income Tax	29,726,061	30,023,300	30,623,800	31,236,300	31,861,000
Auto Lieu Tax	10,278,542	10,278,500	10,278,500	10,278,500	10,278,500
Property Tax					
Property Tax	27,197,112	29,084,000	31,032,400	33,044,300	34,121,800
Franchise Fees & In-Lieu					
Electric & Gas Franchise	8,467,000	8,541,000	8,616,000	8,691,000	8,767,100
Cable TV License Fee	3,637,100	3,655,300	3,673,600	3,673,600	3,673,600
Salt River Project In Lieu Tax	225,000	216,000	207,400	199,100	191,100
Stormwater Quality Fees	916,878	926,000	935,300	944,700	954,100
Charges for Services/Other					
Licenses, Permits & Fees					
Building Permit Fees & Charges	14,998,399	15,295,200	15,597,900	15,906,600	16,224,100
Recreation Fees	4,160,102	4,222,500	4,285,600	4,349,500	4,414,200
WestWorld	4,763,504	4,851,500	4,941,300	5,032,800	5,126,600
Fire Service Charges	703,630	706,400	709,300	712,300	715,500
Business Licenses & Fees	1,892,612	1,905,100	1,917,300	1,929,300	1,937,800
Fines & Forfeitures					
City Attorney Service Enhancement Fee	309,090	309,100	309,100	309,100	309,100
Court Fines	3,283,272	3,319,500	3,360,100	3,413,900	3,474,800
Photo Enforcement	3,019,803	3,050,000	3,080,500	3,112,400	3,130,300
Parking Fines	226,401	230,000	234,600	238,300	242,100
Library Fines & Fees	304,100	304,100	304,100	304,100	304,100
Interest Earnings/Property Rental					
Interest Earnings	1,615,319	2,346,000	3,198,400	3,546,900	3,776,700
Property Rental	3,103,273	3,218,500	3,208,400	3,261,900	3,315,900
Other Revenue					
Indirect / Direct (Fire) Cost Allocation	6,896,702	7,241,500	7,603,600	7,983,800	8,383,000
Intergovernmental Revenue	1,750,989	1,757,900	1,764,800	1,772,000	1,779,300
Miscellaneous	1,101,589	1,104,100	1,106,800	1,109,400	1,112,200
Reimbursements	1,150,593	1,159,300	1,168,400	1,177,300	1,186,500
Subtotal	***273,525,326***	***281,966,500***	***290,686,700***	***299,164,200***	***306,963,000***
Transfers In					
Special Programs Fund (30-Day Tow Program)	301,727	261,800	260,200	258,700	256,900
Tourism Development Fund	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Debt Service - Spring Training MCSD & AZSTA Funded	-	-	-	-	-
Other	-	-	-	-	-
Enterprise Franchise Fees	7,214,440	7,420,700	7,586,600	7,755,900	7,929,800
Subtotal	***9,116,167***	***9,282,500***	***9,446,800***	***9,614,600***	***9,786,700***
Total Sources	**282,641,493**	**291,249,000**	**300,133,500**	**308,778,800**	**316,749,700**

[a] Excludes accrued liabilities of $6.2 million in FY 2015/16 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Five-Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Expenditures					
Divisions					
Mayor and City Council	630,584	636,500	643,800	650,800	658,500
City Attorney	6,854,484	6,895,300	6,938,000	6,979,500	7,024,400
City Auditor	908,926	916,500	925,300	934,400	943,600
City Clerk	757,912	1,163,000	767,800	1,173,500	779,100
City Court	4,724,457	4,755,800	4,795,800	4,835,800	4,878,800
City Manager	2,432,791	2,350,500	2,363,600	2,391,900	2,393,000
City Treasurer	6,232,292	6,274,600	6,342,000	6,413,200	6,488,100
Administrative Services	17,110,377	17,848,500	17,982,700	18,335,600	18,475,800
Community & Economic Development	24,054,328	24,043,200	24,158,400	24,428,800	24,717,100
Community Services	35,525,762	35,682,700	36,004,500	36,323,400	36,650,800
Public Safety - Fire	37,094,259	37,399,400	37,689,400	37,936,000	38,201,400
Public Safety - Police	97,732,710	98,548,700	99,240,600	99,806,700	100,536,700
Public Works	11,925,387	11,821,900	11,957,500	11,695,000	11,738,300
CIP Operating Impacts	-	251,600	253,700	285,700	285,700
Savings from Vacant Positions	(3,953,520)	(4,032,600)	(4,113,200)	(4,195,500)	(4,279,400)
Leave Accrual Payments	2,150,000	2,193,000	2,236,900	2,281,600	2,327,200
Parker Case Ruling	7,783,645	-	-	-	-
Utilities	8,554,237	8,639,800	8,726,100	8,813,600	8,901,500
Compensation Adjustments	395,341	956,000	1,122,100	1,286,300	1,438,100
Fire 5 Percent Step	791,017	1,569,500	2,151,500	2,540,000	2,703,300
Police Officer 5 Percent Step	1,309,608	2,429,900	3,303,000	4,002,800	4,610,800
Sergeant 5 Percent Step	393,427	744,000	1,045,600	1,195,000	1,261,500
Citywide Pay Program	2,150,685	4,119,200	5,930,400	7,608,100	9,182,900
Subtotal	***265,558,709***	***265,207,000***	***270,465,500***	***275,722,200***	***279,917,200***
Contracts Payable & Certificates of Participation (COPs)					
Contracts Payable	325,779	342,000	359,200	377,200	396,000
Certificates of Participation	2,548,679	2,548,700	2,548,700	-	-
Subtotal	***2,874,458***	***2,890,700***	***2,907,900***	***377,200***	***396,000***
TOTAL OPERATING BUDGET	**268,433,167**	**268,097,700**	**273,373,400**	**276,099,400**	**280,313,200**
Transfers Out					
Debt Service Fund - MPC Excise Debt	12,111,151	12,220,800	12,330,000	12,455,900	12,598,400
Debt Service - Spring Training MCSD & AZSTA Funded	-	-	-	-	-
CIP Stadium	67,400	67,400	67,400	67,400	67,400
CIP 25% Construction Sales Tax	2,539,667	2,539,700	2,539,700	2,539,700	2,539,700
CIP Food Tax	5,010,900	7,741,500	7,973,700	8,212,900	8,459,300
CIP Excess Interest Earnings	615,319	1,346,000	2,198,400	2,546,900	2,776,700
CIP PAYGO	-	-	-	-	-
Other	-	-	-	-	-
Healthcare Retirees	-	-	-	-	-
Healthcare Public Safety (Disabled) Subsidy	230,000	240,000	250,000	260,000	270,000
Special Programs Fund - Preservation Rehab	10,000	10,000	-	-	-
Subtotal	***20,584,437***	***24,165,400***	***25,359,200***	***26,082,800***	***26,711,500***
Total Uses	**289,017,604**	**292,263,100**	**298,732,600**	**302,182,200**	**307,024,700**
Sources Over/(Under) Uses	**(6,376,111)**	**(1,014,100)**	**1,400,900**	**6,596,600**	**9,725,000**
Ending Fund Balance					
General Fund Reserve	26,843,300	26,809,800	27,337,300	27,609,900	28,031,300
Operating Contingency	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Undesignated, Unreserved Fund Balance	16,382,556	15,401,956	16,275,356	22,599,356	31,902,956
Total Ending Fund Balance [a]	**46,225,856**	**45,211,756**	**46,612,656**	**53,209,256**	**62,934,256**

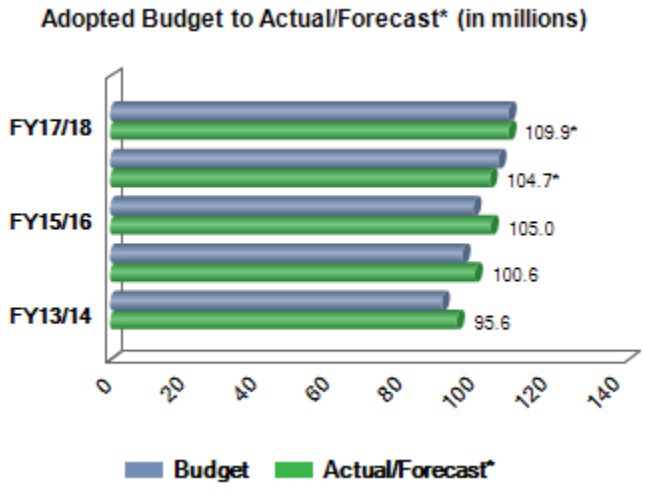
[a] Excludes accrued liabilities of $6.2 million in FY 2015/16 and unknown accrued liabilities in current and future years.

General Fund Sources

General Fund Sources include both revenues and transfers-in from other fund types such as the Special Revenue, Tourism Development and Enterprise Funds. For FY 2017/18 estimated General Fund revenues and transfers-in equal $282.6 million, an increase of approximately $6.7 million, or 2.4 percent, from the FY 2016/17 year-end forecast of $275.9 million. This increase reflects an additional $5.7 million in Sales Taxes, an increase of $0.9 million for Property Tax resulting from the allowable statutory adjustment and the new construction, and an increase of $2.4 million in State Shared Revenues. These are offset by Debt Service Transfers In related to spring training with this activity being removed from the General Fund and now occurs in Debt Service Funds which is more appropriate and results in a decrease of $3.5 million in both Transfers In and Transfers Out having an overall neutral effect. Certain components of the revenue sources are subject to dramatic peaks and valleys from year to year. Scottsdale continues to experience positive trends in revenue recently, with the majority of revenue categories projected to maintain current activity levels with many increasing. Revenues and transfers-in determine Scottsdale's capacity to provide program services to citizens. The major resources, which fund the program operating budget, debt service, and capital projects, are identified in this section.

Sales Tax (1.00%)

Sales Tax (1.00%) represents the 1.00 percent General Fund share of the city's total 1.65 percent sales tax that is available for any municipal purpose. This revenue also includes sales tax application and penalty fees. It is the General Fund's largest revenue source, which is used to pay for general governmental operations as well as the repayment of excise debt. For FY 2017/18, the anticipated revenue budget is $109.9 million, approximately a $5.2 million or a 5.0 percent increase over the FY 2016/17 year-end forecast of $104.7 million. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection, and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily which resulted in a one-time reduction in collections related to the timing of payments being received. The 1.00 percent five-year Sales Tax forecast is shown in detail in the following table by major business category. Staff forecast the privilege tax collections by category to arrive at more precise total sales tax revenue. The revenue forecasts for each business category use various assumptions that combine historical elements as well as emerging fiscal, economic and legal considerations. Beginning in FY 2016/17 the Food Stores category of the Sales Tax will transfer to CIP to fund various projects, this year is year 2 of a 3 year phase-in totaling $5.0 million.



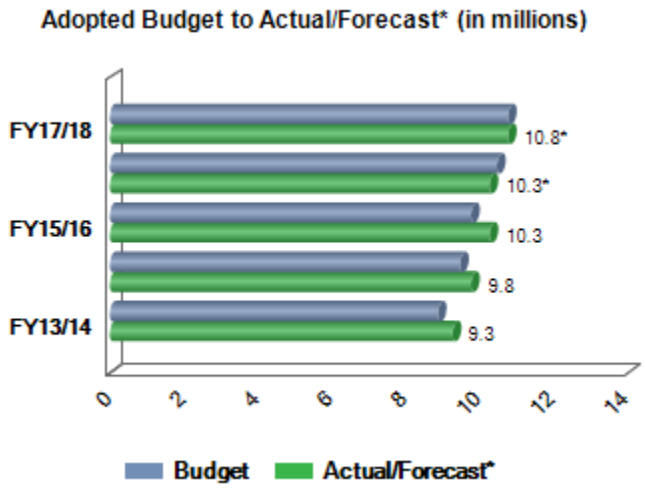
Sales Tax (1.00%) Five Year Forecast by Revenue Category

Revenue Category	FY 2015/16 Actual	% of Total	FY 2016/17 Adopted	% of Total	FY 2016/17 Revised Forecast	% of Total	FY 2017/18 Adopted	% of Total
Automotive	14,434,868	14%	15,156,333	14%	14,384,987	14%	14,186,006	13%
Construction	10,328,242	10%	9,362,893	9%	9,880,347	9%	10,158,667	9%
Food Stores	7,167,118	7%	7,452,790	7%	7,097,142	7%	7,515,974	7%
Hotel/Motel	5,576,929	5%	5,850,099	5%	5,852,347	6%	6,387,251	6%
Major Dept Stores	9,284,984	9%	9,795,715	9%	9,111,143	9%	9,475,038	9%
Misc. Retail	18,268,578	17%	19,300,966	18%	18,938,635	18%	20,228,605	18%
Other Taxable	9,085,374	9%	8,919,961	8%	8,465,095	8%	9,198,822	8%
Rental	14,551,962	14%	14,184,052	13%	14,122,399	13%	14,872,727	14%
Restaurants	9,767,065	9%	10,413,797	10%	10,001,526	10%	10,797,422	10%
Utilities	4,526,221	4%	4,517,530	4%	4,919,805	5%	5,083,683	5%
Other	2,003,262	2%	2,133,900	2%	1,880,202	2%	1,971,830	2%
Total	**104,994,603**	**100%**	**107,088,035**	**100%**	**104,653,628**	**100%**	**109,876,026**	**100%**

Revenue Category	FY 2018/19 Forecast	% of Total	FY 2019/20 Forecast	% of Total	FY 2020/21 Forecast	% of Total	FY 2021/22 Forecast	% of Total
Automotive	14,266,499	13%	14,193,350	12%	14,051,416	12%	14,051,416	11%
Construction	10,158,667	9%	10,158,667	9%	10,158,667	8%	10,158,667	8%
Food Stores	7,741,453	7%	7,973,697	7%	8,212,907	7%	8,459,295	7%
Hotel/Motel	6,706,614	6%	7,041,945	6%	7,394,042	6%	7,763,744	6%
Major Dept Stores	9,664,539	9%	9,857,830	8%	10,054,986	8%	10,256,086	8%
Misc. Retail	21,240,036	19%	22,302,038	19%	23,417,139	20%	24,587,996	20%
Other Taxable	9,566,775	8%	9,949,446	9%	10,347,424	9%	10,761,320	9%
Rental	15,467,636	14%	16,086,342	14%	16,729,795	14%	17,398,987	14%
Restaurants	11,337,293	10%	11,790,785	10%	12,262,416	10%	12,752,913	10%
Utilities	5,109,102	5%	5,134,647	4%	5,160,321	4%	5,186,122	4%
Other	2,011,266	2%	2,051,492	2%	2,092,522	2%	2,134,373	2%
Total	**113,269,900**	**100%**	**116,540,100**	**100%**	**119,881,500**	**100%**	**123,510,900**	**100%**

Sales Tax - Public Safety (0.10%)

Sales Tax - Public Safety (0.10%) represents the 0.10 percent of the total 1.65 percent sales tax rate and is dedicated exclusively to public safety. The Sales Tax - Public Safety (0.10%) revenue budget for FY 2017/18 is $10.8 million, which is an increase over the FY 2016/17 year-end forecast of $10.3 million. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection, and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily which resulted in a one-time reduction in collections related to the timing of payments being received. This designated sales tax covers 7.4 percent of the FY 2017/18 Public Safety Police and Fire General Fund budgets combined. The 0.10 percent five year Public Safety Sales Tax is shown in detail by business category in the following table.



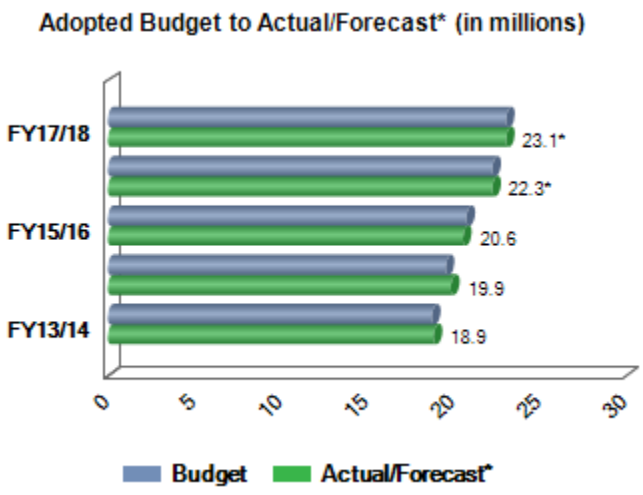
Sales Tax - Public Safety (0.10%) Five Year Forecast by revenue Category

Revenue Category	FY 2015/16 Actual	% of Total	FY 2016/17 Adopted	% of Total	FY 2016/17 Revised Forecast	% of Total	FY 2017/18 Adopted	% of Total
Automotive	1,439,490	14%	1,515,633	14%	1,438,499	14%	1,418,601	13%
Construction	1,032,806	10%	936,289	9%	988,035	10%	1,015,867	9%
Food	716,711	7%	745,279	7%	709,714	7%	751,597	7%
Hotel/Motel	557,692	5%	585,010	6%	585,235	6%	638,725	6%
Major Dept Stores	928,497	9%	979,572	9%	911,114	9%	947,504	9%
Misc. Retail	1,826,948	18%	1,930,097	18%	1,893,863	18%	2,022,861	19%
Other Taxable	907,954	9%	891,996	8%	846,508	8%	919,882	9%
Rental	1,455,038	14%	1,418,405	14%	1,412,240	14%	1,487,273	14%
Restaurants	976,300	9%	1,041,380	10%	1,000,153	10%	1,079,742	10%
Utilities	452,622	4%	451,753	4%	491,981	5%	508,368	5%
Total	**10,294,057**	**100%**	**10,495,414**	**100%**	**10,277,342**	**100%**	**10,790,420**	**100%**

Revenue Category	FY 2018/19 Forecast	% of Total	FY 2019/20 Forecast	% of Total	FY 2020/21 Forecast	% of Total	FY 2021/22 Forecast	% of Total
Automotive	1,426,650	13%	1,419,335	12%	1,405,142	12%	1,405,142	12%
Construction	1,015,867	9%	1,015,867	9%	1,015,867	9%	1,015,867	8%
Food	774,145	7%	797,370	7%	821,291	7%	845,929	7%
Hotel/Motel	670,661	6%	704,194	6%	739,404	6%	776,374	6%
Major Dept Stores	966,454	9%	985,783	9%	1,005,499	9%	1,025,609	8%
Misc. Retail	2,124,004	19%	2,230,204	19%	2,341,714	20%	2,458,800	20%
Other Taxable	956,677	9%	994,945	9%	1,034,742	9%	1,076,132	9%
Rental	1,546,764	14%	1,608,634	14%	1,672,979	14%	1,739,899	14%
Restaurants	1,133,729	10%	1,179,078	10%	1,226,242	10%	1,275,291	11%
Utilities	510,910	5%	513,465	4%	516,032	4%	518,612	4%
Total	**11,126,000**	**100%**	**11,448,900**	**100%**	**11,778,800**	**100%**	**12,137,600**	**100%**

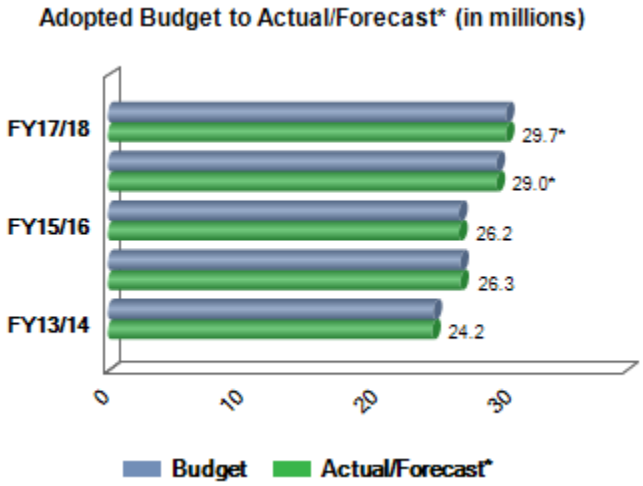
State Shared Sales Tax

The formula for distribution of State Shared Sales Tax is based upon the relation of the city's population to the total incorporated state population. Cities and towns share in a portion of the 6.0 percent sales tax collected by the State. The distribution base (shared portion) varies by category. For example, retail sales is 40 percent shared and 60 percent non-shared (retained by the State). Of the shared portion, 25 percent is returned to incorporated cities and towns, 40.51 percent is returned to counties, and 34.49 percent is returned to the State General Fund. The FY 2017/18 revenue budget is $23.1 million versus the FY 2016/17 year-end forecast of $22.3 million, an increase of $0.8 million.



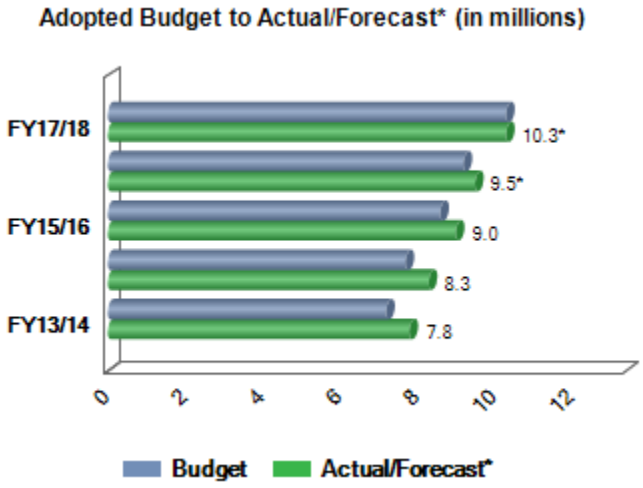
State Shared Income Tax

The formula for distribution of the State Shared Income Tax is based upon the relation of the city's population to the total incorporated state population. Cities and towns in Arizona are prohibited by law from levying a local income tax; however, 15 percent of the state income tax collections are shared with the cities and towns. There is a two-year lag between the time citizens report income to the State and when the State remits shared income tax revenues to cities and towns. Revenue from State Shared Income Tax is budgeted at $29.7 million for FY 2017/18, an increase of $0.7 million from the FY 2016/17 year-end forecast of $29.0 million.



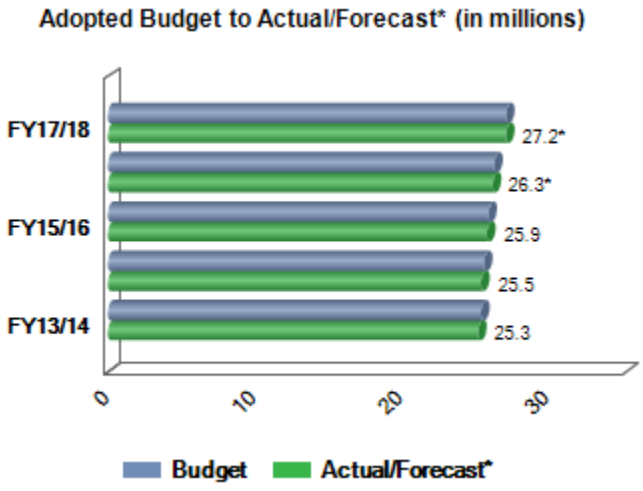
Auto Lieu Tax

Auto Lieu Tax is part of the vehicle license fees collected by Maricopa County, but it is actually a State revenue source. 25 percent of the net revenues collected for the licensing of motor vehicles by the county are distributed back to the cities and towns based on population. The only stipulation on the use of this revenue is that it must be spent on a public purpose. The revenue budget for FY 2017/18 is $10.3 million, which is $0.8 million more than the FY 2016/17 year-end forecast of $9.5 million.



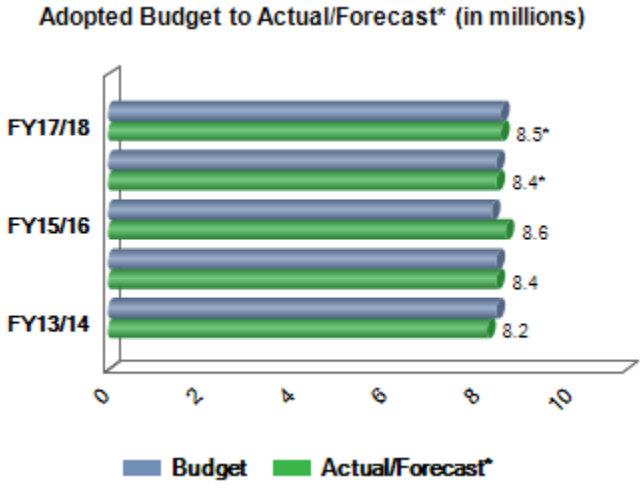
Property Tax

Property Tax represents the General Fund's portion of the Property Tax which is levied on the assessed value of all property within the city to help pay for city general governmental operation costs. By Arizona State Statute, the primary property levy is limited to a 2 percent increase per year, plus an allowance for annexations and new construction. Primary property tax accounts for approximately 9.6 percent of the total adopted FY 2017/18 General Fund sources. The FY 2017/18 revenue forecast of $27.2 million represents an increase of $0.9 million from the FY 2016/17 year-end forecast of $26.3 million due to the 2 percent statutory adjustment and new construction. The adopted primary property tax rate of approximately 50 cents per $100 of assessed valuation represents a 0.01 cent decrease from the FY 2016/17 rate.



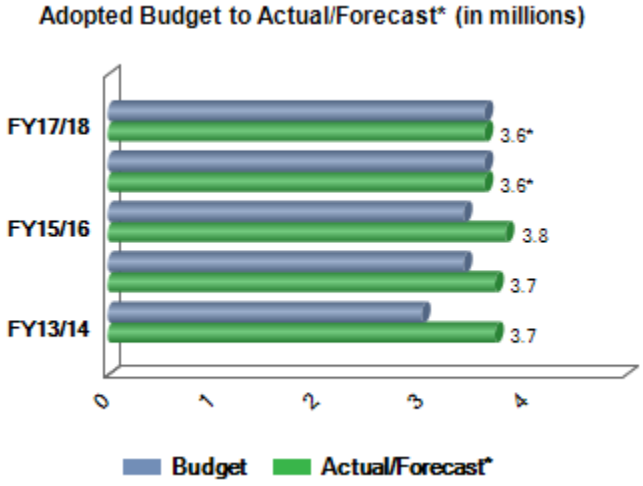
Electric & Gas Franchise

Electric & Gas Franchise includes franchise taxes charged on revenues from utility companies for use of city right-of-ways and in-lieu property tax for municipal utilities. The adopted FY 2017/18 budget for Electric & Gas Franchise totals $8.5 million while the FY 2016/17 forecast is anticipated to be $8.4 million. This revenue has remained consistent over the past few years due to the nature of the activity.



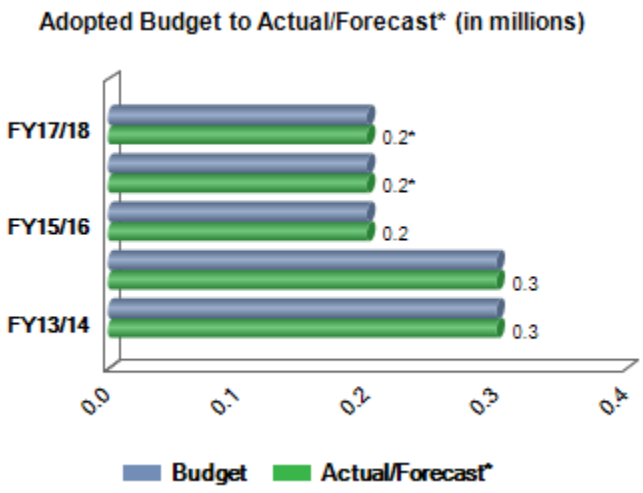
Cable TV License Fee

Franchise Fees & In-Lieu include Cable TV License Fee which is a franchise tax charged on revenues from cable companies for use of city right-of-ways. The FY 2017/18 budget is $3.6 million with FY 2016/17 forecasted to match the current year. The slight decrease reported over the last few years is due to more people utilizing streaming services.



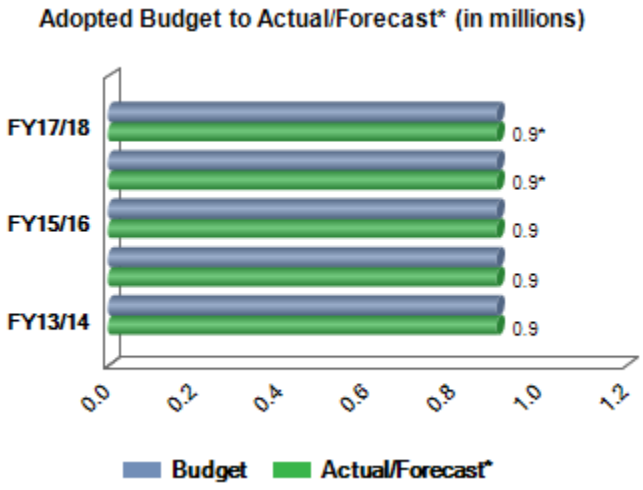
Salt River Project In Lieu Tax

Salt River Project In Lieu Tax are franchise taxes charged on revenues to Salt River Project (SRP) a local utility provider for the use of city right-of-ways and in-lieu property tax for municipal utilities. Revenues have been consistent in prior years and both the adopted FY 2017/18 revenue and the FY 2016/17 forecasted revenue total $0.2 million.



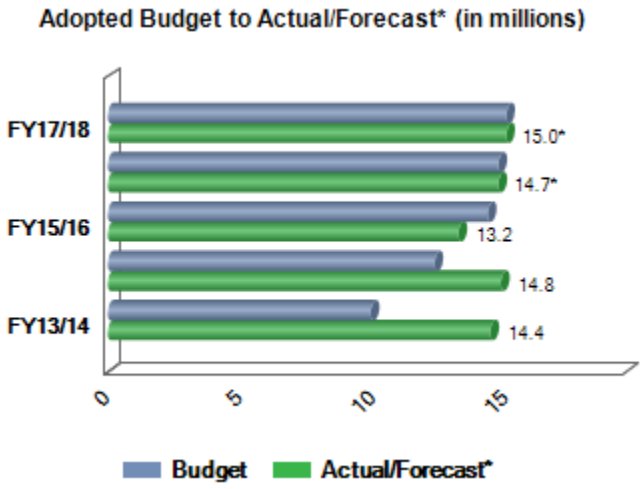
Stormwater Water Quality Charge

Stormwater Water Quality Charge revenue relates to the water quality charge to help pay a portion of the city's Stormwater Management program costs. These costs are driven by unfunded federal mandates that require the city to operate under a National Pollution Discharge Elimination System (NPDES) permit and to address the quality of stormwater runoff. Charges are forecasted at $0.9 million for FY 2017/18 which is flat when compared to the FY 2016/17 forecast.



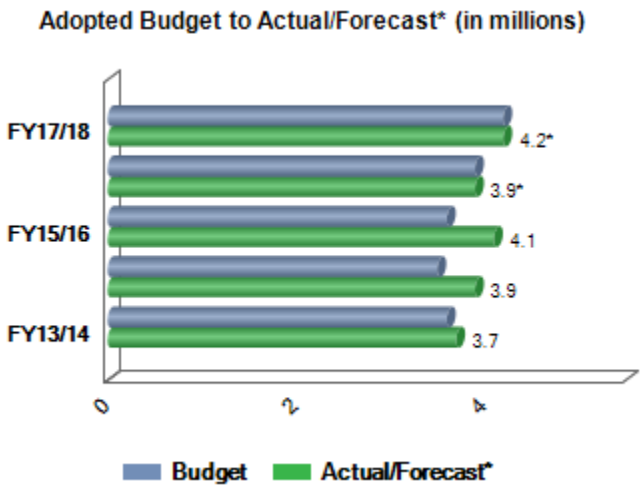
Building Permit Fees & Charges

Building Permit Fees & Charges include fees assessed to developers/builders that recover the cost of four primary functions: 1) reviewing/processing development applications, 2) plan review of construction documents, 3) the issuance of building, electrical, mechanical and plumbing permits, and 4) the inspection of buildings/structures in the construction phase. The FY 2017/18 revenue budget of $15.0 million has increased by $0.3 million over the FY 2016/17 year-end forecast. While multi-family housing has slowed in recent months, single family residential new home construction has strengthened and continues to exceed expectations.



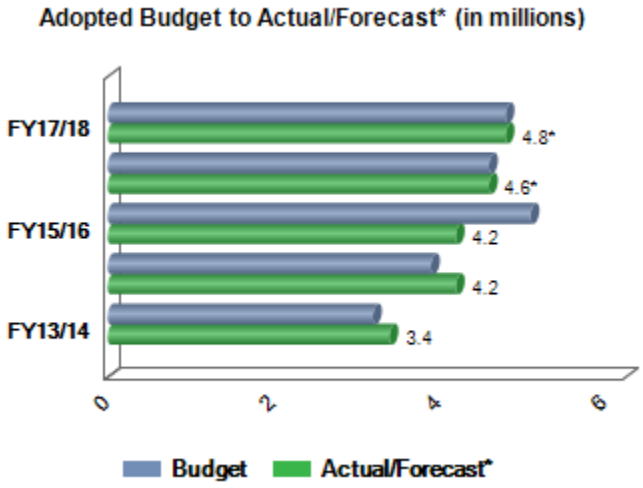
Recreation Fees

Recreation Fees are budgeted at $4.2 million for FY 2017/18 and include revenue from the various recreational programs, classes, and entry fees. In accordance with the city's adopted financial policies, recreation fees are reviewed and adjusted annually as needed to meet cost recovery targets as approved by City Council.



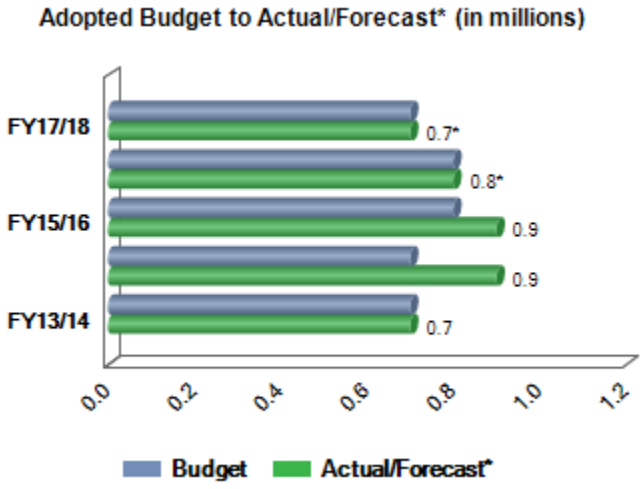
WestWorld

WestWorld fees include revenue (general facility rental, concessions, parking fees, etc.) from events such as horse shows, auto auctions and car shows, consumer and home shows, as well as RV space rental income. Revenues of $4.8 million are budgeted in FY 2017/18 versus the FY 2016/17 year-end forecast of $4.6 million. The FY 2017/18 revenue budget is based on future confirmed bookings for WestWorld, feed and bedding. The continual increase in revenues from FY 2013/14 is primarily due to the expansion of the Tony Nelssen Equestrian Center. The facility now includes approximately 300,000 square feet of climate-controlled enclosed space, which allows for additional events year round as well as additional areas to accommodate multiple users.



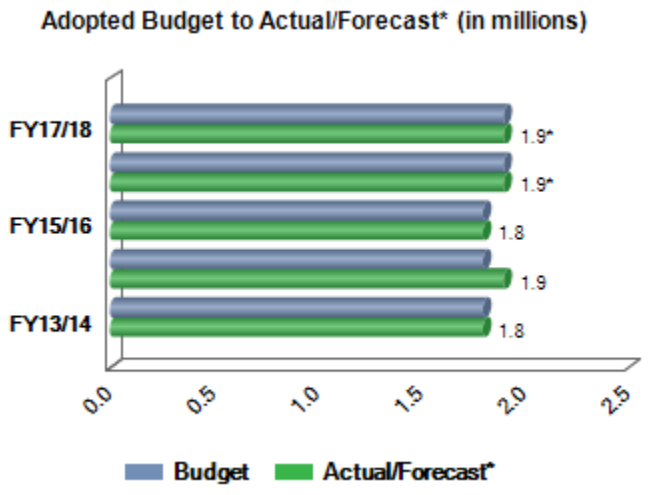
Fire Service Charges

Fire Service Charges include service fees for the cost recovery of fire and medical standbys at special events, after hours inspections, ambulance staffing, and medical enhancement costs associated with the ambulance agreement. In addition, the fire department collects fees for CPR classes, permits and incident reports. The FY 2017/18 revenues are budgeted at $0.7 million, which is slightly lower than the FY 2016/17 year-end forecast of $0.8 million and is due to the ambulance contract being under extension and the city seeking a long term renewal during the current fiscal year.



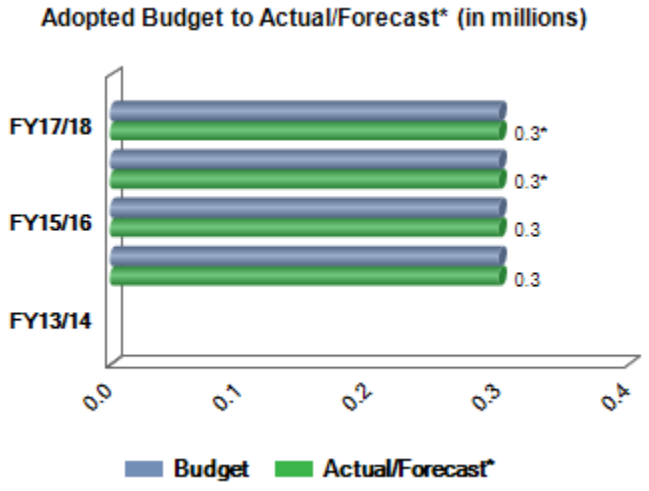
Business Licenses & Fees

Business Licenses & Fees include the licensing of business activity and the associated fees relating to the licensure and regulation of specific activities. Revenues of $1.9 million are budgeted for FY 2017/18, which is flat when compared to the FY 2016/17 year-end forecast.



City Attorney Service Enhancement Fee

This fee was adopted in FY 2014/15 by City Council as part of the annual analysis of Rates and Fees. A fee of $10 is imposed on every civil and criminal citation, excluding parking violations. The intent of the fee is to have enhanced services such as diversion, probation and home monitoring be paid for by those incurring extra costs associated with providing the enhanced services. The FY 2017/18 revenues are budgeted at $0.3 million, which stays flat versus the FY 2016/17 year-end forecast.



Court Fines

Court Fines are the General Fund portion of penalties or fees assessed by state statute, city ordinance or the Presiding Judge. Examples include: fines, a portion of the registration fee to attend Defensive Driving School, bonds forfeited to the city and default fees. The other portions of the fines are included in the Special Revenues Fund for Court Enhancement and the Judicial Collections Enhancement Fund (JCEF), or remitted to the State of Arizona. Revenues of $3.3 million are budgeted for FY 2017/18, which reflects a slight decrease from the FY 2016/17 year-end forecast of $3.4 million.

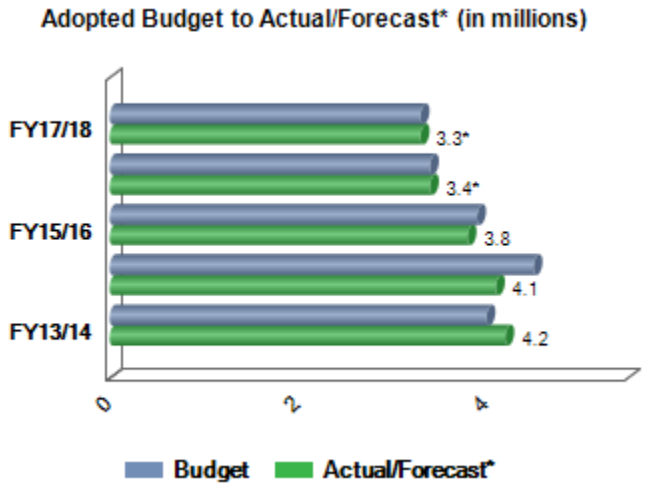
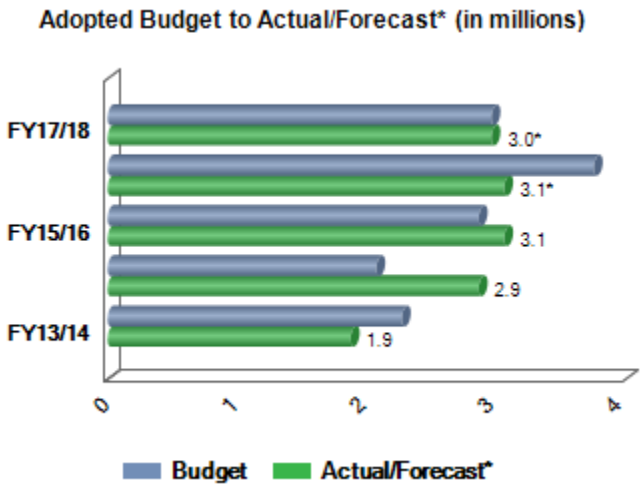


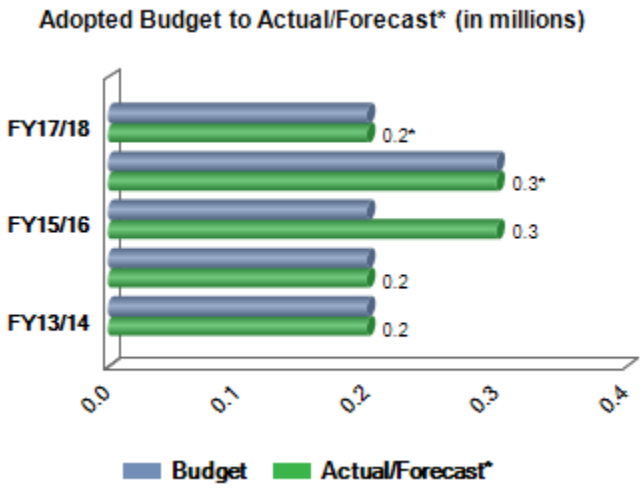
Photo Enforcement

Photo Enforcement Fines are the General Fund's portion of Photo Enforcement penalties as assessed by the Presiding Judge. Examples include: red light and speeding fines and a portion of the registration fee to attend Defensive Driving School. The other portions of the fines are included in the Special Revenues Fund for Court Enhancement and the Judicial Collections Enhancement Fund (JCEF), or remitted to the State of Arizona. Revenues are budgeted at $3.0 million for FY 2017/18, which is a slight decrease when compared to the FY 2016/17 year-end forecast of $3.1 million. The use of photo enforcement by Public Safety - Police is designed as a deterrent to unsafe driving and to modify driving habits, not as a revenue producer.



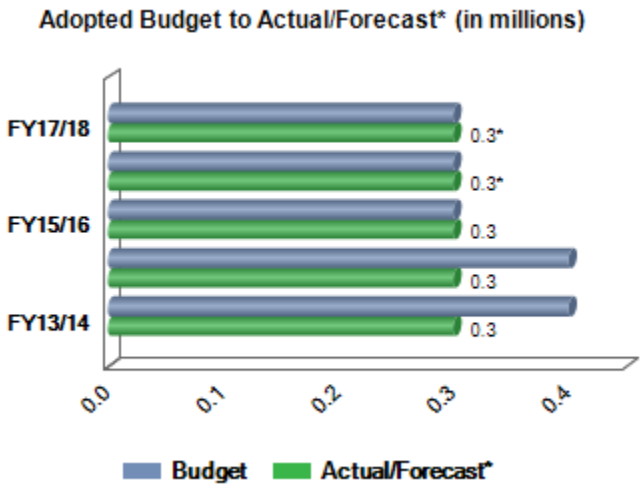
Parking Fines

Parking Fines are the General Fund portion of parking fees assessed per city ordinance and are budgeted at $0.2 million for FY 2017/18. The other portions of the fines are included in the Special Revenues Fund for Court Enhancement and the Judicial Collections Enhancement Fund (JCEF). The revenue budget is down slightly compared to the FY 2016/17 year-end forecast and is due to addressing ongoing parking challenges in the downtown area.



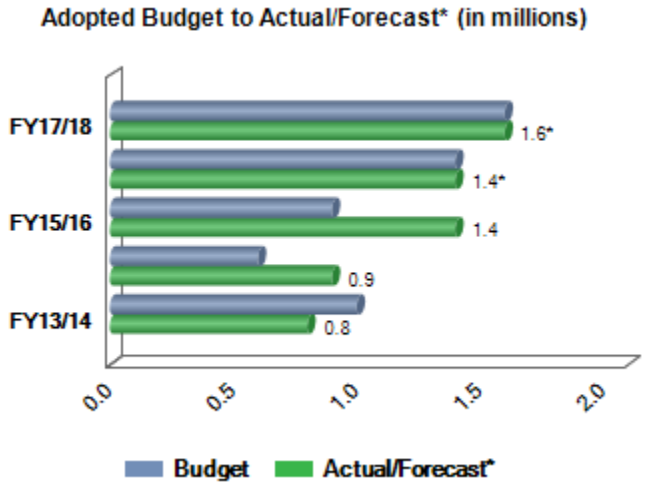
Library Fines & Fees

Library Fines & Fees are monies collected when library materials are returned after their due date, are lost, and/or are damaged. The FY 2017/18 revenues are budgeted at $0.3 million, which is relatively flat compared to the FY 2016/17 year-end forecast.



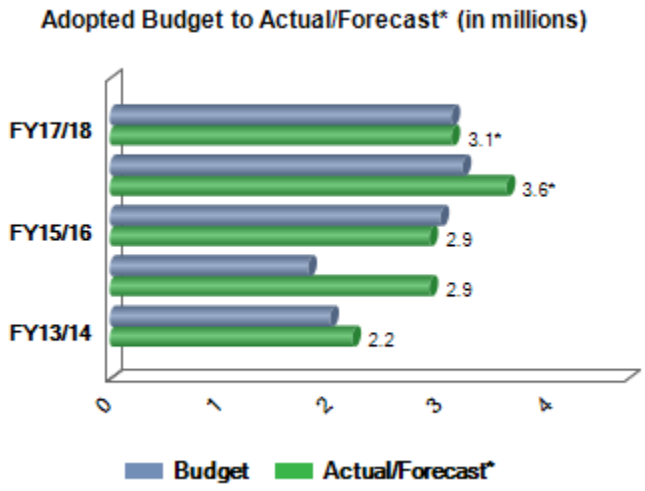
Interest Earnings

Interest Earnings are generated on General Fund cash balances throughout the year. This revenue is a function of the relationship between the city's available cash balance and the interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, high-grade corporate notes, and the State of Arizona's Local Government Investment Pool. Interest earnings applicable to bond proceeds and the Capital Improvement Plan accrue to the CIP budget and are not included in General Fund revenues. Interest Earnings revenue is budgeted at $1.6 million in FY 2017/18 an increase of $0.2 million due to more favorable market conditions. Per financial policy No. 17, 100 percent of net income in excess of $1.0 million will be transferred to the General Fund CIP.



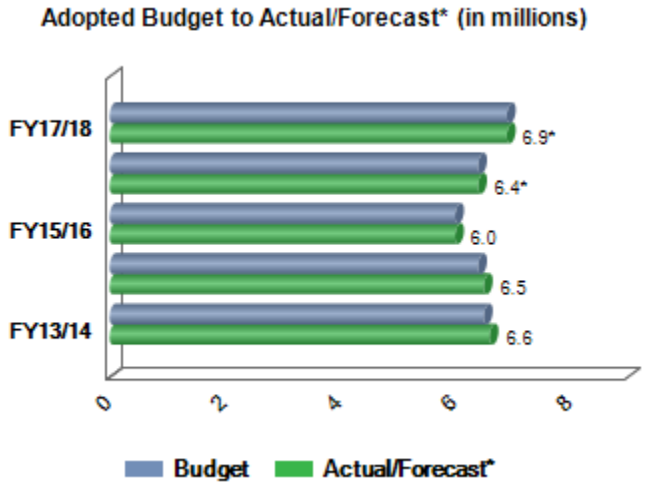
Property Rental

Property Rental revenues are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club (TPC) for a percent of revenue on gross sales agreements. The FY 2017/18 revenue of $3.1 million is $0.5 million lower than the FY 2016/17 year-end forecast of $3.6 million related to one-time stadium usage fees and TPC rental revenue including taxes when the budget did not account for these, both in FY 2016/17.



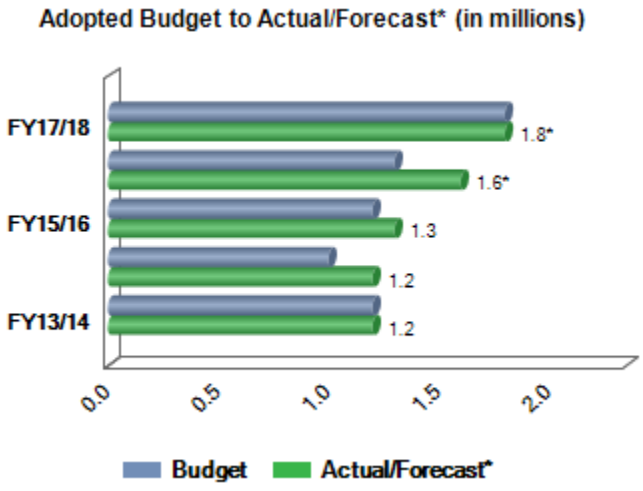
Indirect/Direct (Fire) Cost Allocation

The Indirect Cost Allocation is the payment for services provided by the General Fund to other operating areas within the city. These services include Accounting, Human Resources, Information Technology, etc. Of the $6.9 million budgeted for FY 2017/18, the indirect cost allocation component is $6.5 million, which reflects a $0.4 million increase from the FY 2016/17 year-end forecast of $6.1 million. And $0.4 million of the $6.9 million budgeted in FY 2017/18 is for the direct cost of fire services at the Scottsdale Airport, which is a slight increase over the FY 2016/17 year-end forecast.



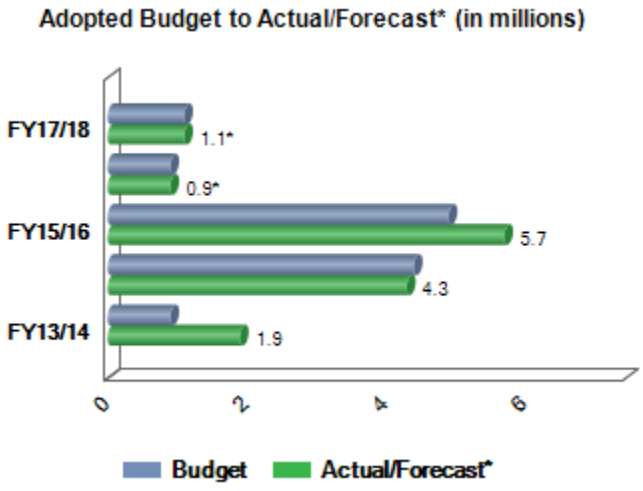
Intergovernmental Revenue

Intergovernmental Revenue is related to School Resource Officers from the Scottsdale Police Department servicing local area schools, an intergovernmental agreement with the Scottsdale Unified School District for shared use of Palomino Library, and revenue received from the County Library District for reciprocal interlibrary use. FY 2017/18 revenues are budgeted at $1.8 million.



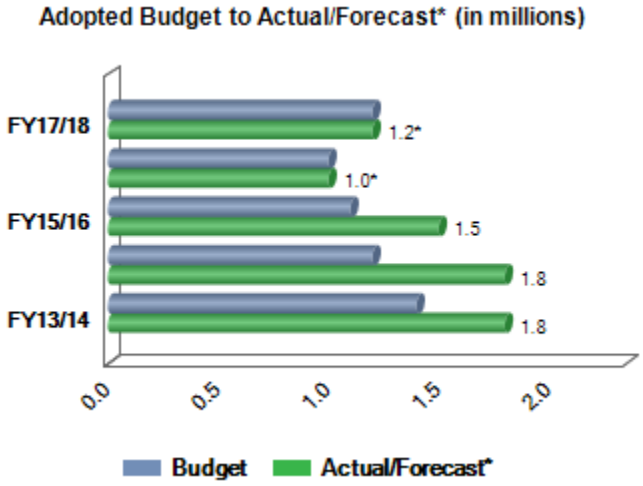
Miscellaneous

Miscellaneous revenue includes various revenues the city receives during any given year that are not attributable to one of the specific revenue categories noted previously, such as Other Sale of Property, Miscellaneous Revenue, Passport Fees, and Copies of Materials. The FY 2017/18 miscellaneous revenue is $1.1 million, which is $0.2 million higher than the FY 2016/17 year-end forecast of $0.9 million. This significant reduction from FY 2014/15 and FY 2015/16 is due to the receipt of one-time funds related to the sale of various city properties.



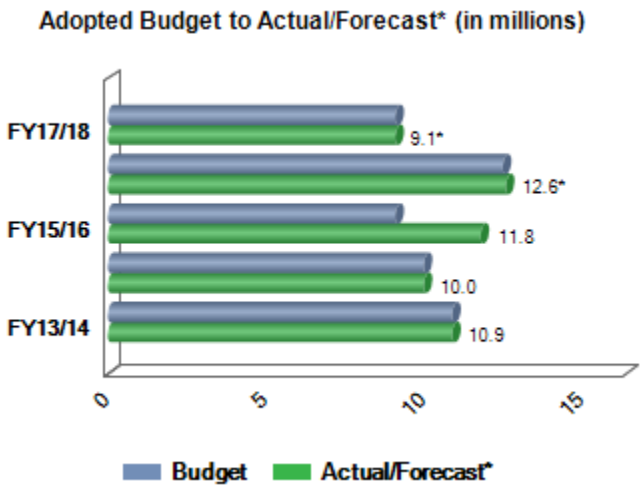
Reimbursements

This category represents General Fund reimbursements from outside sources. FY 2017/18 revenues are budgeted at $1.2 million, of which the most significant reimbursement revenue is related to jail fees. Reimbursements from defendants who are sentenced to county jail are approximately $0.6 million for FY 2017/18.



Transfers In

The Transfers In for FY 2017/18 are budgeted at $9.1 million and includes: 1) $0.3 million from the Special Programs Fund to pay for the General Fund costs associated with administering the 30-Day Tow Program, including the enforcement of the State Statute related to suspended driver's licenses, driving under the influence offenses and driving without insurance; 2) $1.6 million from the Tourism Development Fund to comply with Financial Policy 21A and annually transfer funds to the General Fund ($1.5 million) and to help support the marketing efforts and Westworld ($0.1 million); and 3) $7.2 million from the Water and Water Reclamation Fund for Enterprise Franchise Fees, which is 5 percent of Water Service and Water Reclamation Charges revenue. The city charges all utility companies, including the city's Water and Water Reclamation Fund, for use of the right-of-ways and medians. The FY 2017/18 Transfers In budget is a decrease of $3.5 million over the FY 2016/17 year-end forecast due to an accounting change related to the debt that was issued for improvements to the Scottsdale Stadium. The Maricopa County Stadium District and Arizona Sports and Tourism Authority funding, which is used to service the debt, was collected in the Debt Service Fund, transferred to the General Fund, and then transferred back to the Debt Service Fund to pay the debt service. Transferring the revenue in and out of the General Fund was an unnecessary step with this funding. Therefore, the transfer in and corresponding transfer out were eliminated.

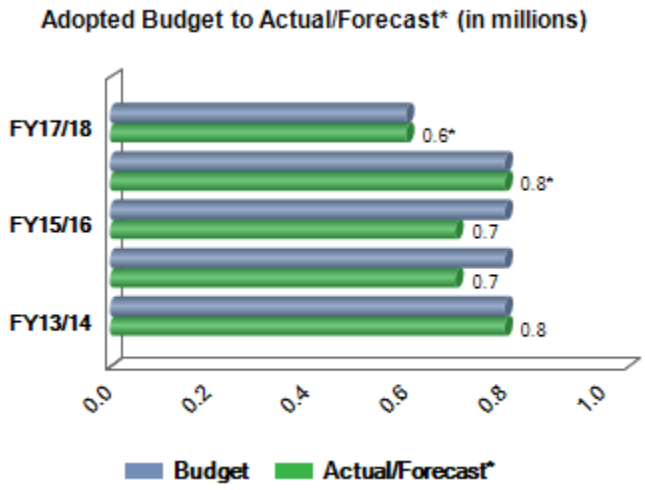


General Fund Uses

The General Fund uses are presented by the following major divisions, additional operating categories, debt service and transfers out.

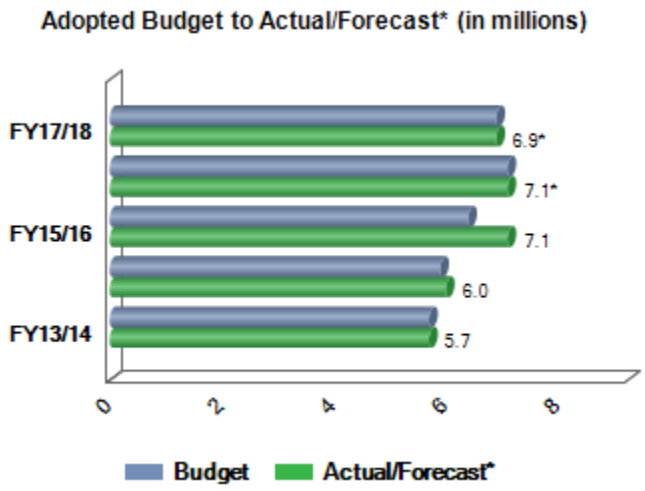
Mayor and City Council

Mayor and City Council include the voter elected mayor, six Council members and operational support staff. Expenditures have decreased in the current year with FY 2017/18 budget of $0.6 million, which is a $0.2 million decrease from the FY 2016/17 forecast. During FY 2017/18 certain memberships and other professional contracts such as Global Ties were transferred to City Manager which reduced ongoing costs for this division, even though the costs still remain within the city.



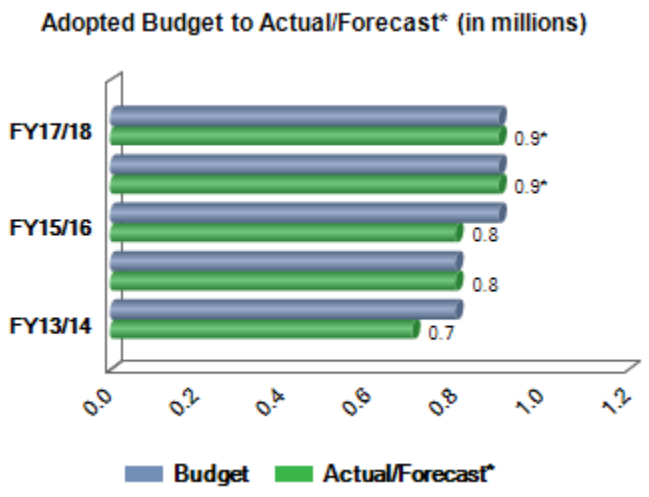
City Attorney

The City Attorney is the city's chief legal advisor and includes Civil, Prosecution and Victim Services. Expenditures saw a decrease in FY 2017/18 of $0.2 million from the prior fiscal year resulting in a budget of $6.9 million. In FY 2017/18 the division saw an overall decrease which related largely to Property, Liability and Workers' Comp costs which were higher in previous years due to settlements of significant litigation. The decrease in FY 2017/18 from FY 2016/17 is also the result of the completion of the one time purchase of a case management system. The increase between FY 2014/15 and FY 2015/16 was due to increased settlements affecting this divisions share of Property, Liability and Workers' Comp costs and the expected purchase of a new case management system which was then delayed and carried forward into FY 2016/17.



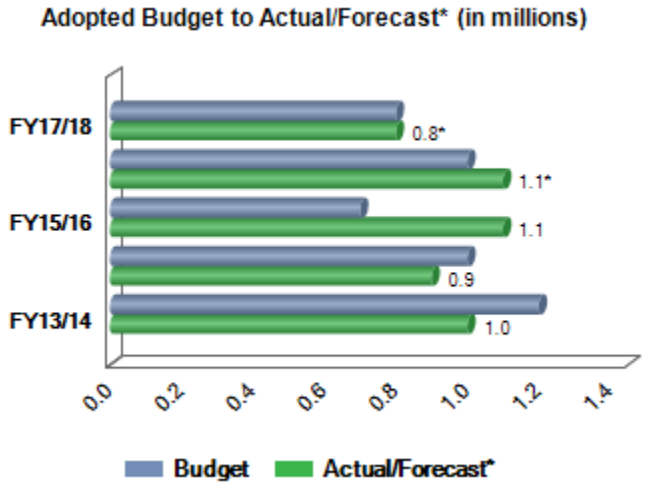
City Auditor

The City Auditor conducts audits to independently evaluate the operational efficiency and effectiveness, compliance and accountability of the city. Expenditures have remained relatively flat in the current fiscal year with a budget of $0.9 million. Additionally, in FY 2014/15 the city's costs related to the external financial audit were transferred from the City Treasurer's Division to the City Auditor's Divisions resulting in an increase of approximately $0.1 million with a corresponding decrease in the City Treasurer's Office.



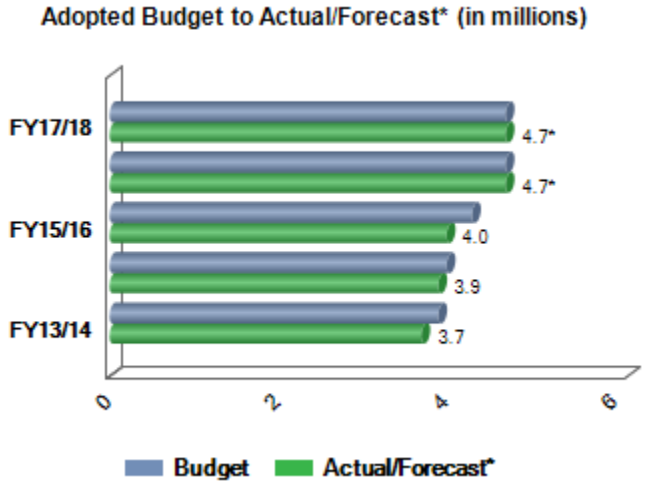
City Clerk

The City Clerk conducts all local elections, gives notice of all City Council meetings, keeps the records of Council proceedings, administers the city's records management program, authenticates ordinances and resolutions, and provides administrative support to the Council. The Clerk's expenses fluctuate from year to year due to elections. The Clerk conducts and oversees the election process for municipal elections, referendums and initiatives within the city resulting in increased costs when these activities occur. At times elections are known such as when Council seats are up for election, other times the elections may not be known such as new debt issuances being taken to the voters, which occurred in FY 2015/16. The FY 2016/17 forecast included $0.3 million in elections for a November 2016 general election as the Mayor and two Council member seats were up for re-election. The FY 2017/18 Adopted budget of $0.8 million does not include any expenses for elections which is why a decrease occurred in the current year.



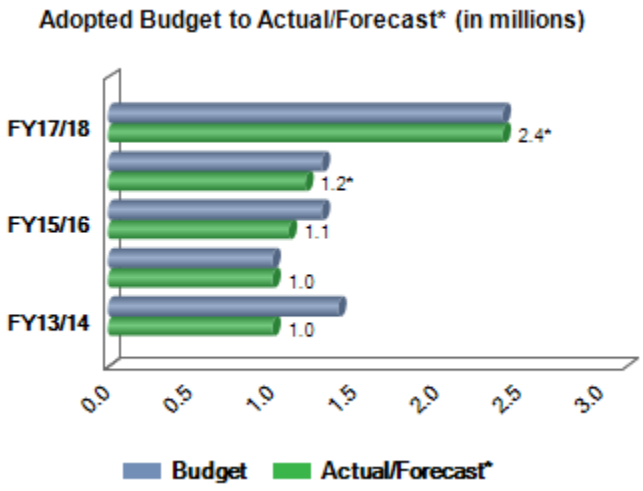
City Court

The City Court is part of the integrated judicial system for Arizona, and is the judicial branch for the city efficiently resolving civil traffic and misdemeanor violations, petty offenses, city ordinance and code violations, and issuance of protective orders. Additionally, the Court had been transferring two positions per year from the Court Enhancement Fund in the Special Programs Fund back to General Fund operations, which was completed in FY 2016/17. These were originally removed from General Fund to aid in the balancing of the citywide budget and as the economy has improved these positions have been returned to the General Fund, increasing the budget over the past few years. There is a total of $4.7 million budgeted for FY 2017/18.



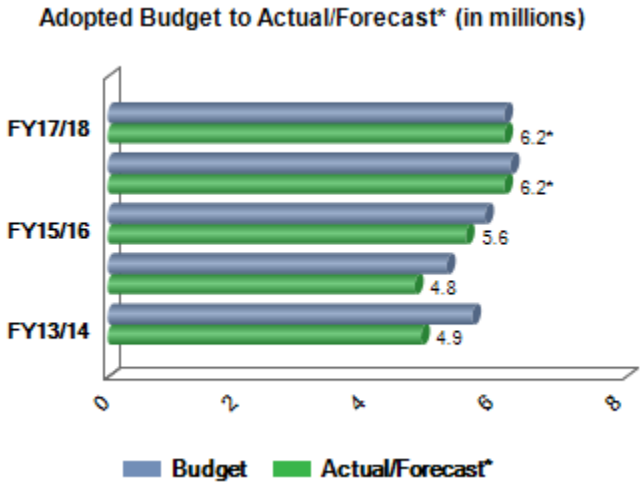
City Manager

The City Manager's Office provides the organizational leadership necessary to successfully implement the policy direction of the City Council, communicates that direction to the organization, ensures the efficient, effective and economical delivery of services to citizens, builds relationships with other governments, fosters diversity, and coordinates citywide preparation and response to local disaster. Over the past few years Personnel Services costs have increased in the City Manager's Division as existing operations have moved to the division from other divisions for a citywide net $0 impact including; Office of Diversity, Emergency Management, and most recently Citizen Services which coordinates various community outreach programs. There have also been additions to Contractual Services as certain costs have been transferred here from other divisions including memberships, professional contracts such as Global Ties and other consulting type expenses. The budget totals $2.4 million for FY 2017/18 which has increased significantly from the FY 2016/17 forecast of $1.2 million due to the reasons noted above.



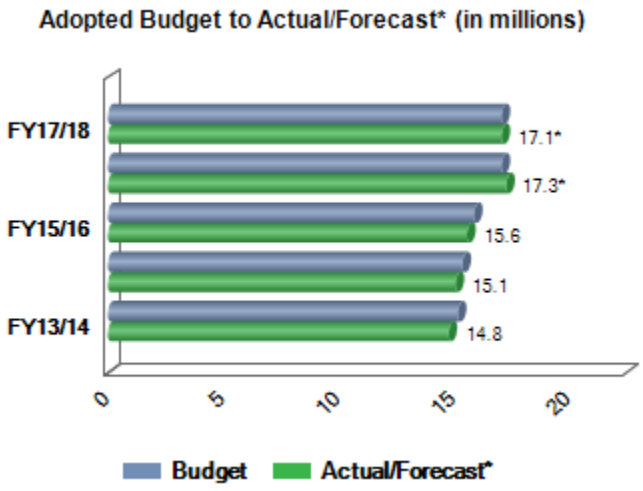
City Treasurer

The City Treasurer, the city's chief financial officer, is responsible for providing City Council and management with timely financial reports as well as oversight of the Accounting, Budget, Finance, Risk Management and Business Services functions. There has been a decline in FTEs due to efficiencies and legislative changes affecting workloads at the municipal level. Included in the FY 2017/18 Adopted Budget of $6.2 million is an additional $0.2 million in funding for ongoing costs associated with the payroll systems implementation. These increases are offset by a decreases in costs budgeted for the Arizona Department of Revenue for the Transaction Privilege Tax Simplification implementation (HB 2111) related to ongoing technology and aid in the division remaining relatively flat when compared to the FY 2016/17 forecast of $6.2 million.



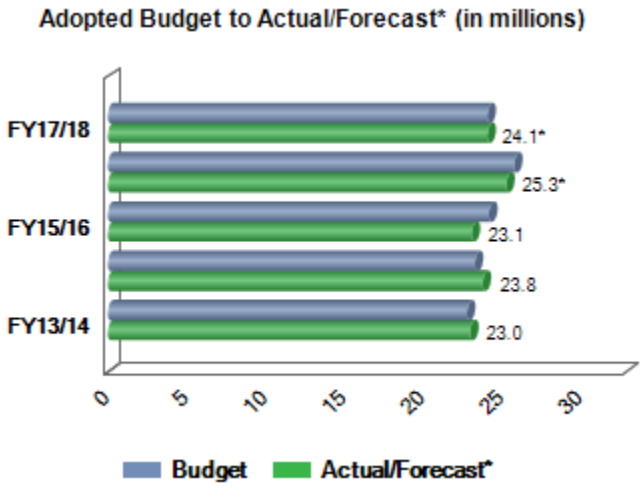
Administrative Services

Administrative Services comprises several functional areas including the Office of Communications, Human Resources, Information Technology and Purchasing. These service areas are responsible for a wide breadth of activities but include the sharing of information; training, recruiting and hiring employees as well as benefits and compensation; the design, support and maintenance of a variety of citywide systems and hardware; and the purchasing of goods, warehouse and graphics/print shop. FY 2017/18 has a slight $0.2 million decrease from the FY 2016/17 year-end forecast of $17.3 million. The significant increase from FY 2015/16 to FY 2016/17 is primarily due to the operating impacts of a new data center.



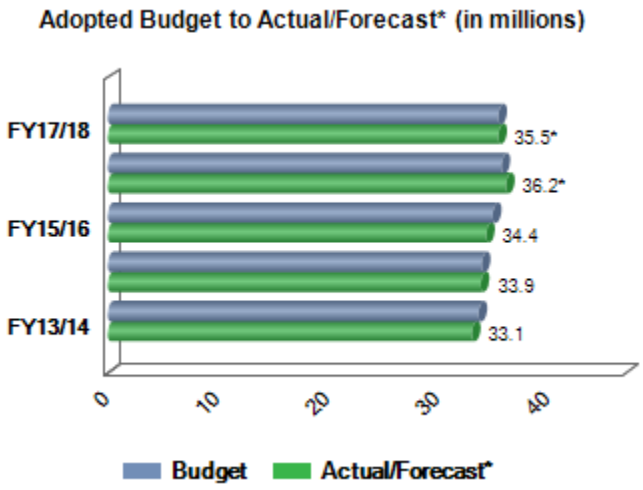
Community & Economic Development

Community & Economic Development works to preserve Scottsdale as a great community, offering value-added programs to stimulate the economy, sustain, revitalize, and build upon the community's unique lifestyle and character. The departments with General Fund budgets include Economic Development, Planning and Development, Tourism & Events and WestWorld. The FY 2017/18 Adopted Budget is $24.1 million which is less than the prior year forecasted results of $25.3 million. The decrease is due to transferring the budget for activities related to community outreach to the City Manager's Office. Additionally, the decrease is due to an administrative change that took affect beginning in FY 2017/18 of moving the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account in an effort to provide greater efficiency in monitoring the utilities budget. Finally, the elimination of one-time funding that was included in FY 2016/17 for Experience Scottsdale facility upgrades and improvements.



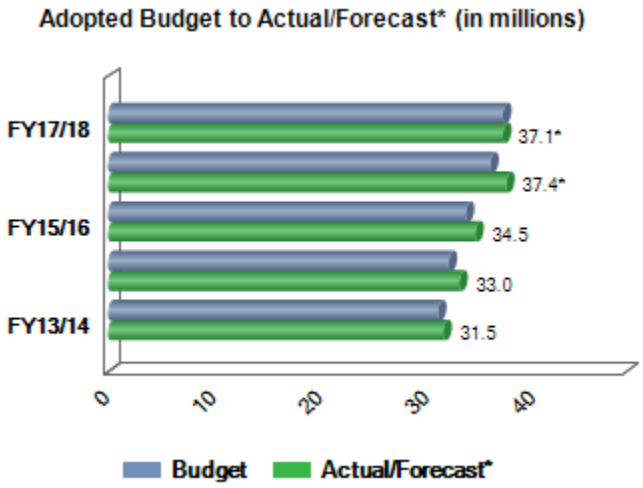
Community Services

Community Services is comprised of five departments including; Parks and Recreation, Human Services, Library Systems, Planning and Administration, and Preserve Management, all of which work to improve the quality of life of Scottsdale residents. The FY 2017/18 total budget of $35.5 million is a $0.7 million decrease from the FY 2016/17 forecast of $36.2 million. The decrease is primarily due to the extra 27th pay date which occurred in FY 2016/17 based on the timing of the payroll calendar and does not occur in FY 2017/18 and the elimination of one-time FY 2016/17 funding for deferred maintenance for lifecycle replacement of playground equipment.



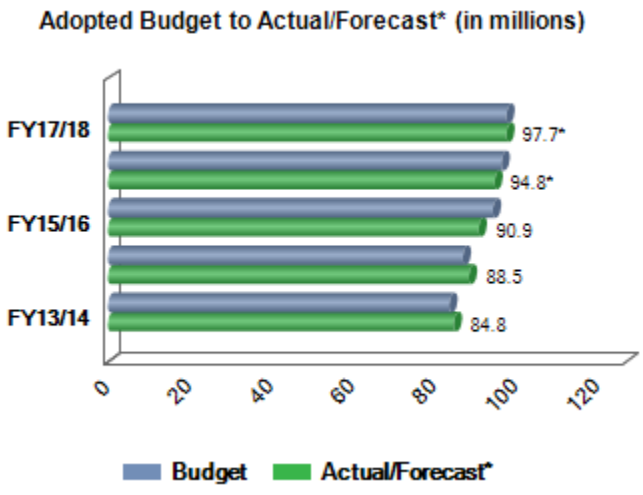
Public Safety - Fire

Public Safety - Fire responds to emergencies through timely, skilled and compassionate service including; fire, emergency medical, chemical, biological, nuclear and radiologic, wild land and technical rescue. The FY 2017/18 budget is staying relatively flat to the FY 2016/17 budget. Beginning in FY 2016/17 all firefighters, fire engineers, and fire captains participate in a 5 percent step program, increasing compensation annually based on performance. The Public Safety - Fire's actual expenditures have exceeded budget for the last few years as a result of a significant number of sworn employees out on various leaves, which negatively impacts overtime due to constant staffing requirements.



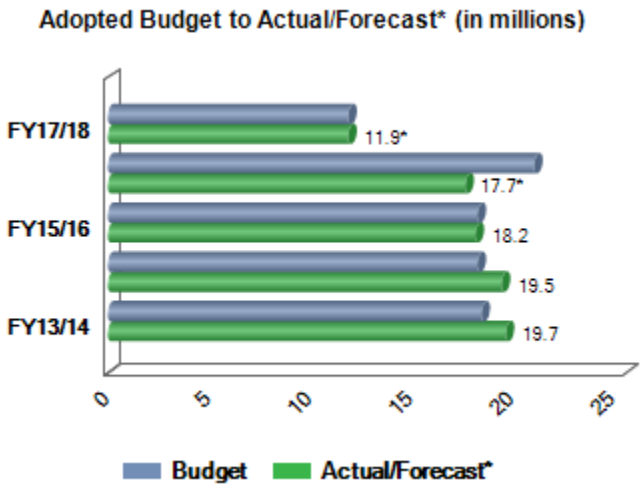
Public Safety - Police

The Scottsdale Police Department provides efficient and effective police services to the community confronting crime, responding to any needs, and seeking citizen involvement and partnerships. The operating areas include Police Uniformed Services, Investigative Services, Operational Services and Office of the Police Chief. The total FY 2017/18 budget is $97.7 million or $3.0 million more than the FY 2016/17 forecast. Beginning in FY 2015/16 all police officers began participating in a 5 percent step program to increase compensation annually based on performance. Beginning in FY 2017/18 police sergeants are also participating in a 5 percent step program to increase compensation annually based on performance, with all other Police employees falling under the citywide pay for performance plan. Additionally, the contribution rates to the Public Safety Personnel Retirement System (PSPRS) for sworn personnel have increased significantly over the past few years leading to increased costs and FY 2017/18 includes the settlement of statewide pension litigation which resulted in additional increases to the city pension rates.



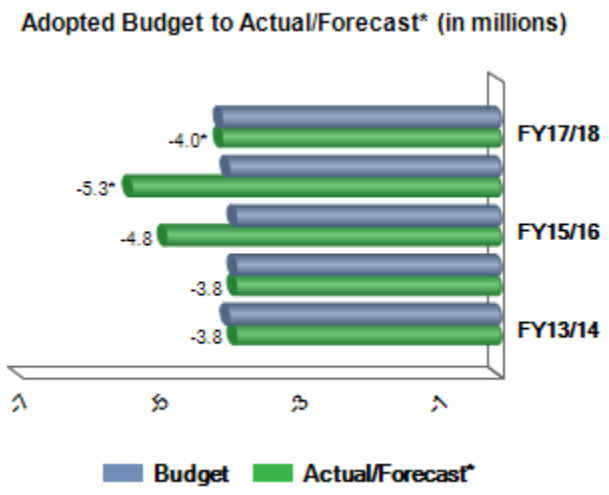
Public Works

Public Works General Fund includes Capital Project Management which oversee the design and construction of capital improvement projects (also includes the city's real estate services area) and Facilities Management which includes the repair and maintenance on 3.0 million square feet of city-owned facilities provided by building maintenance, strategic space planning and contract administration. The FY 2017/18 adopted budget of $11.9 million is significantly less than the FY 2016/17 forecast of $17.7 million. The decrease of $5.8 million is largely due to an administrative change that began March 2017 to move the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account in an effort to provide greater efficiency in monitoring the utilities budget.



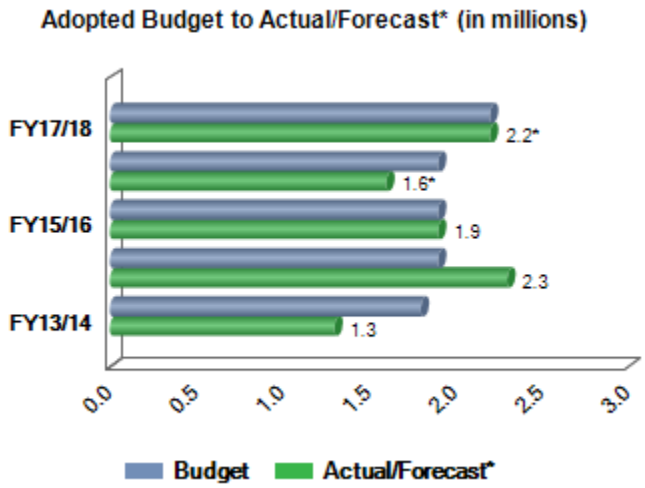
Savings from Vacant Positions

Personnel Savings is the amount of savings achieved from vacant positions and the General Fund experiences approximately 100 vacant positions at any given time. The FY 2017/18 General Fund estimate for vacancy savings is ($4.0) million. The FY 2016/17 forecast number of ($5.3) million reflects that there was a larger number of positions vacant through-out the year than anticipated.



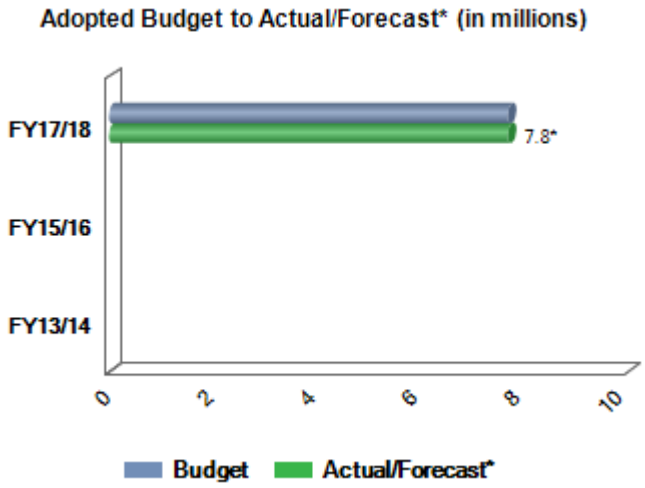
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2017/18 leave accrual payments have increased when compared to FY 2016/17 with $1.4 million budgeted for medical leave accrual payouts and $0.8 million budgeted for vacation leave accrual payouts.



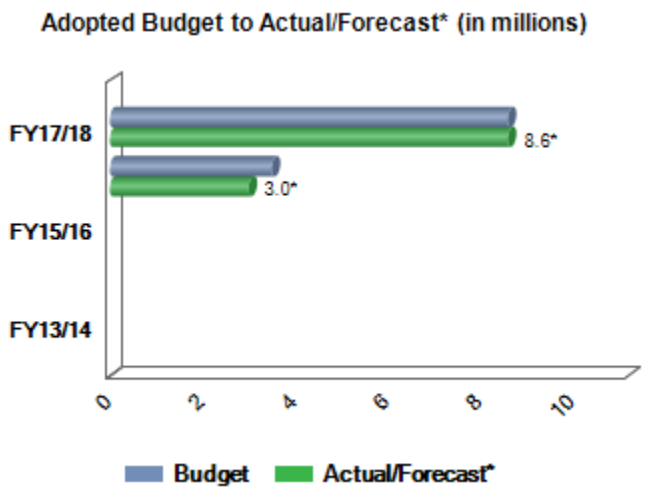
Parker Case Ruling

The Parker Case Ruling is the result of statewide litigation related to pension reform which occurred in 2011 and was determined to be unconstitutional by the Arizona Supreme Court. The settlement of this case is an extension of a ruling issued in Hall v. Elected Officials Retirement Plan related to the same pension reform in 2011. Both lawsuits are due to current employees having their pension contributions increased to a higher rate which resulted in a diminished benefit for existing employees. While there are numerous provisions related to the settlements, this payout is to retroactively compensate employees who had their pension rates increased. This impacts Tier 1 employees (those hired prior to July 1st, 2011) in both Police and Fire and also impacts Elected Officials, resulting in a large one-time payout which the city has chosen to absorb versus further increasing the unfunded liability that currently exists in the respective pension plans.



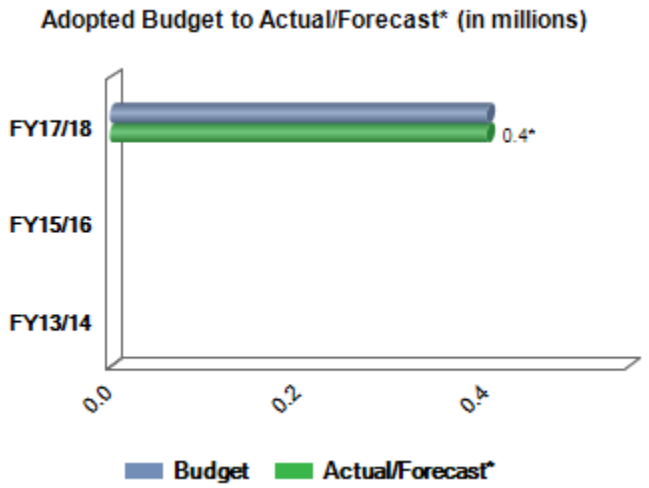
Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions.



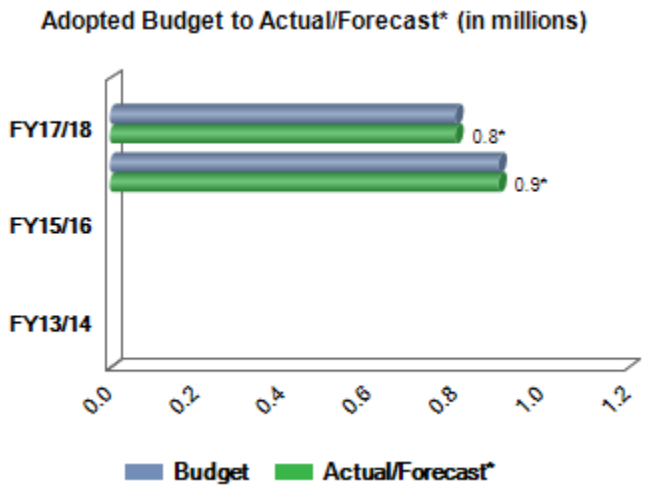
Compensation Adjustments

In FY 2017/18 City Council approved a citywide job classification study to be completed by an outside contractor who is yet to be determined. Once the results of this study are available certain adjustments to various job classifications may need to occur. Since the results are not expected until later in FY 2017/18, $0.4 million was set aside to fund the remainder of the year with additional budget set aside for future years.



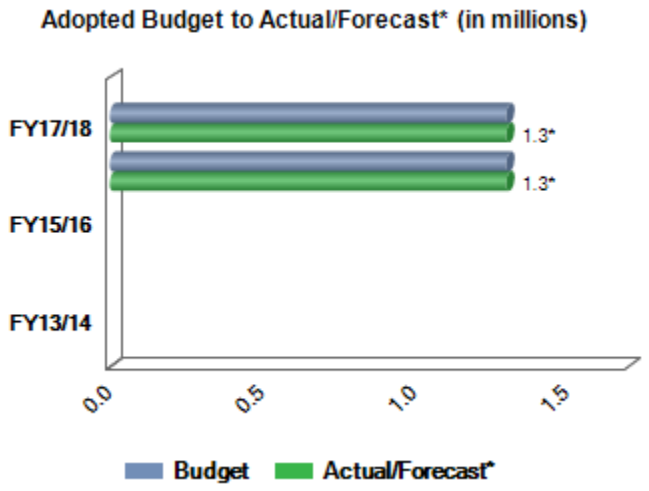
Fire 5 Percent Step

An up to 5 percent pay for performance increase within established salary ranges totaling $0.8 million for eligible firefighters, fire engineers and fire captains. The program began in FY 2016/17 with costs totaling $0.9 million and slightly decreasing in the current year due to staff reaching the maximum allowed within their respective pay grades.



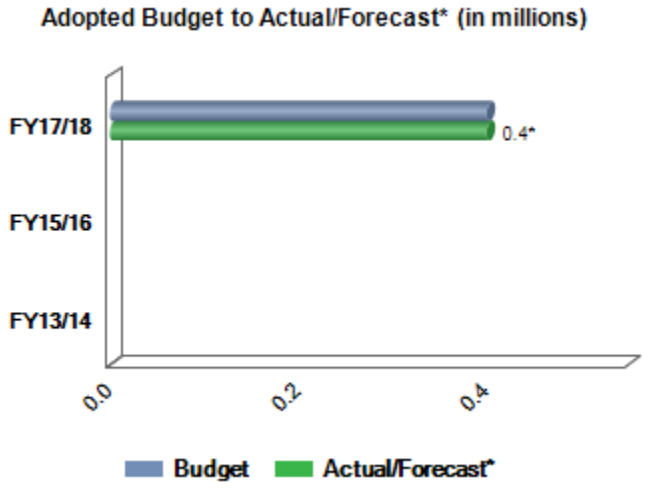
Police 5 Percent Step

An up to 5 percent pay for performance increase within the established salary range for police officers totaling $1.3 million in FY 2017/18. The program began in FY 2015/16; however, the first year was to 'fix' and adjust salaries based on years of service and was achieved through varying increase amounts. The 5 percent merit/step increase was new beginning in FY 2016/17.



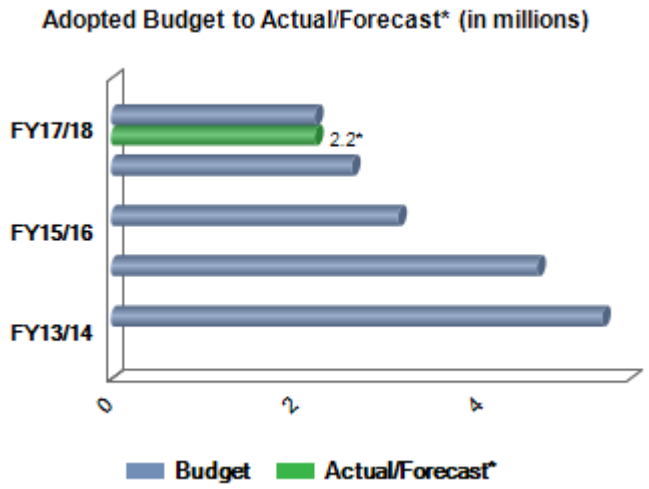
Sergeant 5 Percent Step

New and beginning in FY 2017/18 an up to 5 percent pay for performance increase within the established salary ranges for Police Sergeants totaling $0.4 million.



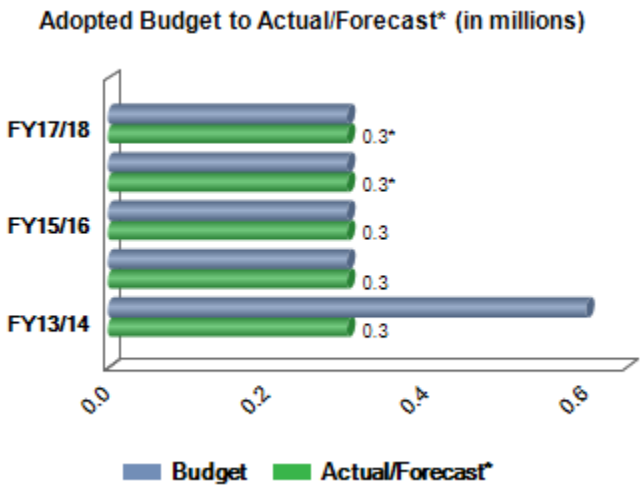
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance, totaling $2.2 million. In FY 2014/15 all employee increases were budgeted here, including the Public Safety Fire and Police positions, some of which are now reported separately in their respective step programs. In FY 2013/14 of the $5.3 million budgeted, $2.5 million was one-time funding to address sworn police personnel salary inequity issues of which the department used $0.6 million. Additionally, the FY 2016/17 forecast and the FY 2013/14 - FY 2015/16 actuals are at $0 due to the actuals being allocated into the divisions. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



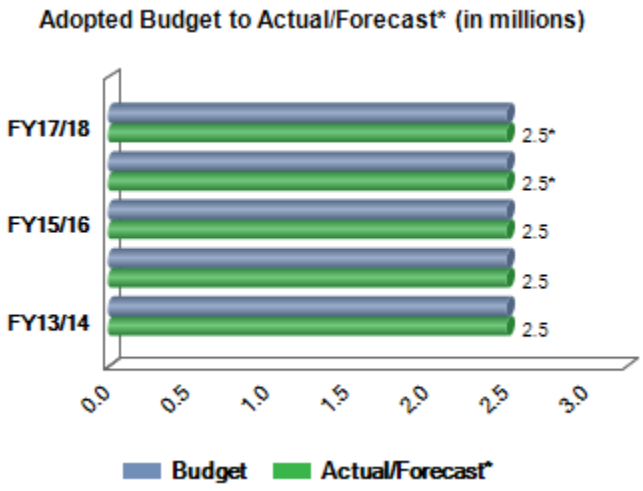
Debt Service - Contracts Payable

Contracts Payable is primarily contractual debt related to sales tax development agreements, and will vary based on the actual sales tax collections at each developed site. The FY 2017/18 Contracts Payable budget of $0.3 million is related to various sales tax development agreements. The budget in FY 2013/14 included funds to service debt obligations which had been met in full in the prior year.



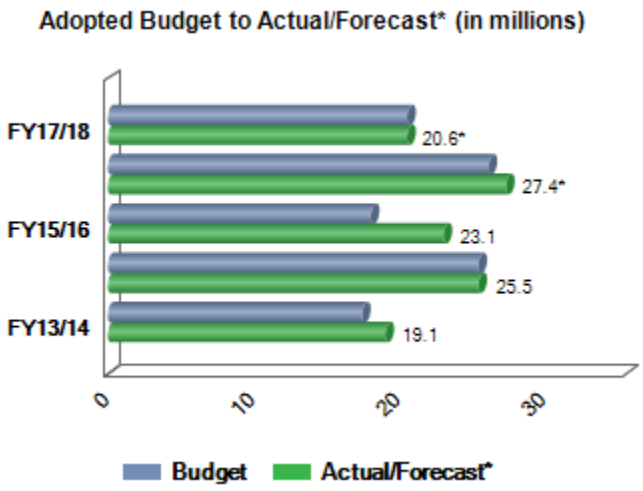
Debt Service - Certificates of Participation

Certificates of Participation (COPs) are instruments whereby the city enters into a lease-purchase agreement for the acquisition, operation and/or maintenance of a project. COPs are secured by a budgeted appropriation made each year by the city. At the completion of the lease period, the city owns the project. In FY 2010/11 the city issued $20.0 million of COPs for a public safety radio system. The FY 2017/18 budget of $2.5 million is related to the FY 2010/11 COPs issuance, with the final payment made in FY 2019/20.



Transfers-Out

Transfers Out are the authorized movement of cash to other funds and/or capital projects. Transfers Out in FY 2017/18 total $20.6 million and include: 1) $12.1 million to the Debt Service Fund for the annual debt service payment for the Municipal Property Corporation (MPC) bonds issued that used Sales Tax as the dedicated revenue source to service the debt; 2) $8.2 million to the Capital Improvement Plan (CIP) to ensure compliance with Financial Policy 17 ($2.5 million or 25 percent of the construction sales tax, $5.0 million for year 2 of a 3 year phase in of the 1.1 percent tax collected on food for home consumption, and $0.6 million for 100 percent of net interest income in excess of $1.0 million); 3) $0.2 million to the Healthcare Self-Insurance Fund to subsidize the costs of providing disabled public safety retiree healthcare benefits, per City Council direction; 4) $0.1 million to the CIP for an agreement related to the Scottsdale Stadium; and 5) $10,000 for the preservation and maintenance of properties on Scottsdale's Historic Register. The FY 2017/18 Transfers Out budget is a decrease of $6.8 million over the FY 2016/17 year-end forecast. This is primarily due to the net of the following: 1) a reduction of $3.5 million related to the debt that was issued for improvements to the Scottsdale Stadium. The Maricopa County Stadium District and Arizona Sports and Tourism Authority funding, which is used to service the debt, was collected in the Debt Service Fund, transferred to the General Fund, and then transferred back to the Debt Service Fund to pay the debt service. Transferring the revenue in and out of the General Fund was an unnecessary step with this funding. Therefore, the transfer in and corresponding transfer out were eliminated. This change had a net $0 impact; 2) a reduction of $6.4 million of additional Pay as You Go (PAYGO) funding transferred to the CIP, which was included in FY 2016/17 and not included in FY 2017/18; and 3) a $2.6 million increase for the second year of a three year phase in to transfer the 1.1 percent tax collected on food for home consumption to the CIP.

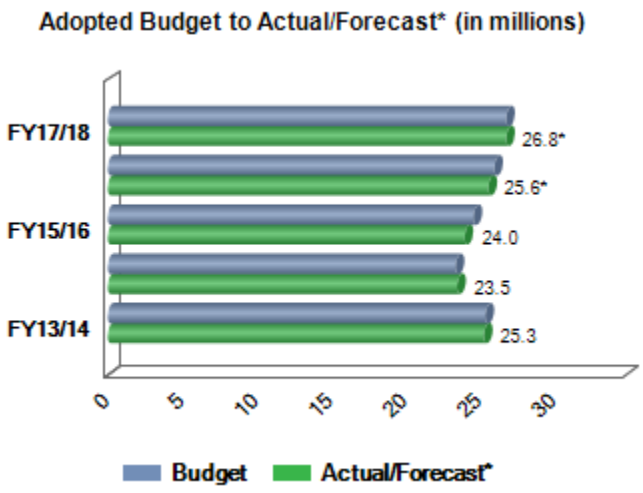


General Fund Reserves

The General Fund reserves are presented by the following major categories and include all different reserve types.

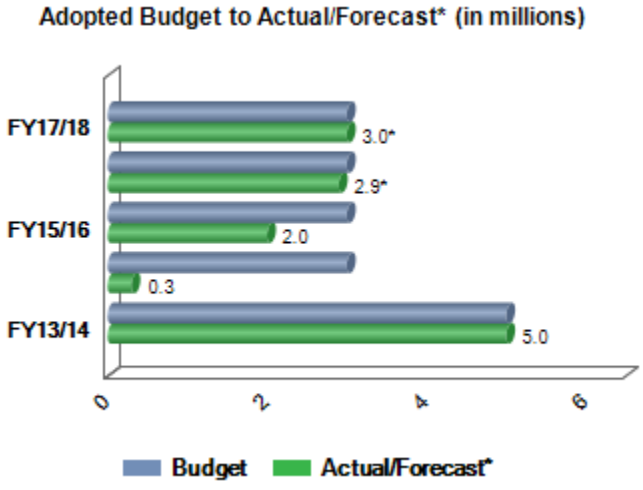
General Fund Reserve

The General Fund Reserve complies with Reserve Management Financial Policy 37. The policy states the General Fund will maintain a stabilization reserve of 10 percent of the annual General Fund operating expenditures and is to only be used for unforeseen emergencies or catastrophic impacts to the city. Maintaining a sufficient General Fund Reserve level is financially prudent and aids in retaining the city's AAA bond rating. Based on the operating budget expenditure estimate, the ending FY 2017/18 General Fund Reserve is $26.8 million.



Operating Contingency

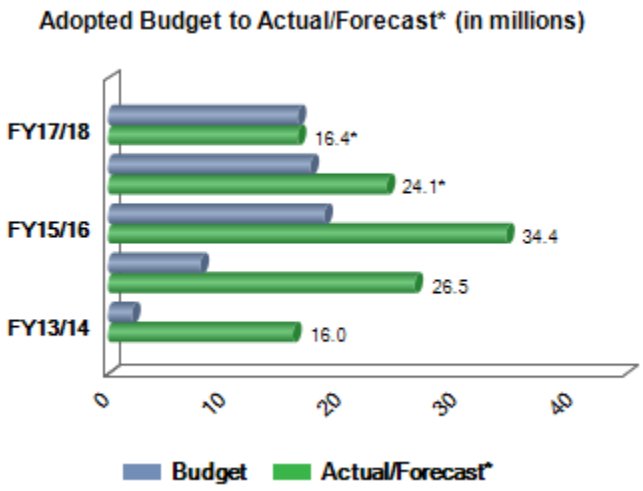
Operating Contingency includes $3.0 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval. Additionally, in FY 2014/15 the annual budget for Contingency was reduced from $5.0 million to $3.0 million to align more with historical, expected usage.



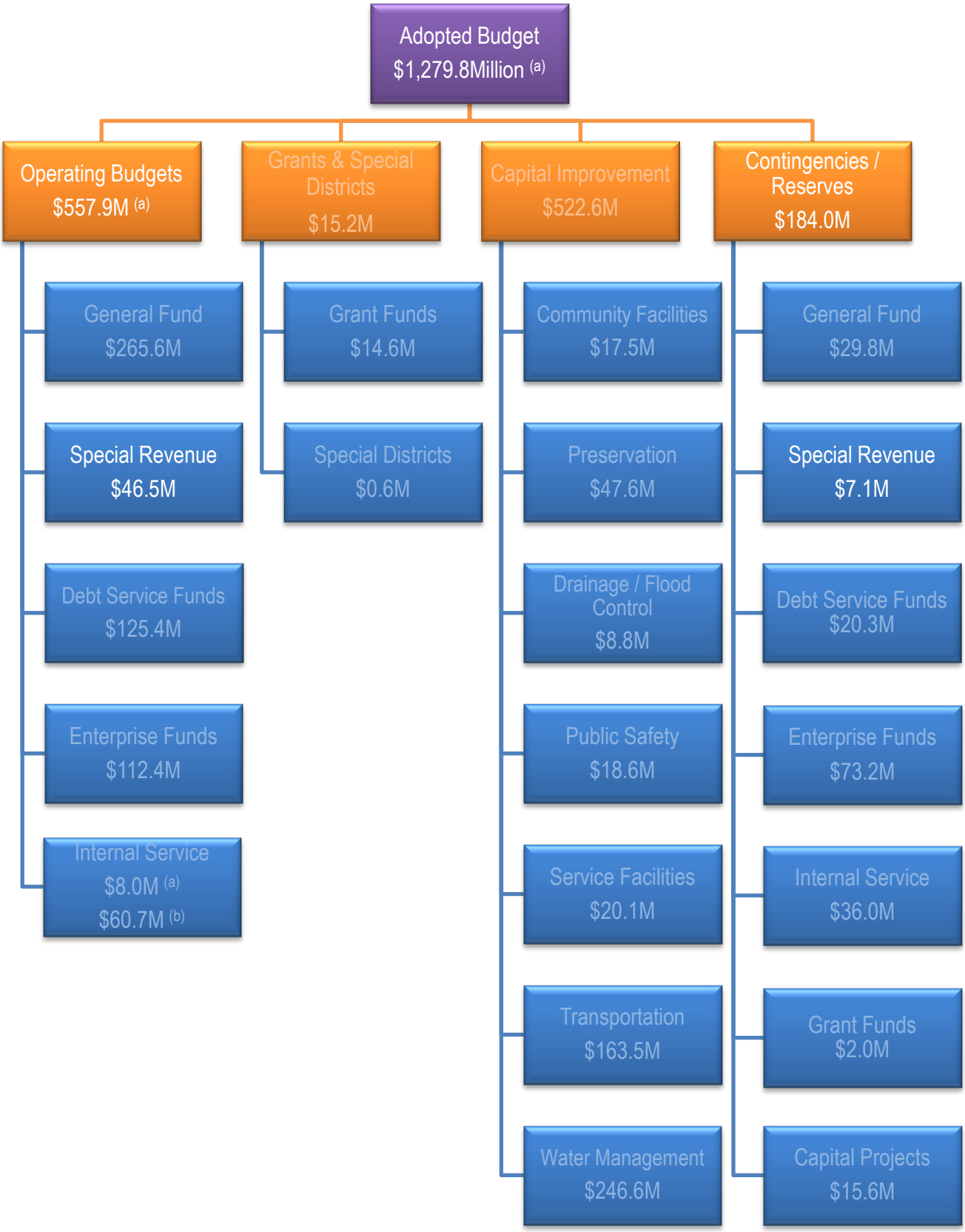
BUDGET BY FUND | General Fund Ending Fund Balance

Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2017/18 ending undesignated, unreserved fund balance is $16.4 million, which represents the cumulative General Fund revenues not designated for a specific purpose. This balance represents an accumulation of one-time revenues and is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.



BUDGET BY FUND | Special Revenue Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

Note: Amounts are rounded in millions; therefore, differences may occur.

Special Revenue Funds Description

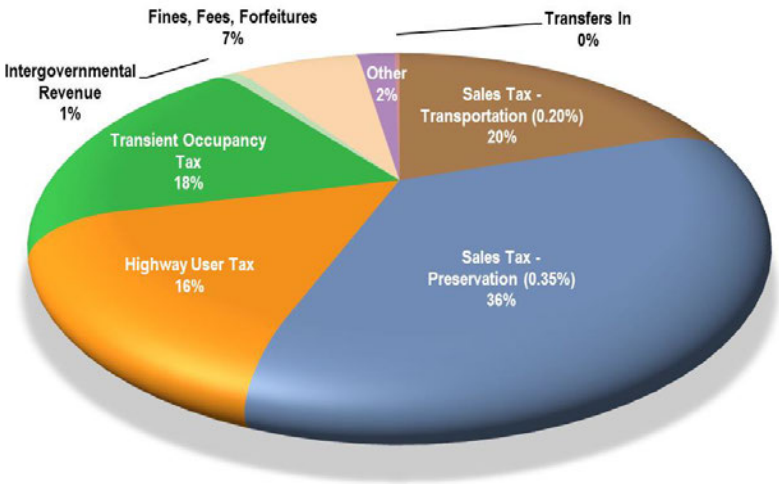
Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Examples of restricted revenues that must be spent on specific purposes are Sales Tax - Transportation (0.20%), Sales Tax - Preserve (0.35%), Highway User Tax, Transient Occupancy Tax, and Special Programs, such as Police 30-Day Towing. The sections to follow discuss each of the funds in more detail.

Economic Overview

Economic conditions play a major role in the city's ability to provide services and build needed infrastructure for current and future residents. Similar to the General Fund, the Special Revenue Funds are particularly vulnerable to shifts in the economy due to high reliance on elastic revenues. As in all funds, operating expenditures are carefully developed, documented and reviewed to ensure the most cost-effective and efficient method of providing services.

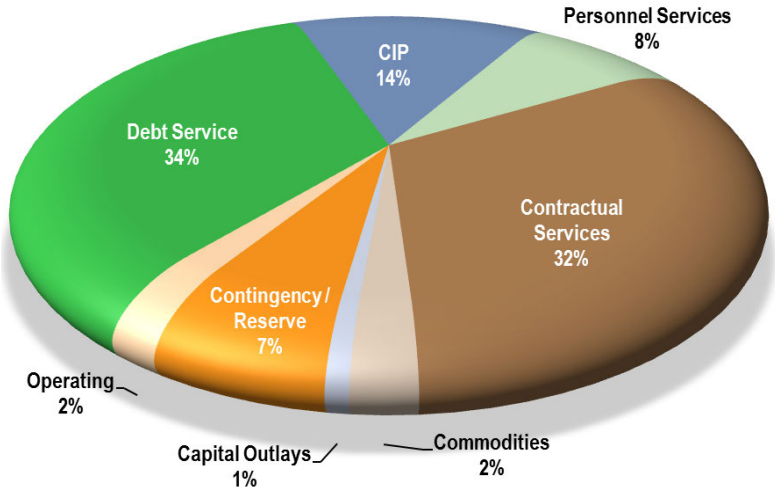
Special Revenue Funds Sources (in millions)

Sales Tax - Transportation (0.20%)	20.9
Sales Tax - Preservation (0.35%)	38.2
Highway User Tax	16.4
Transient Occupancy Tax	19.4
Intergovernmental Revenue	1.0
Fines, Fees, Forfeitures	7.5
Other	2.3
Total Revenues	105.6
Transfers In	0.3
Total Sources	105.9



Special Revenue Funds Uses (in millions)

Personnel Services	8.7
Contractual Services	34.3
Commodities	2.6
Capital Outlays	0.9
Contingency / Reserve	7.1
Adopted Budget	53.6
Transfers Out	
Operating	2.2
Debt Service	35.6
CIP	14.4
Total Uses	105.8



Note: Amounts are rounded in millions; therefore, differences may occur.

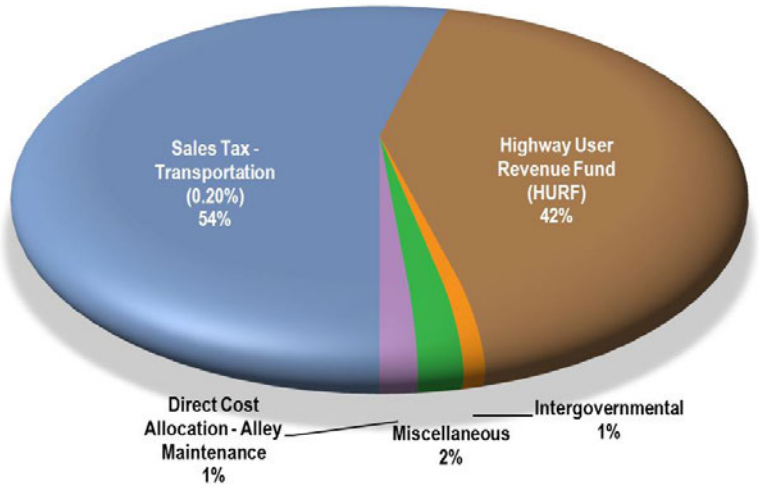
BUDGET BY FUND | Transportation Fund Overview

Fund Purpose

The State of Arizona requires the city to establish and maintain an accounting for Highway User Revenue funds. The Transportation Fund receives and expends the city's allocation of the Arizona Highway User Revenue Fund (HURF) as well as the city's Sales Tax - Transportation (0.20%) revenue and other transportation related revenues. The amount of HURF available to each city is allocated based on population, which is determined by the latest federal census. These monies must be used for street construction, reconstruction, maintenance, or transit. The fund also accounts for the 1989, voter approved Sales Tax - Transportation of 0.20 percent, which is dedicated funding for transportation improvements and operations.

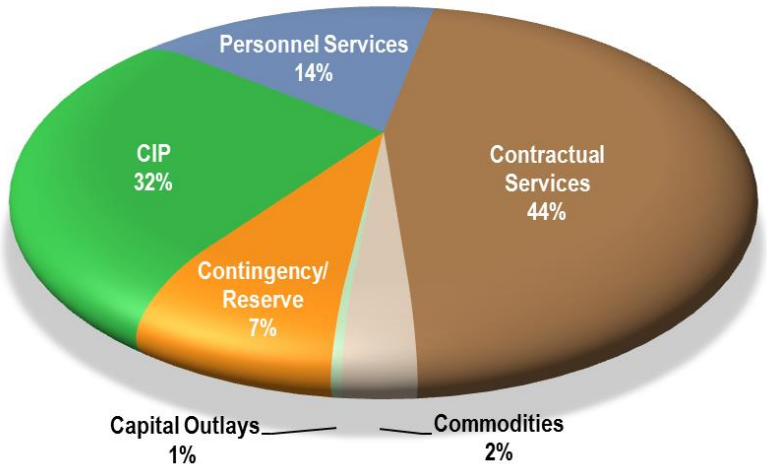
Transportation Fund Sources (in $ millions)

Sales Tax - Transportation (0.20%)	20.9
Highway User Revenue Fund (HURF)	16.4
Intergovernmental	0.3
Miscellaneous	0.7
Direct Cost Allocation - Alley Maintenance	0.6
Total Revenues	38.9
Transfers In	0.3
Total Sources	39.2



Transportation Fund Uses (in $ millions)

Personnel Services	6.7
Contractual Services	18.2
Commodities	1.1
Capital Outlays	0.2
Contingency/ Reserve	3.1
Adopted Budget	29.3
Transfers Out CIP	10.5
Total Uses	39.8



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Transportation Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,394,008	2,448,700	2,447,600	2,447,600	2,534,900
Undesignated, Unreserved Fund Balance	7,561,384	4,886,377	6,002,821	6,002,821	7,478,086
Total Beginning Fund Balance	**10,455,392**	**7,835,077**	**8,950,421**	**8,950,421**	**10,512,986**
Revenues					
Sales Tax - Transportation (0.20%)	19,937,961	20,361,102	20,361,102	19,938,044	20,933,413
Highway User Tax	14,060,028	14,328,134	14,328,134	14,896,757	16,381,995
Local Transportation Assistance Fund	655,039	645,000	645,000	645,000	655,000
Indirect/Direct Cost Allocations	535,415	578,949	578,949	578,949	557,773
Intergovernmental	236,777	500,000	500,000	500,000	325,000
Miscellaneous	354,656	30,000	30,000	30,000	15,000
Grants [a]	-	300,000	300,000	-	-
Subtotal	***35,779,876***	***36,743,185***	***36,743,185***	***36,588,750***	***38,868,181***
Transfers In					
Operating Transfer In [b]	-	-	-	-	300,000
Subtotal	***-***	***-***	***-***	***-***	***300,000***
Total Sources	**35,779,876**	**36,743,185**	**36,743,185**	**36,588,750**	**39,168,181**
Expenditures					
Public Works	14,392,792	14,685,174	14,671,022	13,908,431	13,567,597
Community and Economic Development	7,371,718	9,170,288	9,174,292	8,988,847	9,477,946
Community Services	1,456,676	1,450,671	1,450,671	1,450,671	1,574,301
CIP Operating Impacts	-	-	-	-	-
Citywide Pay Program	-	151,560	19,325	-	155,804
Savings from Vacant Positions	-	(159,400)	99,520	-	(159,400)
Leave Accrual Payments	-	51,100	(65,437)	-	51,100
Utilities	-	-	-	709,214	1,479,665
Subtotal	***23,221,186***	***25,349,393***	***25,349,393***	***25,057,163***	***26,147,013***
TOTAL OPERATING BUDGET	23,221,186	25,349,393	25,349,393	25,057,163	26,147,013
Transfers Out					
Operating Transfer Out	40,481	-	-	-	-
Transfer Out - CIP	14,023,181	10,216,151	10,216,151	9,969,022	10,466,707
Transfers Out-CIP Technlgy Citywide	-	-	-	-	24,700
Subtotal	***14,063,662***	***10,216,151***	***10,216,151***	***9,969,022***	***10,491,407***
Total Uses	**37,284,847**	**35,565,544**	**35,565,544**	**35,026,185**	**36,638,420**
Sources Over/(Under) Uses	**(1,504,971)**	**1,177,641**	**1,177,641**	**1,562,565**	**2,529,761**
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,447,600	2,534,900	2,534,900	2,534,900	2,614,701
Undesignated, Unreserved Fund Balance	6,002,821	5,977,818	7,093,162	7,478,086	9,928,046
Total Ending Fund Balance	**8,950,421**	**9,012,718**	**10,128,062**	**10,512,986**	**13,042,747**

[a] In FY 2016/17 Adopted/Approved, revenue for transportation related grants were inadvertently budgeted in the Transportation Fund. However, the actual receipt and use of the grants monies were recorded appropriately in Grant Funds.

[b] Council has authorized $0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for his program. However, beginning in FY 2017/18, the preference is to transfer funds from the Tourism Development Fund to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

BUDGET BY FUND | Transportation Fund Five Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,534,900	2,614,701	2,679,050	2,716,370	2,778,910
Undesignated, Unreserved Fund Balance	7,478,086	9,928,046	12,354,797	13,115,177	15,319,637
Total Beginning Fund Balance	**10,512,986**	**13,042,747**	**15,533,847**	**16,331,547**	**18,598,547**
Revenues					
Sales Tax - Transportation (0.20%)	20,933,413	21,584,200	22,210,800	22,851,100	23,547,200
Highway User Tax	16,381,995	16,697,800	17,610,100	16,758,400	17,093,600
Local Transportation Assistance Fund	655,000	655,000	655,000	655,000	655,000
Indirect/Direct Cost Allocations	557,773	566,200	574,900	584,300	594,100
Intergovernmental	325,000	325,000	325,000	325,000	325,000
Miscellaneous	15,000	15,000	15,000	15,000	15,000
Grants [a]	-	-	-	-	-
Subtotal	***38,868,181***	***39,843,200***	***41,390,800***	***41,188,800***	***42,229,900***
Transfers In					
Operating Transfer In [b]	300,000	300,000	300,000	300,000	300,000
Subtotal	***300,000***	***300,000***	***300,000***	***300,000***	***300,000***
Total Sources	**39,168,181**	**40,143,200**	**41,690,800**	**41,488,800**	**42,529,900**
Expenditures					
Public Works	13,567,597	13,800,100	13,621,700	13,793,400	13,974,400
Community and Economic Development	9,477,946	9,594,300	9,715,000	9,838,900	9,968,400
Community Services	1,574,301	1,472,200	1,494,200	1,517,100	1,540,700
CIP Operating Impacts	-	235,500	493,700	660,800	1,323,000
Citywide Pay Program	155,804	292,900	419,500	537,700	645,100
Savings from Vacant Positions	(159,400)	(162,600)	(165,900)	(169,200)	(172,600)
Leave Accrual Payments	51,100	52,400	53,700	55,000	56,400
Utilities	1,479,665	1,494,400	1,509,300	1,524,400	1,539,700
Subtotal	***26,147,013***	***26,779,200***	***27,141,200***	***27,758,100***	***28,875,100***
TOTAL OPERATING BUDGET	26,147,013	26,779,200	27,141,200	27,758,100	28,875,100
Transfers Out					
Operating Transfer Out	-	-	-	-	-
Transfer Out - CIP	10,466,707	10,792,100	13,705,400	11,425,600	11,773,600
Transfers Out-CIP Technlgy Citywide	24,700	80,800	46,500	38,100	65,100
Subtotal	***10,491,407***	***10,872,900***	***13,751,900***	***11,463,700***	***11,838,700***
Total Uses	**36,638,420**	**37,652,100**	**40,893,100**	**39,221,800**	**40,713,800**
Sources Over/(Under) Uses	**2,529,761**	**2,491,100**	**797,700**	**2,267,000**	**1,816,100**
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,614,701	2,679,050	2,716,370	2,778,910	2,891,710
Undesignated, Unreserved Fund Balance	9,928,046	12,354,797	13,115,177	15,319,637	17,022,937
Total Ending Fund Balance	**13,042,747**	**15,533,847**	**16,331,547**	**18,598,547**	**20,414,647**

[a] In FY 2016/17 Adopted/Approved, revenue for transportation related grants were inadvertently budgeted in the Transportation Fund. However, the actual receipt and use of the grants monies were recorded appropriately in Grant Funds.

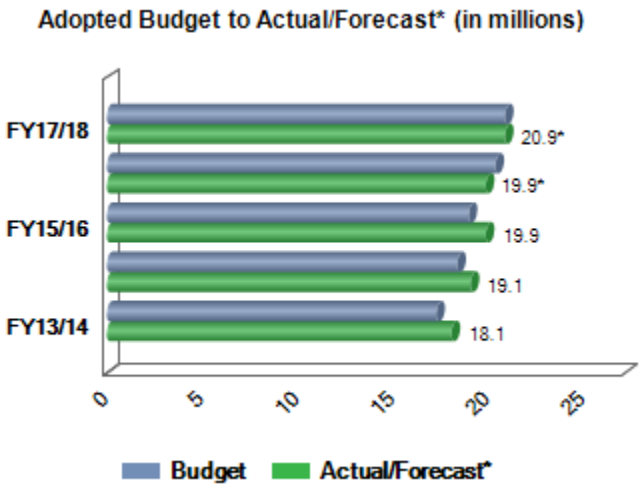
[b] Council has authorized $0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for his program. However, beginning in FY 2017/18, the preference is to transfer funds from the Tourism Development Fund to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

Transportation Fund Sources

Transportation Fund sources for FY 2017/18 equal $39.2 million which is an increase of $2.6 million from the FY 2016/17 year-end forecast mostly due to a higher estimate of Highway User Revenue Fund (HURF), including an additional allocation called for in State statue. The same methodology for developing the Sales Tax budgeted in the General Fund is also used for the Transportation Fund.

Sales Tax - Transportation (0.20%)

Sales Tax - Transportation (0.20%) represents the 0.20 percent of the city's sales tax dedicated solely to transportation. Please note that while the rate is the same for the transportation and 1995 preservation sales tax, there is a difference between the revenue amounts, which is attributable to differences in the taxing provisions for each of the revenues. The adopted FY 2017/18 budget of $20.9 million represents an increase of $1.0 million, or 5 percent, over the FY 2016/17 year-end forecast. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily. The following table is a five year forecast by business category for the transportation sales tax, which reflects about a 3 percent increase annually for total collections.



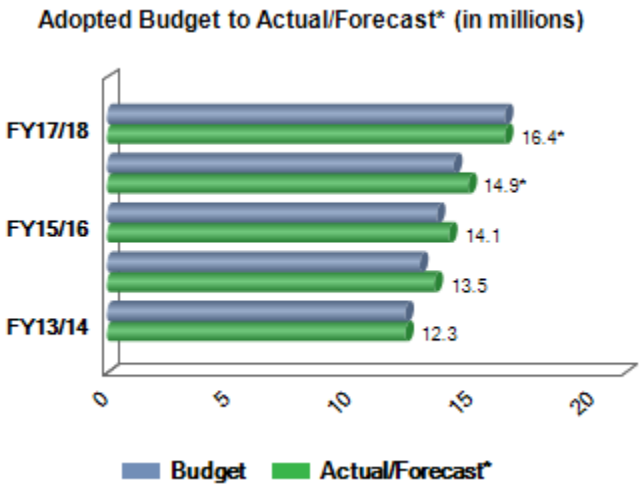
Sales Tax - Transportation (0.20%) Five Year Forecast by Business Category

Revenue Category	FY 2015/16 Actual	% of Total	FY 2016/17 Adopted	% of Total	FY 2016/17 Forecast	% of Total	FY 2017/18 Adopted	% of Total
Automotive	2,813,263	14%	2,940,329	14%	2,790,687	14%	2,752,085	13%
Construction	2,054,618	10%	1,816,401	9%	1,916,787	10%	1,970,781	9%
Food	1,427,461	7%	1,445,841	7%	1,376,846	7%	1,458,099	7%
Hotel/Motel	1,090,652	5%	1,134,919	6%	1,135,355	6%	1,239,127	6%
Major Dept Stores	1,838,101	9%	1,900,369	9%	1,767,562	9%	1,838,157	9%
Misc. Retail	3,425,648	17%	3,744,387	18%	3,674,095	18%	3,924,349	19%
Other Taxable	1,581,256	8%	1,730,472	8%	1,642,228	8%	1,784,571	9%
Rental	2,875,449	14%	2,751,706	14%	2,739,745	14%	2,885,309	14%
Restaurants	1,939,161	10%	2,020,277	10%	1,940,296	10%	2,094,700	10%
Utilities	892,352	4%	876,401	4%	954,442	5%	986,235	5%
Total	**19,937,961**	**100%**	**20,361,102**	**100%**	**19,938,044**	**100%**	**20,933,414**	**100%**

Revenue Category	FY 2018/19 Forecast	% of Total	FY 2019/20 Forecast	% of Total	FY 2020/21 Forecast	% of Total	FY 2021/22 Forecast	% of Total
Automotive	2,767,701	13%	2,753,510	12%	2,725,975	12%	2,725,975	12%
Construction	1,970,781	9%	1,970,781	9%	1,970,781	9%	1,970,781	8%
Food	1,501,842	7%	1,546,897	7%	1,593,304	7%	1,641,103	7%
Hotel/Motel	1,301,083	6%	1,366,137	6%	1,434,444	6%	1,506,166	6%
Major Dept Stores	1,874,921	9%	1,912,419	9%	1,950,667	9%	1,989,681	8%
Misc. Retail	4,120,567	19%	4,326,595	19%	4,542,925	20%	4,770,071	20%
Other Taxable	1,855,954	9%	1,930,192	9%	2,007,400	9%	2,087,696	9%
Rental	3,000,721	14%	3,120,750	14%	3,245,580	14%	3,375,403	14%
Restaurants	2,199,435	10%	2,287,412	10%	2,378,909	10%	2,474,065	11%
Utilities	991,166	5%	996,122	4%	1,001,102	4%	1,006,108	4%
Total	**21,584,200**	**100%**	**22,210,800**	**100%**	**22,851,100**	**100%**	**23,547,100**	**100%**

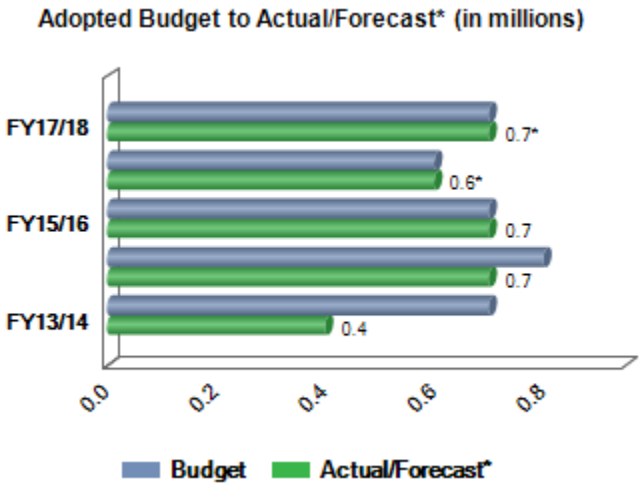
Highway User Revenue Fund (HURF)

Highway User Revenue Fund (HURF), also known as gas tax, is distributed by the State of Arizona. The State constitution requires that all highway user revenue be used solely for street, highway or transit purposes. Cities and towns receive 27.5 percent of the highway user revenue fund, of which one half of the monies are distributed based on population of all incorporated cities and towns in the State. The remaining half is distributed based on 'county of origin' of gasoline sales and the relation of the city or town's population to the total incorporated population of Maricopa County. The adopted FY 2017/18 budget of $16.4 million represents a 10 percent or $1.5 million increase from the FY 2016/17 year-end forecast due to a higher highway user revenue estimate by the Arizona Department of Transportation and a one-time allocation of $0.6 million.



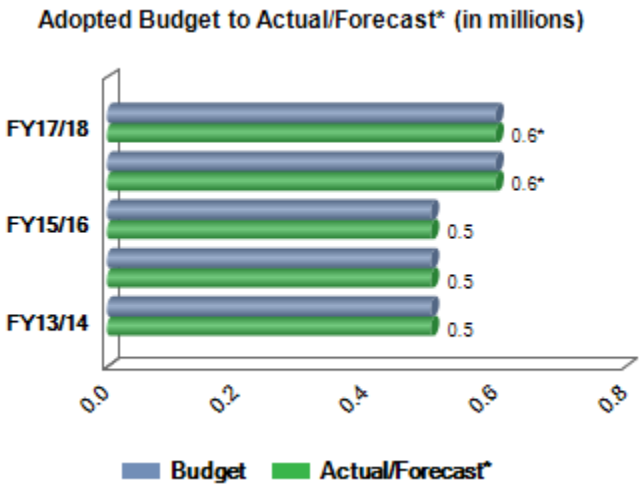
Local Transportation Assistance Fund

Local Transportation Assistance Fund supports the development and operation of a comprehensive multi-modal public transportation program in Arizona. The funding to this program comes from lottery proceeds and it is distributed to cities and towns through an annual application process. The amounts available to cities and towns are capped based on population. The FY 2017/18 budget for this revenue is $0.7 million, which represents the entire allocation available to the city.



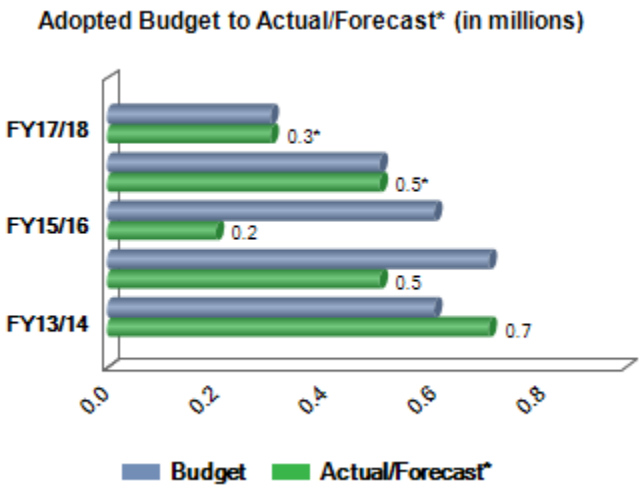
Indirect/Direct Cost Allocations

Indirect/Direct Cost Allocations represent charges to the Solid Waste Fund to cover the costs associated with alley maintenance performed by the Street Operations department for the benefit of Solid Waste operations. The budget for this revenue in FY 2017/18 is $0.6 million.



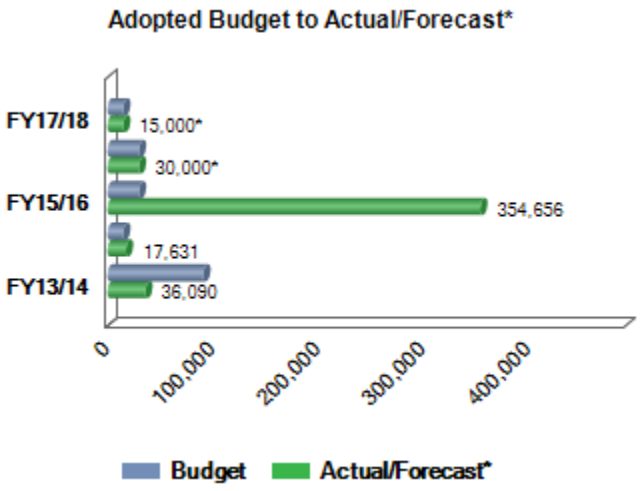
Intergovernmental

Intergovernmental represents the city's allocation of the half-cent sales tax for transportation improvements approved in Proposition 400 by Maricopa County voters in November 2004. This revenue, through the Public Transportation Fund funds the ADA Cab Connection Rides program, which addresses the transportation needs of people with disabilities within the city. The FY 2017/18 budget is $0.3 million, which is 35 percent less than the FY 2016/17 year-end forecast. The reduction is due to a decline in participation in the past couple of years that has stabilized at the level estimated for FY 2017/18.



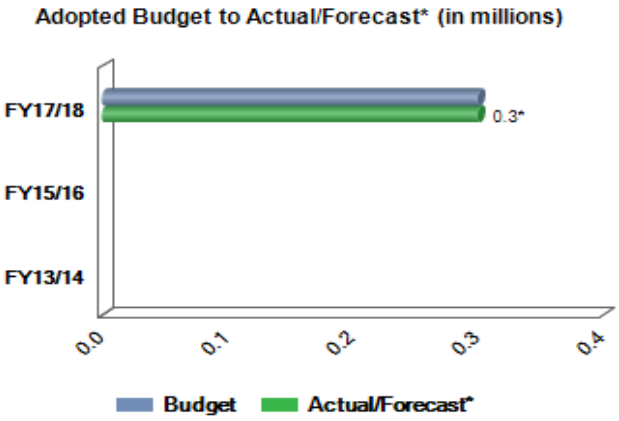
Miscellaneous

Miscellaneous includes various revenues the city receives in the Transportation Fund during any given year that are not attributable to one of the specific revenue categories previously noted. The FY 2017/18 budget of $15,000 includes transportation vehicle auction proceeds and other miscellaneous revenues. The FY 2014/15 reconciliation of transit service contracts resulted in a favorable $0.4 million, received in FY 2015/16.



Operating Transfer In

Beginning in FY 2017/18, the $0.3 million council authorized use of Tourism Development Funds for the operation of the downtown trolley will be received as an Operating Transfer In, which will allow a better monitoring of the program at the fund level. In previous years, the Transportation Department charged the Tourism Development Fund directly for this program.

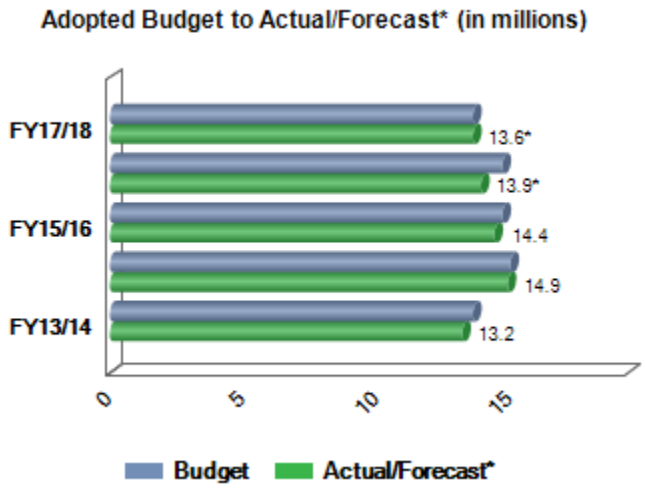


Transportation Fund Uses by Division

The Transportation Fund uses are presented by division, plus additional operating categories to include contingencies, utilities and transfers out to other funds.

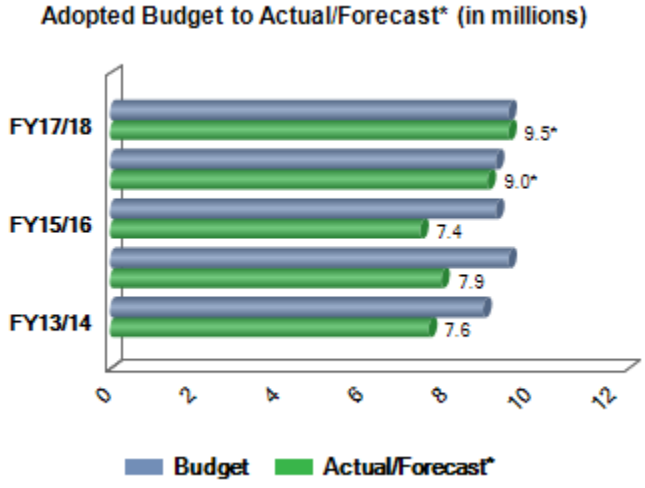
Public Works

The expenditures for Public Works include alley maintenance, streets cleaning, lighting maintenance, and traffic signal maintenance. The adopted FY 2017/18 Public Works budget of $13.6 million is a decrease of $0.3 million from the FY 2016/17 year-end forecast of $13.9 million mostly due to an administrative change beginning March 2017 to no longer budget utilities (water, electric, sewer, gas, solid waste and recycling services) within divisions but at a citywide macro level.



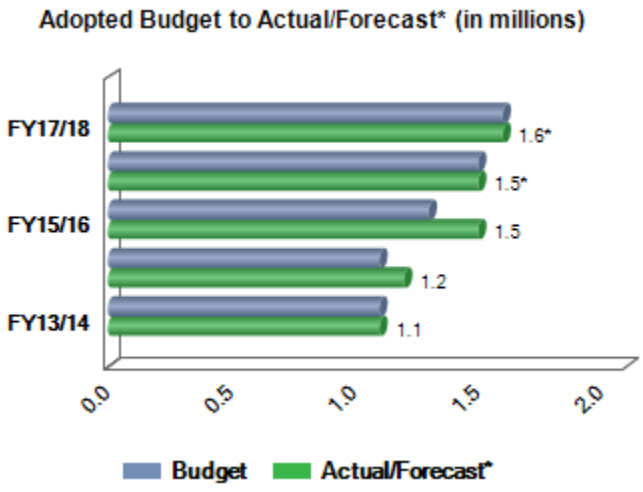
Community & Economic Development

The Community & Economic Development budget includes administrative expenses for the division related to transportation and the various transit agreements with the City of Phoenix ($1.9 million), Valley Metro ($0.4 million), and trolley contractors ($2.6 million), among others. The adopted FY 2017/18 budget of $9.5 million is an increase of $0.5 million from the FY 2016/17 year-end forecast, which is the net result of moving the maintenance of the city trolley fleet in-house instead of outsourcing it.



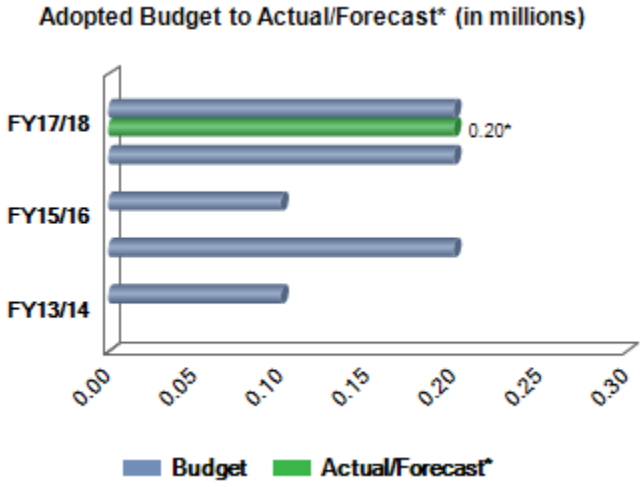
Community Services

This budget is used for the contracted landscaping of medians and right of ways. The FY 2017/18 adopted budget of $1.6 million is an increase of $0.1 million form the FY 2016/17 year-end forecast to cover cost increases due to market demand.



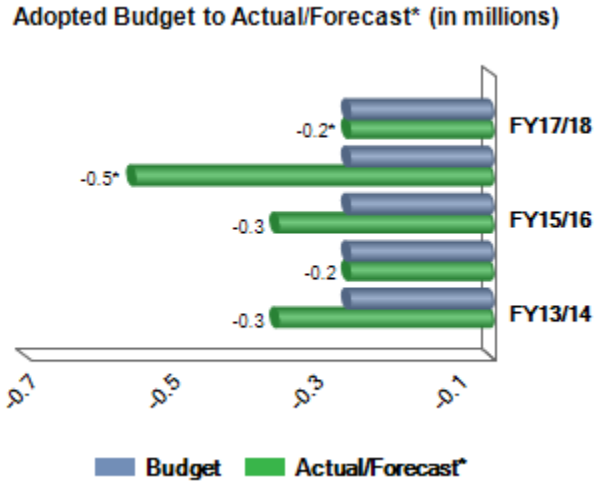
Citywide Pay Program

Citywide Pay Program through which employees may receive increases within their established salary ranges based on performance total $0.2 million in FY 2017/18 for the Transportation Fund. Additionally, the FY 2016/17 forecast and FY 2013/14 – FY 2015/16 actuals at $0 are due to actuals being allocated into the appropriate departments. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year has been at or below the adopted budget.



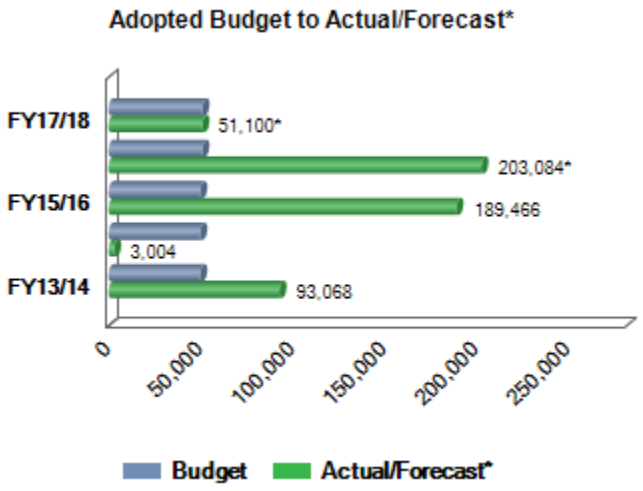
Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings achieved from vacant positions. The FY 2017/18 Transportation Fund estimate for vacancy savings is $0.2 million.



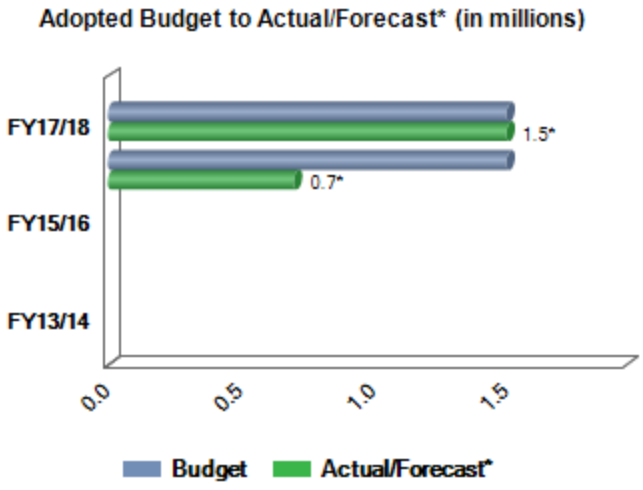
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2017/18 leave accrual payments of $51,100 are relatively flat compared to FY 2016/17, with $33,100 budgeted for medical leave accrual payouts and $18,000 budgeted for vacation leave accrual payouts. The large amount of leave accrual payments in FY 2015/16 and FY 2016/17 is due mostly to retirement of long term employees.



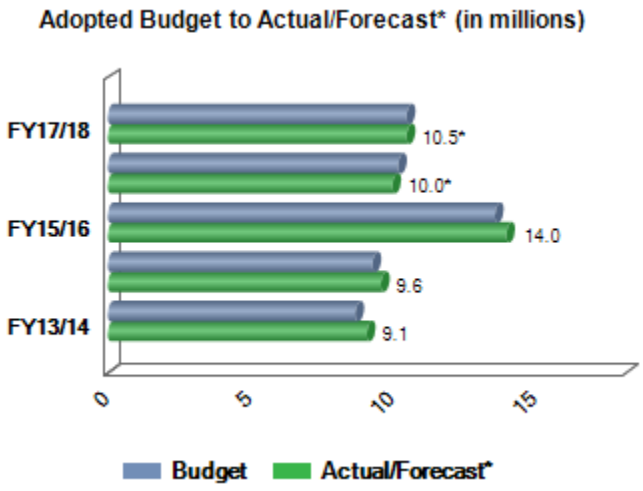
Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The FY 2017/18 budget includes $10.5 million transfer of the Sales Tax - Transportation (0.20%) revenue, which is 50 percent of the budgeted revenue per financial policy No. 27, to the Capital Improvement Plan (CIP) to fund transportation related capital projects.



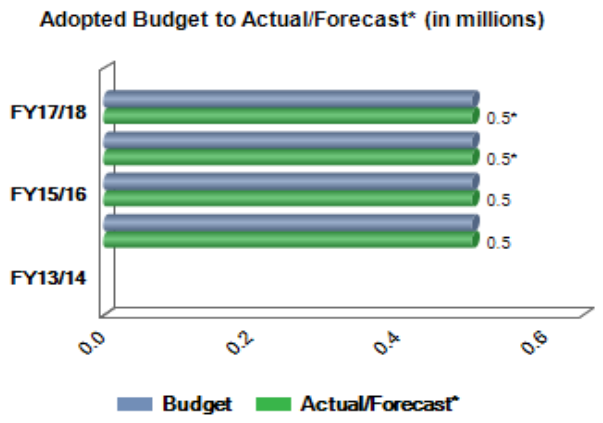
BUDGET BY FUND | Transportation Fund Ending Fund Balance

Transportation Fund Reserves

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's Transportation Fund balance and reserves are noted in the following:

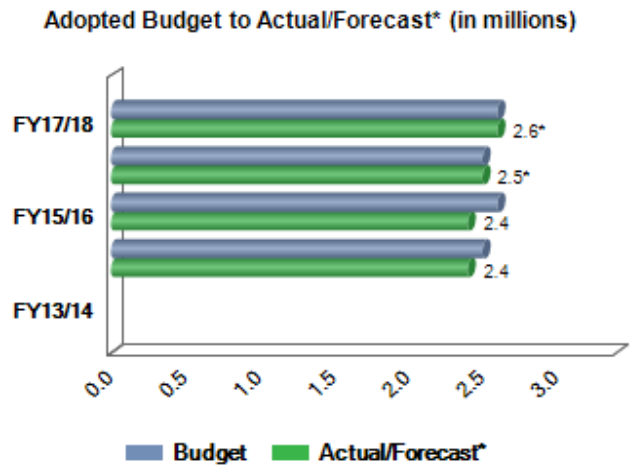
Operating Contingency

Operating Contingency includes $0.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval. No contingency was budgeted in FY 2013/14.



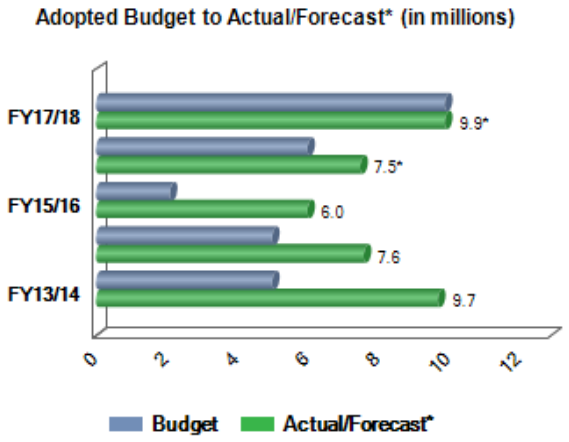
Operating Reserve

Per financial policy No. 37 - established in FY 2014/15, the city's transportation operating reserve shall be 10 percent of the annual Transportation Fund operating expenditures, and shall be used for unforeseen emergencies or catastrophic impacts to the city related to transportation. Based on the operating budget expenditure estimate, the FY 2017/18 Transportation Fund operating reserve is $2.6 million.



Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance accounts for any remaining funds after the designation of all other reserves/uses. The FY 2017/18 ending undesignated, unreserved fund balance is $9.9 million. Under prudent fiscal management practices, this balance should most appropriately be used for one-time expenditures, not to fund new or to expand programs with ongoing operating expenses.



FY 2017/18 Adopted Budget

BUDGET BY FUND | Preservation Fund Overview

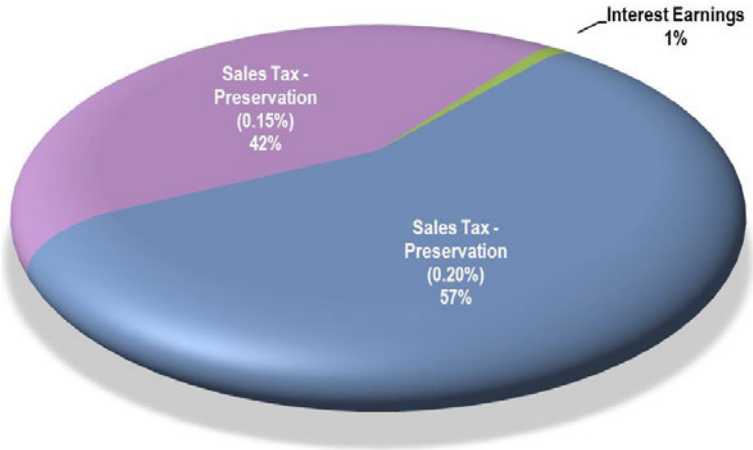
Fund Purpose

The Preservation Fund accounts for the portion of the city's Sales Tax – Preservation (0.35%) dedicated to the purchase of about 34,000 acres of land within the McDowell Sonoran Preserve. In 1995, voters approved increasing the city's sales tax rate by 0.20 percent for the purchase of land within the McDowell Sonoran Preserve. In May 2004, voters approved an additional 0.15 percent in the city's sales tax rate dedicated to the McDowell Sonoran Preserve land acquisition. Differing from the 1995 tax, the 2004 tax also allows the construction of essential preserve related necessities such as proposed trailheads.

Revenue collections and contractual debt associated with purchased land are accounted for in this fund. A Transfer Out is made to the Debt Service Fund or Capital Improvement Plan (CIP) projects to pay debt service payments associated with bonds issued for land purchases or general capital preserve projects.

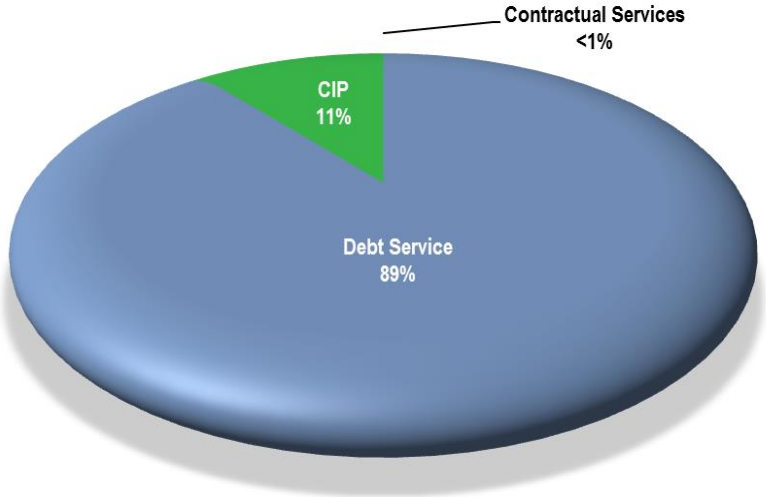
Preservation Fund Sources (in $ millions)

Sales Tax - Preservation (0.20%)	21.6
Sales Tax - Preservation (0.15%)	16.2
Interest Earnings	0.4
Total Sources	38.2



Preservation Fund Uses (in $ millions)

Contractual Services	0.0
Adopted Budget	0.0
Transfers Out	
Debt Service	31.9
CIP	3.9
Total Uses	35.7



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Preservation Fund Summary

	Actual [a] 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Undesignated, Unreserved Fund Balance	31,313,744	26,489,991	36,326,942	36,326,942	27,604,130
Total Beginning Fund Balance	**31,313,744**	**26,489,991**	**36,326,942**	**36,326,942**	**27,604,130**
Revenues					
Sales Tax - Preservation (0.20%)	20,582,718	20,990,827	20,990,827	20,554,686	21,580,838
Sales Tax - Preservation (0.15%)	15,441,106	15,743,120	15,743,120	15,416,014	16,185,629
Interest Earnings	337,907	334,388	334,388	334,388	399,453
Subtotal	***36,361,730***	***37,068,335***	***37,068,335***	***36,305,088***	***38,165,920***
Total Sources	**36,361,730**	**37,068,335**	**37,068,335**	**36,305,088**	**38,165,920**
Expenditures					
Professional Services	-	2,200	2,200	2,200	2,200
Subtotal	***-***	***2,200***	***2,200***	***2,200***	***2,200***
TOTAL OPERATING BUDGET	-	2,200	2,200	2,200	2,200
Transfers Out					
Transfer Out - CIP	741,264	3,880,000	3,880,000	15,176,000	3,880,000
Transfer Out-Debt Svc GO Bonds	20,686,844	25,975,095	25,975,095	23,733,837	25,724,510
Transfer Out-Debt Svc Rev Bonds	9,920,424	6,115,863	6,115,863	6,115,863	6,129,963
Subtotal	***31,348,532***	***35,970,958***	***35,970,958***	***45,025,700***	***35,734,473***
Total Uses	**31,348,532**	**35,973,158**	**35,973,158**	**45,027,900**	**35,736,673**
Sources Over/(Under) Uses	**5,013,198**	**1,095,177**	**1,095,177**	**(8,722,812)**	**2,429,247**
Ending Fund Balance					
Undesignated, Unreserved Fund Balance	36,326,942	27,585,168	37,422,119	27,604,130	30,033,377
Total Ending Fund Balance	**36,326,942**	**27,585,168**	**37,422,119**	**27,604,130**	**30,033,377**

[a] FY 2015/16 Sales Tax - Preservation (0.20%) actuals adjusted to match general ledger. Revenue transferred to cover tax preparation and audit fee's.

BUDGET BY FUND | Preservation Fund Five Year Financial Forecast

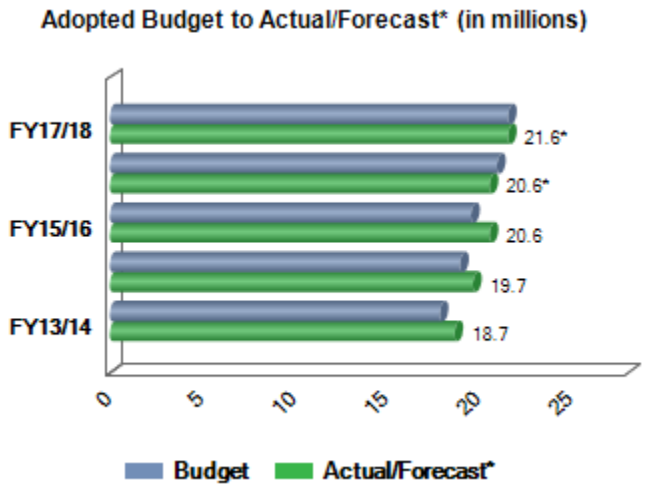
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Undesignated, Unreserved Fund Balance	27,604,130	30,033,377	35,991,677	43,560,477	51,601,877
Total Beginning Fund Balance	**27,604,130**	**30,033,377**	**35,991,677**	**43,560,477**	**51,601,877**
Revenues					
Sales Tax - Preservation (0.20%)	21,580,838	22,251,700	22,897,800	23,557,900	24,275,300
Sales Tax - Preservation (0.15%)	16,185,629	16,688,800	17,173,400	17,668,300	18,206,400
Interest Earnings	399,453	588,000	807,800	899,800	961,900
Subtotal	***38,165,920***	***39,528,500***	***40,879,000***	***42,126,000***	***43,443,600***
Total Sources	**38,165,920**	**39,528,500**	**40,879,000**	**42,126,000**	**43,443,600**
Expenditures					
Professional Services	2,200	2,200	2,300	2,300	2,300
Subtotal	***2,200***	***2,200***	***2,300***	***2,300***	***2,300***
TOTAL OPERATING BUDGET	2,200	2,200	2,300	2,300	2,300
Transfers Out					
Transfer Out - CIP	3,880,000	1,380,000	380,000	380,000	-
Transfer Out-Debt Svc GO Bonds	25,724,510	26,040,500	26,767,400	27,525,200	28,235,400
Transfer Out-Debt Svc Rev Bonds	6,129,963	6,147,500	6,160,500	6,177,100	6,207,000
Subtotal	***35,734,473***	***33,568,000***	***33,307,900***	***34,082,300***	***34,442,400***
Total Uses	**35,736,673**	**33,570,200**	**33,310,200**	**34,084,600**	**34,444,700**
Sources Over/(Under) Uses	**2,429,247**	**5,958,300**	**7,568,800**	**8,041,400**	**8,998,900**
Ending Fund Balance					
Undesignated, Unreserved Fund Balance	30,033,377	35,991,677	43,560,477	51,601,877	60,600,777
Total Ending Fund Balance	**30,033,377**	**35,991,677**	**43,560,477**	**51,601,877**	**60,600,777**

Preservation Fund Sources

The Preservation Fund sources for FY 2017/18 are budgeted at $38.2 million, an increase of $1.9 million from the FY 2016/17 year-end forecast. The same methodology for developing the transaction sales tax budgeted in the General Fund is also used for the Preservation Fund.

Sales Tax - Preservation (0.20%)

Sales Tax - Preservation (0.20%) represents the 1995 voter approved 0.20 percent of the city's sales tax dedicated to the purchase of land within the McDowell Sonoran Preserve. The FY 2017/18 budget of $21.6 million represents an increase of $1.0 million, or 5 percent, over the FY 2016/17 year-end forecast. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection, and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily. The following table is a five year forecast by business category for the preservation sales tax, which reflects a 3 percent increase annually for total collections.



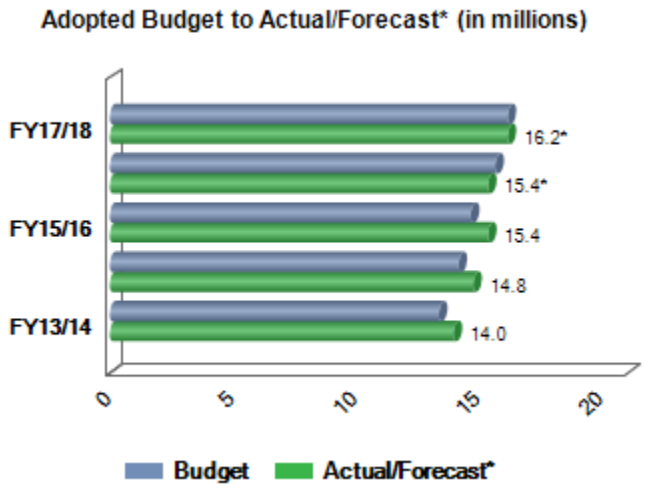
Sales Tax - Preservation (0.20%) Five Year Forecast by Business Category

Business Category	Actual 2015/16	% of Total	Adopted 2016/17	% of Total	Forecast 2016/17	% of Total	Adopted 2017/18	% of Total
Automotive	2,878,979	14%	3,031,267	14%	2,379,035	12%	2,837,201	13%
Construction	2,065,612	10%	1,872,579	9%	2,031,733	10%	2,031,733	9%
Food	1,433,421	7%	1,490,558	7%	1,459,412	7%	1,503,194	7%
Hotel/Motel	1,115,384	5%	1,170,020	6%	1,203,440	6%	1,277,450	6%
Major Dept Stores	1,856,994	9%	1,959,143	9%	1,873,559	9%	1,895,008	9%
Misc. Retail	3,653,935	18%	3,860,193	18%	3,894,424	19%	4,045,721	19%
Other Taxable	1,815,909	9%	1,783,992	8%	1,740,710	8%	1,839,764	9%
Rental	2,910,080	14%	2,836,810	14%	2,904,043	14%	2,974,545	14%
Restaurants	1,952,600	9%	2,082,759	10%	2,056,652	10%	2,159,484	10%
Utilities	905,243	4%	903,506	4%	1,011,678	5%	1,016,737	5%
Other	(5,440)	0%	-	0%	-	0%	-	0%
Total	**20,582,718**	**100%**	**20,990,827**	**100%**	**20,554,686**	**100%**	**21,580,838**	**100%**

Business Category	Forecast 2018/19	% of Total	Forecast 2019/20	% of Total	Forecast 2020/21	% of Total	Forecast 2021/22	% of Total
Automotive	2,853,299	13%	2,838,674	12%	2,810,283	12%	2,810,282	12%
Construction	2,031,730	9%	2,031,738	9%	2,031,742	9%	2,031,732	8%
Food	1,548,290	7%	1,594,744	7%	1,642,592	7%	1,691,858	7%
Hotel/Motel	1,341,322	6%	1,408,394	6%	1,478,818	6%	1,552,747	6%
Major Dept Stores	1,932,900	9%	1,971,571	9%	2,010,997	9%	2,051,216	8%
Misc. Retail	4,248,000	19%	4,460,414	19%	4,683,437	20%	4,917,599	20%
Other Taxable	1,913,354	9%	1,989,896	9%	2,069,494	9%	2,152,264	9%
Rental	3,093,527	14%	3,217,273	14%	3,345,969	14%	3,479,796	14%
Restaurants	2,267,458	10%	2,358,162	10%	2,452,493	10%	2,550,582	11%
Utilities	1,021,820	5%	1,026,934	4%	1,032,074	4%	1,037,224	4%
Other	-	0%	-	0%	-	0%	-	0%
Total	**22,251,700**	**100%**	**22,897,800**	**100%**	**23,557,900**	**100%**	**24,275,300**	**100%**

Sales Tax - Preservation (0.15%)

Sales Tax - Preservation (0.15%) represents the 2004 voter approved 0.15 percent of the city's sales tax dedicated to the purchase of land within the McDowell Sonoran Preserve, plus construction of essential preserve related necessities such as proposed trailheads. The FY 2017/18 budget of $16.2 million represents an increase of $0.8 million, or 5 percent, over the FY 2016/17 year-end forecast. Both amounts have been adjusted to incorporate the effect of Arizona Department of Revenue (ADOR) taking over administration, collection, and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily. The following table is a five year forecast by business category for the preservation sales tax, which reflects a 3 percent increase annually for total collections.



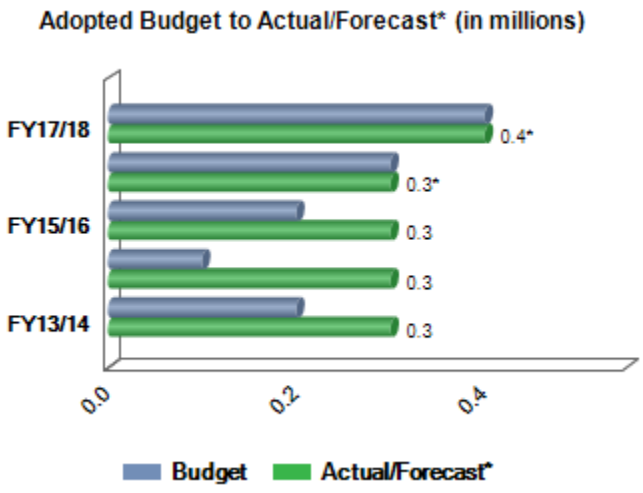
Sales Tax - Preservation (0.15%) Five Year Forecast by Business Category

Business Category	Actual 2015/16	% of Total	Adopted 2016/17	% of Total	Forecast 2016/17	% of Total	Adopted 2017/18	% of Total
Automotive	2,159,234	14%	2,273,450	14%	1,784,276	12%	2,127,901	13%
Construction	1,549,211	10%	1,404,434	9%	1,523,800	10%	1,523,800	9%
Food	1,075,066	7%	1,117,918	7%	1,094,559	7%	1,127,396	7%
Hotel/Motel	836,538	5%	877,515	6%	902,580	6%	958,088	6%
Major Dept Stores	1,392,745	9%	1,469,357	9%	1,405,169	9%	1,421,256	9%
Misc. Retail	2,740,426	18%	2,895,145	18%	2,920,818	19%	3,034,291	19%
Other Taxable	1,361,932	9%	1,337,994	8%	1,305,532	8%	1,379,823	9%
Rental	2,182,570	14%	2,127,608	14%	2,178,032	14%	2,230,909	14%
Restaurants	1,464,452	9%	1,562,070	10%	1,542,489	10%	1,619,613	10%
Utilities	678,932	4%	677,629	4%	758,759	5%	762,552	5%
Total	**15,441,106**	**100%**	**15,743,120**	**100%**	**15,416,014**	**100%**	**16,185,629**	**100%**

Business Category	Forecast 2018/19	% of Total	Forecast 2019/20	% of Total	Forecast 2020/21	% of Total	Forecast 2021/22	% of Total
Automotive	2,139,975	13%	2,129,012	12%	2,107,700	12%	2,107,710	12%
Construction	1,523,805	9%	1,523,810	9%	1,523,795	9%	1,523,800	8%
Food	1,161,218	7%	1,196,064	7%	1,231,929	7%	1,268,884	7%
Hotel/Motel	1,005,995	6%	1,056,301	6%	1,109,101	6%	1,164,551	6%
Major Dept Stores	1,449,681	9%	1,478,684	9%	1,508,242	9%	1,538,402	8%
Misc. Retail	3,186,005	19%	3,345,315	19%	3,512,560	20%	3,688,189	20%
Other Taxable	1,435,016	9%	1,492,422	9%	1,552,108	9%	1,614,188	9%
Rental	2,320,145	14%	2,412,960	14%	2,509,465	14%	2,609,838	14%
Restaurants	1,700,594	10%	1,768,626	10%	1,839,357	10%	1,912,926	11%
Utilities	766,365	5%	770,206	4%	774,043	4%	777,912	4%
Total	**16,688,800**	**100%**	**17,173,400**	**100%**	**17,668,300**	**100%**	**18,206,400**	**100%**

Interest Earnings

Interest Earnings is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investments in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield. The FY 2017/18 budget of $0.4 million is developed by staff based on current interest rates and the available cash balance.

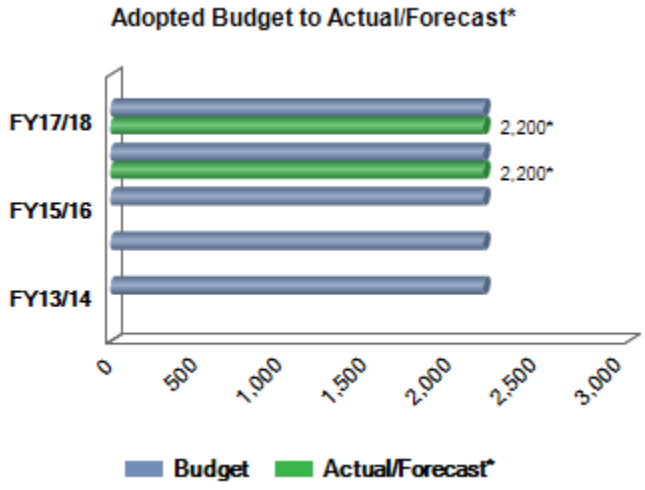


Preservation Fund Uses

Almost all of the uses in this fund are Transfers Out for debt service expenses on Preserve General Obligation Bonds, Revenue Bonds and capital projects such as land acquisition and construction of essential preserve related assets such as trailheads.

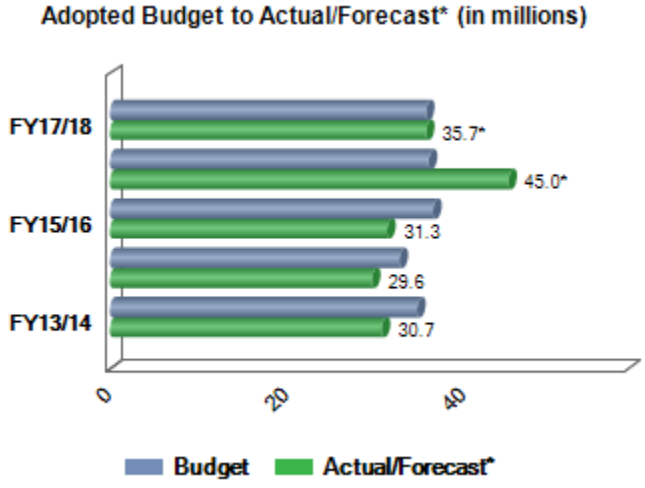
Professional Services

Professional Services expenditures adopted budget for FY 2017/18 is $2,200 to cover operating financial expenses related to servicing the preserve debt, which is consistent with FY 2016/17 year-end forecast.



Transfers Out

Transfers Out are the authorized movement of cash or other resources to other funds and/or capital projects. The adopted budget for FY 2017/18 is $35.7 million, which consists of $31.9 million in transfers out to the Debt Service Fund for debt payments on general obligation and revenue bonds and $3.9 million in transfers out to the CIP Fund for general capital preserve projects. FY 2016/17 forecast shows an increase of $9 million from FY 2016/17 adopted budget, to account for the acquisition of 420 acres of State Trust Land for McDowell Sonoran Preserve.



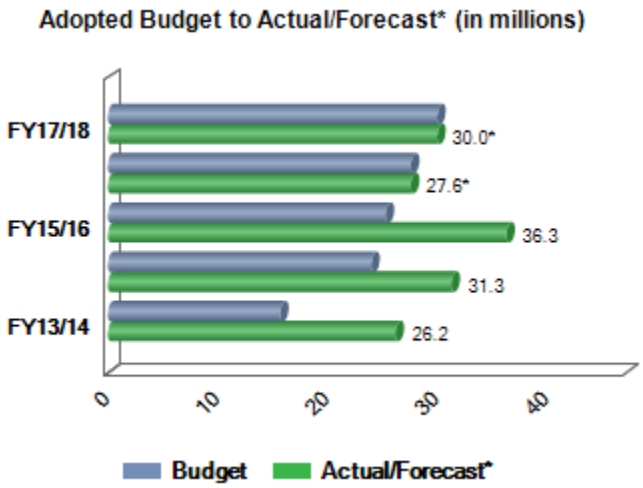
BUDGET BY FUND | Preservation Fund Ending Fund Balance

Preservation Fund Balance

Preservation Fund Balance is the accumulation of revenue received from Preservation Sales Tax (0.35%) and interest earnings. Growth of the fund balance occurs when sources exceed uses.

Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance for FY 2017/18 is $30.0 million. This balance represents an accumulation of revenues, which will be used for future debt service payments.



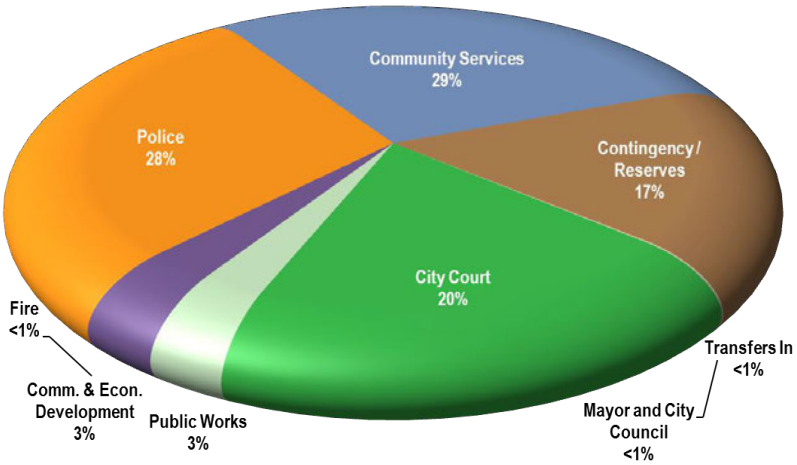
BUDGET BY FUND | Special Programs Fund Overview

Fund Purpose

In accordance with the Governmental Accounting Standards Board (GASB) 54, this fund is used to account for dedicated funding sources and donations earmarked for specific purposes pursuant to constraints imposed by formal action of the City Council or restricted by an outside source. All revenues not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose.

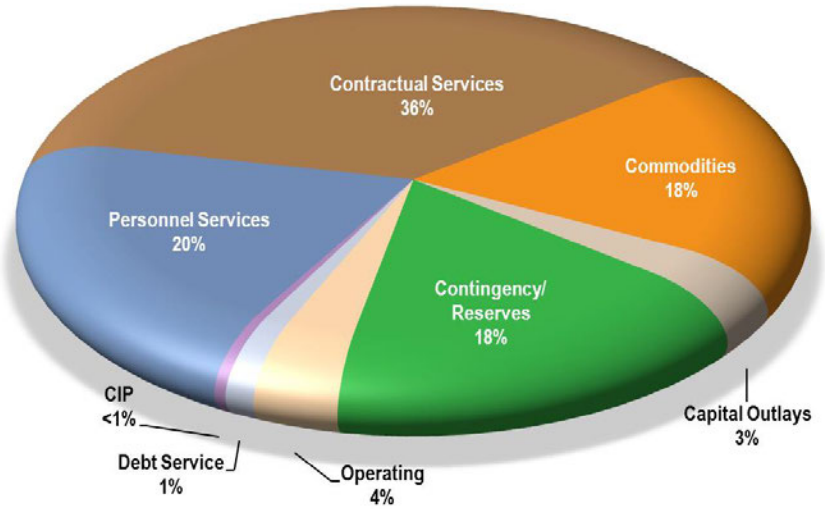
Special Programs Sources by Program Area (in $ millions)

City Court	1.8
Comm. & Econ. Development	0.3
Community Services	2.6
Mayor and City Council	-
Fire	-
Police	2.5
Public Works	0.3
Contingency/Reserves	1.5
Total Revenue	9.0
Transfer In	-
Total Sources	9.0



Special Programs Fund Uses (in $ millions)

Personnel Services	1.7
Contractual Services	3.1
Commodities	1.5
Capital Outlays	0.3
Contingency/ Reserves	1.5
Adopted Budget	8.1
Transfers Out	
Operating	0.3
Debt Service	0.1
CIP	0.0
Total Uses	8.6



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Special Programs Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Appropriation Contingency [a]	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Beginning Fund Balance					
Reserve - City Court	4,622,093	4,943,831	5,788,829	5,788,829	6,221,314
Reserve - Community and Economic Development	2,095,751	858,284	2,068,633	2,068,633	2,255,799
Reserve - Community Services	1,876,842	1,803,271	1,932,073	1,932,073	1,602,565
Reserve - Mayor and City Council	117	617	6,000	6,000	9,000
Reserve - Public Safety - Fire	7,933	1,833	6,211	6,211	3,391
Reserve - Public Safety - Police	1,098,858	469,114	1,002,089	1,002,089	901,993
Reserve - Public Works	58,024	58,024	50,093	50,093	53,121
Total Beginning Fund Balance	**9,759,618**	**8,134,974**	**10,853,928**	**10,853,928**	**11,047,183**
Revenues					
City Court	2,101,597	1,925,665	1,925,665	1,925,665	1,804,654
Community and Economic Development	314,192	420,307	420,307	835,653	278,307
Community Services	2,495,806	2,449,305	2,449,305	2,449,305	2,572,351
Mayor and City Council	6,500	500	500	9,500	7,500
Public Safety - Fire	984	500	500	1,100	300
Public Safety - Police	2,160,208	2,347,500	2,347,500	2,347,500	2,529,857
Public Works	273,535	253,028	253,028	253,028	268,509
Subtotal	***7,352,822***	***7,396,805***	***7,396,805***	***7,821,751***	***7,461,478***
Transfers In					
Operating Transfer In	1,104,492	60,000	60,000	10,000	10,000
Transfers In - CIP	20,920	-	-	-	-
Subtotal	***1,125,412***	***60,000***	***60,000***	***10,000***	***10,000***
Total Sources	**8,478,234**	**7,456,805**	**7,456,805**	**7,831,751**	**7,471,478**

[a] The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Expenditures					
City Court	930,372	1,105,714	1,121,992	1,121,992	1,479,773
Community and Economic Development	231,985	554,662	554,662	554,662	371,150
Community Services	2,316,509	2,761,341	2,777,813	2,777,813	2,700,630
Mayor and City Council	617	500	500	6,500	7,500
Public Safety - Fire	2,706	2,300	2,300	3,920	3,691
Public Safety - Police	1,799,525	1,940,115	1,945,608	1,945,608	1,751,154
Public Works	-	250,000	250,000	250,000	250,000
Citywide Pay Program	-	40,928	-	-	39,984
Subtotal	***5,281,713***	***6,655,560***	***6,652,875***	***6,660,495***	***6,603,882***
TOTAL OPERATING BUDGET	5,281,713	6,655,560	6,652,875	6,660,495	6,603,882
Transfers Out					
Operating Transfer Out	1,727,421	368,288	368,288	368,288	301,727
Transfer Out - CIP	268,464	505,888	505,888	505,888	43,500
Transfer Out - Debt Svc MPC Bonds	106,325	103,825	103,825	103,825	106,325
Subtotal	***2,102,210***	***978,001***	***978,001***	***978,001***	***451,552***
Total Uses	**7,383,924**	**7,633,561**	**7,630,876**	**7,638,496**	**7,055,434**
Sources Over/(Under) Uses	**1,094,310**	**(176,756)**	**(174,071)**	**193,255**	**416,044**
Appropriation Contingency [(a)]	1,499,383	1,500,000	1,500,000	1,500,000	1,500,000
Ending Fund Balance					
Reserve - City Court	5,788,829	5,376,440	6,221,314	6,221,314	6,505,527
Reserve - Community and Economic Development	2,068,633	680,104	1,890,453	2,255,799	2,066,631
Reserve - Community Services	1,932,073	1,472,794	1,602,565	1,602,565	1,456,802
Reserve - Mayor and City Council	6,000	617	6,000	9,000	9,000
Reserve - Public Safety - Fire	6,211	33	4,411	3,391	-
Reserve - Public Safety - Police	1,002,089	367,178	901,993	901,993	1,353,637
Reserve - Public Works	50,093	61,052	53,121	53,121	71,630
Total Ending Fund Balance	**10,853,928**	**7,958,218**	**10,679,857**	**11,047,183**	**11,463,227**

[(a)] The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Five-Year Finacial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Appropriation Contingency [a]	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Beginning Fund Balance					
Reserve - City Court	6,221,314	6,505,527	6,897,727	7,569,327	8,242,327
Reserve - Community and Economic Development	2,255,799	2,066,631	1,883,131	1,722,231	1,559,331
Reserve - Community Services	1,602,565	1,456,802	1,223,102	995,302	736,902
Reserve - Mayor and City Council	9,000	9,000	9,000	9,000	9,000
Reserve - Public Safety - Fire	3,391	-	-	-	-
Reserve - Public Safety - Police	901,993	1,353,637	1,386,037	1,402,737	1,420,037
Reserve - Public Works	53,121	71,630	95,530	124,930	159,830
Total Beginning Fund Balance	**11,047,183**	**11,463,227**	**11,494,527**	**11,823,527**	**12,127,427**
Revenues					
City Court	1,804,654	1,829,800	1,857,800	1,883,300	1,896,700
Community and Economic Development	278,307	278,300	278,300	278,300	278,300
Community Services	2,572,351	2,516,000	2,544,100	2,571,700	2,597,200
Mayor and City Council	7,500	7,500	7,500	7,500	7,500
Public Safety - Fire	300	300	300	300	300
Public Safety - Police	2,529,857	1,713,100	1,543,600	1,367,400	1,311,000
Public Works	268,509	273,900	279,400	284,900	290,600
Subtotal	***7,461,478***	***6,618,900***	***6,511,000***	***6,393,400***	***6,381,600***
Transfers In					
Operating Transfer In	10,000	10,000	-	-	-
Transfers In - CIP	-	-	-	-	-
Subtotal	***10,000***	***10,000***	***-***	***-***	***-***
Total Sources	**7,471,478**	**6,628,900**	**6,511,000**	**6,393,400**	**6,381,600**

[a] The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Five-Year Finacial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Expenditures					
City Court	1,479,773	1,128,200	1,137,300	1,146,900	1,155,800
Community and Economic Development	371,150	368,200	333,400	333,400	333,400
Community Services	2,700,630	2,714,100	2,717,800	2,757,000	2,788,700
Mayor and City Council	7,500	7,500	7,500	7,500	7,500
Public Safety - Fire	3,691	300	300	300	300
Public Safety - Police	1,751,154	1,388,100	1,230,100	1,048,900	997,600
Public Works	250,000	250,000	250,000	250,000	250,000
Citywide Pay Program	39,984	80,800	119,600	159,000	198,500
Subtotal	***6,603,882***	***5,937,200***	***5,796,000***	***5,703,000***	***5,731,800***
TOTAL OPERATING BUDGET	6,603,882	5,937,200	5,796,000	5,703,000	5,731,800
Transfers Out					
Operating Transfer Out	301,727	261,800	260,200	258,700	256,900
Transfer Out - CIP	43,500	295,000	20,000	20,000	20,000
Transfer Out - Debt Svc MPC Bonds	106,325	103,600	105,800	107,800	104,600
Subtotal	***451,552***	***660,400***	***386,000***	***386,500***	***381,500***
Total Uses	**7,055,434**	**6,597,600**	**6,182,000**	**6,089,500**	**6,113,300**
Sources Over/(Under) Uses	**416,044**	**31,300**	**329,000**	**303,900**	**268,300**
Appropriation Contingency [(a)]	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Ending Fund Balance					
Reserve - City Court	6,505,527	6,897,727	7,569,327	8,242,327	8,906,327
Reserve - Community and Economic Development	2,066,631	1,883,131	1,722,231	1,559,331	1,399,631
Reserve - Community Services	1,456,802	1,223,102	995,302	736,902	452,402
Reserve - Mayor and City Council	9,000	9,000	9,000	9,000	9,000
Reserve - Public Safety - Fire	-	-	-	-	-
Reserve - Public Safety - Police	1,353,637	1,386,037	1,402,737	1,420,037	1,427,937
Reserve - Public Works	71,630	95,530	124,930	159,830	200,430
Total Ending Fund Balance	**11,463,227**	**11,494,527**	**11,823,527**	**12,127,427**	**12,395,727**

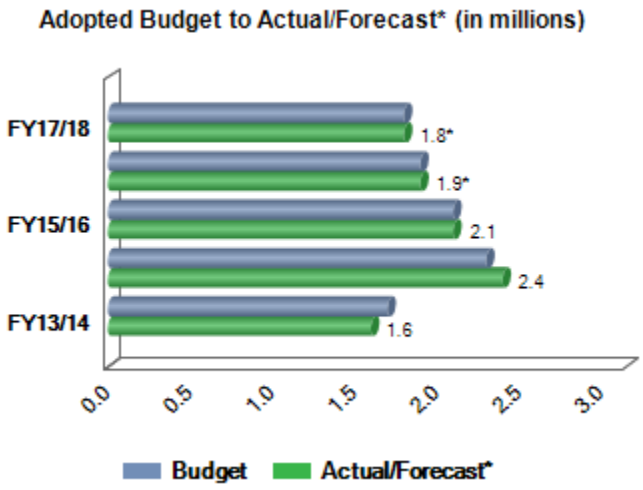
[(a)] The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

Special Programs Sources

Sources received in the Special Programs Fund consist of various Fines, Fees, Forfeitures and Permits; Racketeering Influenced Corrupt Organization (RICO) revenue; Contributions/Donations; Other Revenues; and Operating Transfers In. The revenues by division are detailed in the following sections.

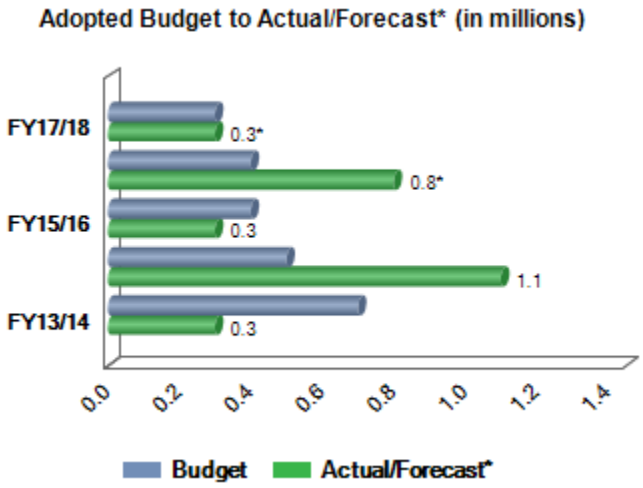
City Court

City Court revenue originates from four sources: Court Enhancement, Judicial Collections Enhancement Fund (JCEF), Fill-the-Gap (FTG) and Jury Fee Donations. The Court Enhancement is established by Scottsdale City Ordinance 2570 section 9-7.2 and provides funding to enhance the technological, operational, and security facilities of the Court. JCEF and FTG were established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, which provide funding for maintaining and enhancing the Court's ability to collect and manage monies. Jury Fee Donation revenue is a program established in FY 2014/15 which allows jurors to donate their portion of jury pay, which will be used to enhance the experience of citizens serving on juries. The FY 2017/18 budget for restricted City Court revenue is $1.8 million, which is $0.1 million lower than the FY 2016/17 year-end forecast.



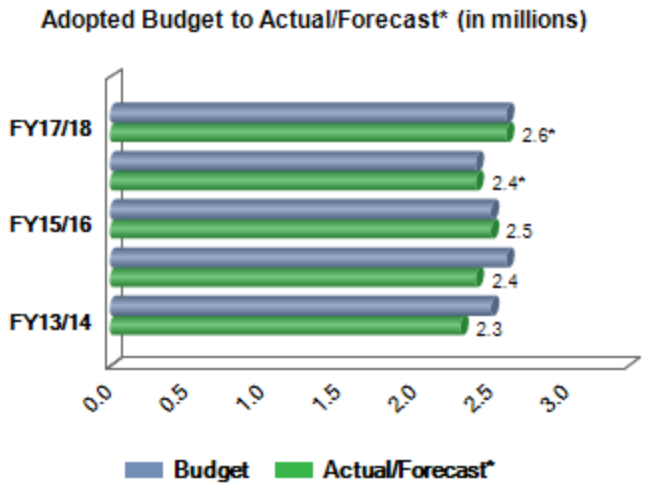
Community and Economic Development

Community and Economic Development revenue is generated from the following sources: contributions and donations, lease agreements, revenue from Bureau of Reclamation, and gross sales from McDowell Mtn. Golf Course. The estimated special revenue for FY 2017/18 is $0.3 million. FY 2016/17 forecast shows an increase of $0.4 million from FY 2016/17 adopted budget, due to unbudgeted revenue received for Tournament Players Club (TPC) and an additional one-time council approved transfer from Bureau of Reclamation to install arenas at WestWorld.



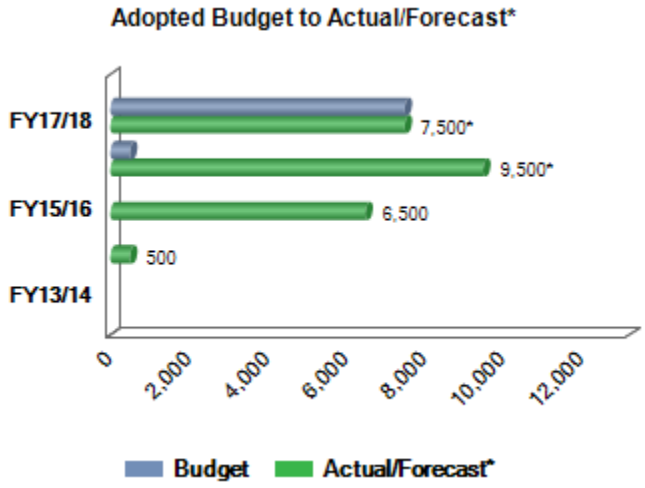
Community Services

Community Services special revenues include donations, contributions, user fees and charges that are restricted to specific uses per the revenue source. Restricted uses of special revenue include library and human services, afterschool and summer programs, enhancing parks, youth sports field and pool sponsored team allocations, Handlebar Helpers, Silverado Golf Surcharge, Charros/Giants for capital improvement, providing memorials, special events, funding community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park. The estimated special revenue for FY 2017/18 is $2.6 million.



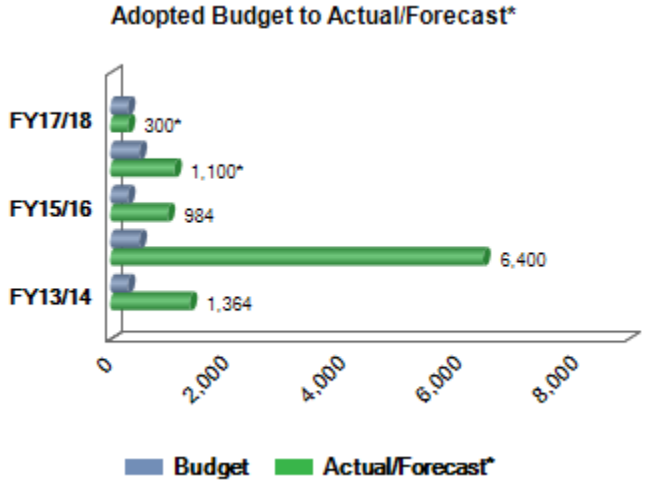
Mayor and City Council

Mayor and City Council began receiving contributions and donations to fund the yearly Mayor's Constitution event in FY 2014/15, which was previously recorded in the Trust Fund. In FY 2015/16 the Trust Fund revenue were transferred to the Special Programs Fund due to a change in Accounting standards. Additionally, the budget for this fund was established in FY 2016/17. The estimated special revenue for FY 2017/18 is $7,500.



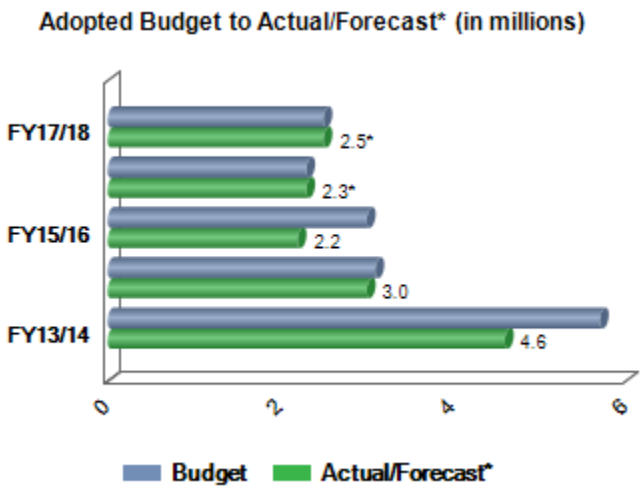
Public Safety – Fire

Public Safety - Fire revenue includes donations and contributions that are to be used for the specific purpose indicated by the donors. Categories include public education support, equipment acquisition, and fire station enhancements. The estimated revenue through restricted revenue sources for FY 2017/18 is $300.



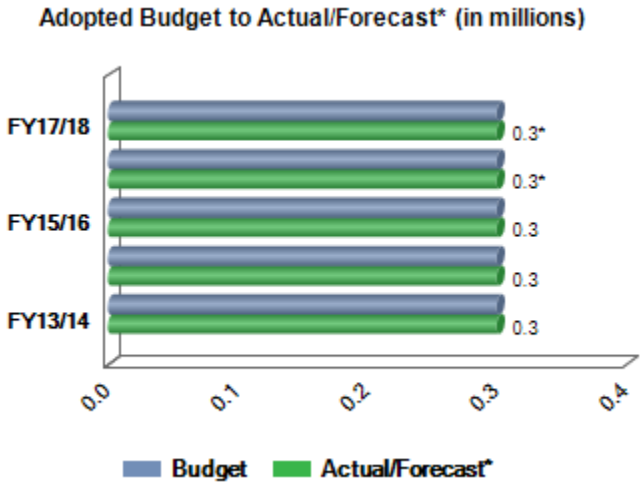
Public Safety – Police

Revenue estimated through restricted revenue sources for FY 2017/18 is $2.5 million, which is an increase of $0.2 million from the FY 2016/17 year-end forecast. Police revenue is generated from the following seven sources: 1) Racketeering Influenced Corrupt Organization (RICO) funds, which are strictly regulated for law enforcement purposes only; 2) Forensic Services Intergovernmental Agreements (IGA) with communities neighboring Scottsdale for full cost recovery of services provided at the crime laboratory; 3) donations made specifically for the Mounted Unit and Family Advocacy Center, as well as general donations to the Police Department that includes the Canine Unit; 4) drug conviction assessments, for the purpose of crime laboratory analysis; 5) Police 30-Day Tow Program that enforces and enhances the State Statute related to suspended driver's licenses, driving under the influence offenses, and driving without insurance; 6) Officer Safety Equipment established by Senate Bill 1398 that imposes a $13 assessment ($4 to the investigating/arresting agency) on all criminal charges, civil traffic and parking charges to purchase additional safety equipment for officers; and 7) Second Hand and Pawn Transaction Fee established by Ordinance 3966 in May 2012 that requires electronically processed pawn tickets and related fees that will be used to recover costs related to the administration of the program.



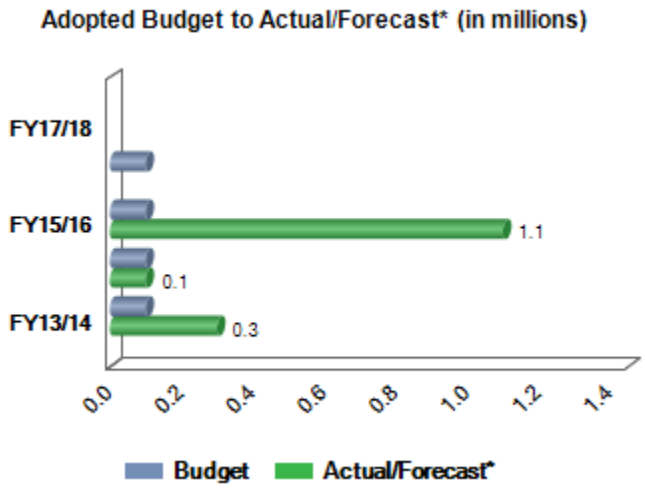
Public Works

The city receives annual payments from Southwest Gas Corporation for a Gas Franchise Agreement allowing for the use of city right of ways. These payments are used to offset costs associated with maintaining various city right-of-ways. The estimated revenue for FY 2017/18 is $0.3 million, which is consistent with FY 2016/17 year-end forecast.



Transfers In

Transfers In to the Special Programs Fund represents support for specific programs from the General Fund. The FY 2017/18 budget includes a transfer in of $10,000 for the preservation and maintenance of properties on Scottsdale's Historic Register. The decrease in FY 2016/17 forecast reflects the completion of the $50,000 financial commitment authorized by City Council in 2004. FY 2015/16 actuals reflect: 1) the restructuring of programs in Community and Economic Development, which included a transfer of the programs fund balance; and 2) the transferring in of excess funds from a completed CIP project in Community Services. FY 2013/14 actuals reflect a CIP transfer in for savings achieved in the completed City Courts Document Management System project.

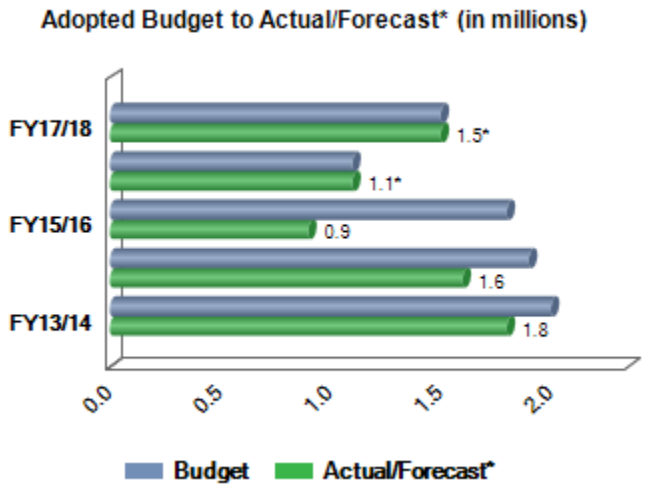


Special Programs Uses

The expenditures by Division and Transfers Out are as follows:

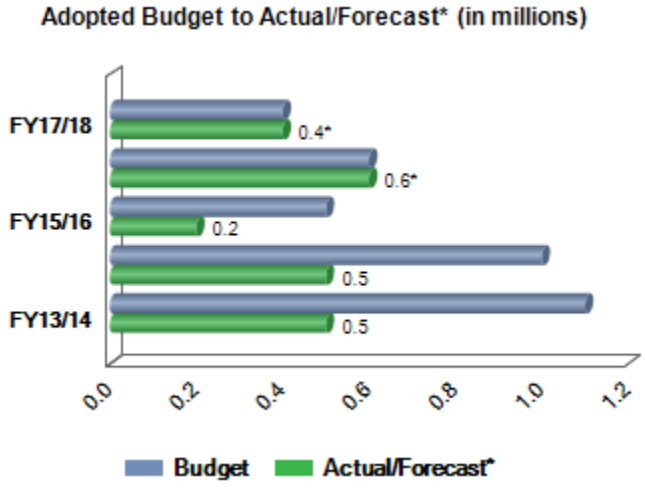
City Court

City Court expenditure budget for FY 2017/18 is approximately $1.5 million and includes the following specific uses: 1) Enhancements to the Court's technological, operational, and security facilities, as allowed under the Court Enhancement established by Scottsdale City Ordinance 2570 section 9-7.2; 2) Additional expenditures, as allowed by Judicial Collections Enhancement Fund (JCEF) and Fill-the-Gap (FTG) established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, for the maintenance and enhancement of the Court's ability to collect and manage monies; and 3) Beginning in FY 2014/15 the City Court accepts jury donations with proceeds to be spent on services to enhance the experience of citizens serving on juries.



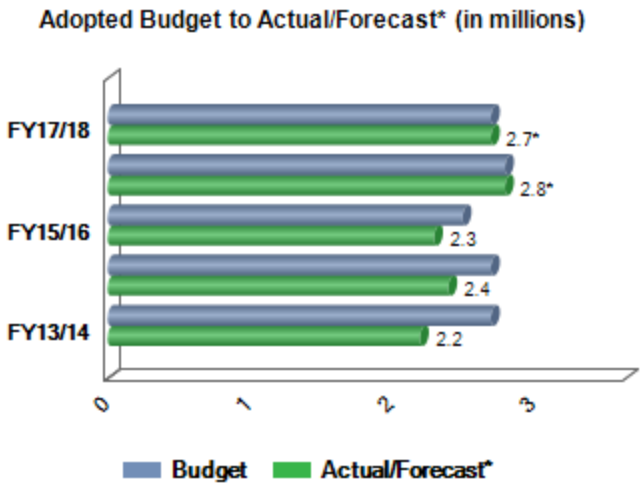
Community and Economic Development

The expenditures related to Community and Economic Development are used to further downtown cultural and community arts events, preserve and maintain properties on Scottsdale's Historic Register, support Art in Public Places (AIPP), and to preserve and maintain Sanctuary and TPC golf courses. The adopted budget total for FY 2017/18 is $0.4 million, which has decreased by $0.2 million from FY 2016/17 year-end forecast.



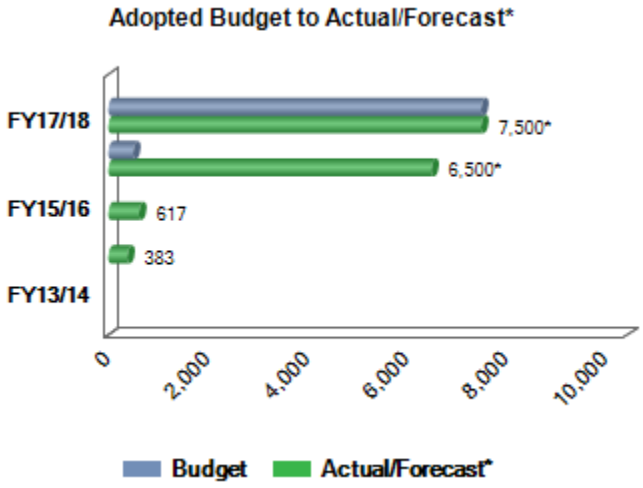
Community Services

Community Services expenditure budget for FY 2017/18 is $2.7 million. Expenditures include youth sports field and pool maintenance, Charros/Giants for capital improvements, Silverado golf course maintenance/improvements, Handlebar Helpers program, special events, providing memorials, funding community support agencies (Scottsdale Cares), afterschool programs, summer programs, library programs and operations, and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park.



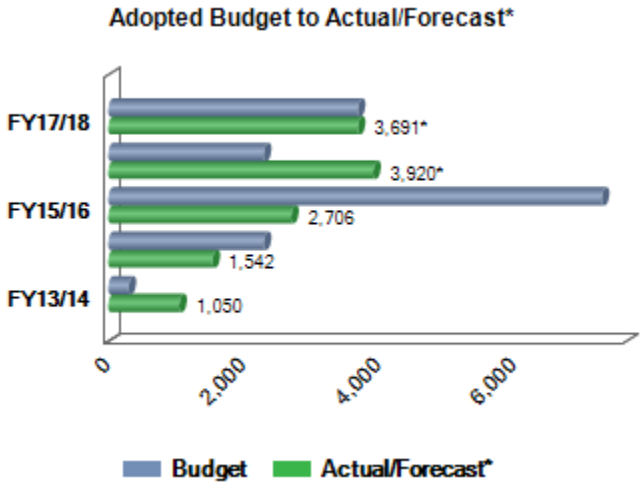
Mayor and City Council

Mayor and City Council began receiving contributions and donations to fund the yearly Mayor's Constitution event in FY 2014/15, which was previously recorded in the Trust Fund. In FY 2015/16 the Trust Fund expenses were transferred to the Special Programs Fund due to a change in Accounting standards. Additionally, the budget for this fund was established in FY 2016/17. The estimated expense for FY 2017/18 is $7,500.



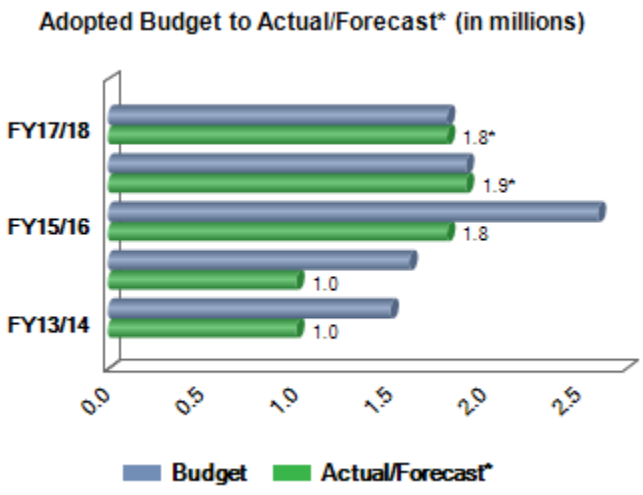
Public Safety – Fire

Public Safety - Fire expenditures include public education support, equipment acquisition, and fire station enhancements. The FY 2017/18 adopted budget is $3,691.



Public Safety – Police

Public Safety - Police expenditure budget for FY 2017/18 is $1.8 million and includes the following specific uses: 1) Law enforcement enhancements through the use of Racketeering Influenced Corrupt Organization (RICO) funds; 2) Expenses incurred by the city for Crime Laboratory Services provided to surrounding communities. The city recovers the full cost of the crime laboratory service through Forensic Services Intergovernmental Agreements (IGAs); 3) Crime laboratory analysis as outlined in drug conviction assessments; 4) Veterinary costs, specific training, education and supplies as specified by the donor for the Mounted Unit, Canine Unit, School Resource Education and Family Advocacy Center; 5) Administrative costs including transportation, associated with administering the 30-Day Tow Program that enforces ARS §28-3511; 6) Equipment that enhances officer's safety while on duty; and 7) cost recovery for administration and enforcement of City Ordinance 3966 (Second Hand and Pawn Transaction Fees).



Public Works

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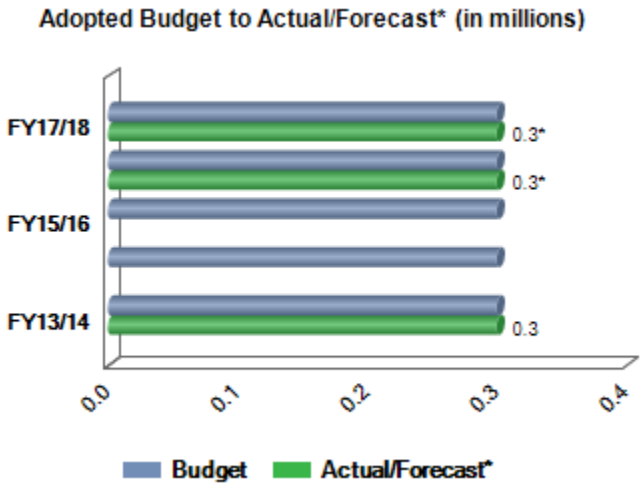
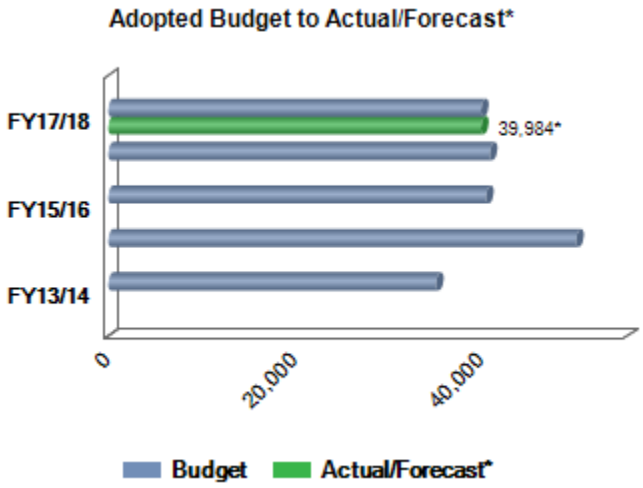


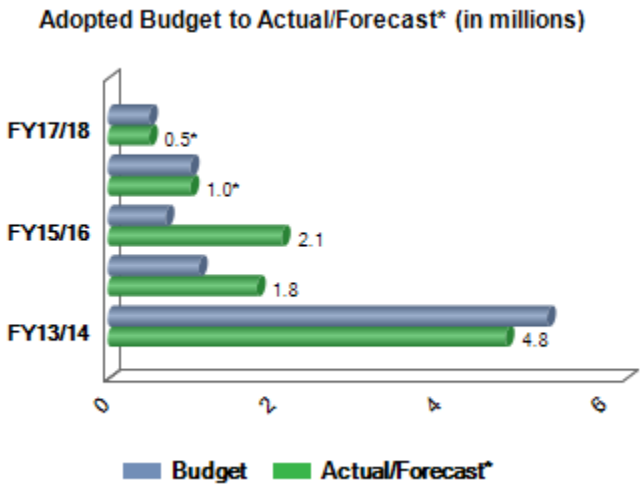
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totals $39,984 or FY 2017/18. Additionally, the FY 2016/17 forecast and FY 2013/14 - FY 2015/16 actuals at $0 are due to the actuals being allocated into the divisions. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



Transfers Out

Transfers Out are the authorized movement of cash or other resources to fund programs in the General Fund supported by Special Programs (Police 30-Day Tow) and to fund debt service and/or capital projects. The FY 2017/18 budget for transfers out of $0.5 million consists of $0.0 million to the Capital Improvement Fund for City Court and Police projects; $0.3 million goes to the General Fund for the Police 30-Day Tow program support; $0.1 million to MPC Bonds for debt service related to McDowell Mountain Golf Course.



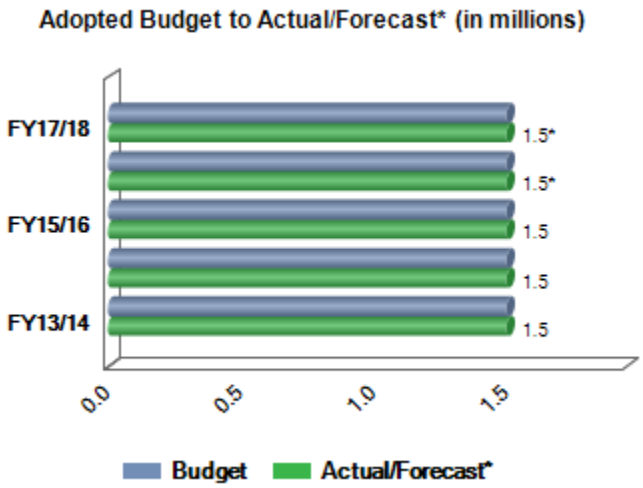
BUDGET BY FUND | Special Programs Ending Fund Balance

Special Program Fund Reserves

Special Program Fund Reserves protect the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's Special Program Fund reserves are noted in the following:

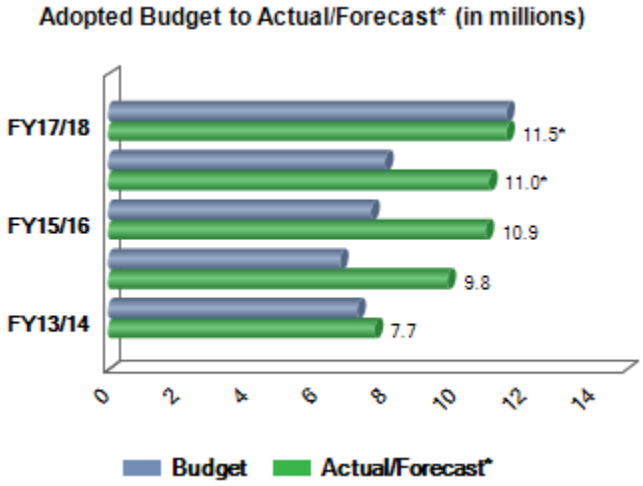
Appropriation Contingency

Appropriation Contingency for the Special Program Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval. The adopted Appropriation Contingency for FY 2017/18 is $1.5 million.



Special Programs Fund Balance

Special Programs Fund ending balance of $11.5 million for FY 2017/18 represents the following individual ending fund balances: $6.5 million for City Court, $2.1 million for Community and Economic Development, $1.5 million for Community Services, $1.4 million for Public Safety - Police, and $0.1 million for Public Works.



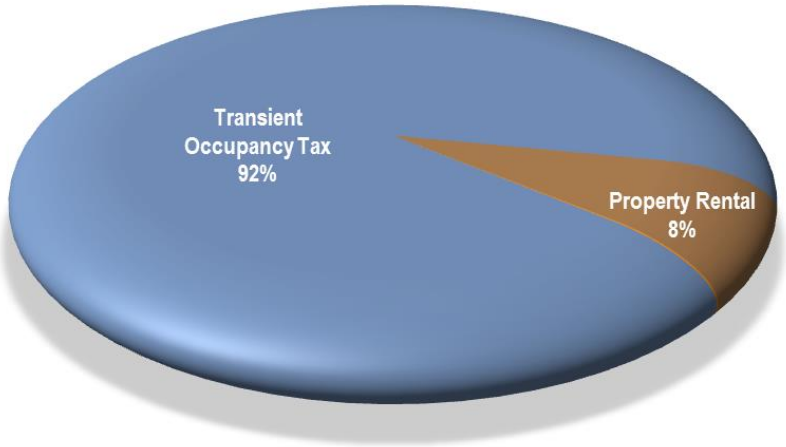
BUDGET BY FUND | Tourism Development Fund Overview

Fund Purpose

The Tourism Development Fund is a special revenue fund created to account for transient occupancy tax revenues, Princess Hotel lease payments and other related miscellaneous revenues all of which are to be used for tourism related activities. Ordinance No. 4018, approved by Scottsdale City Council in May 2012, identifies the authorized expenditures to be made from this fund. This fund became active after the start of FY 2012/13.

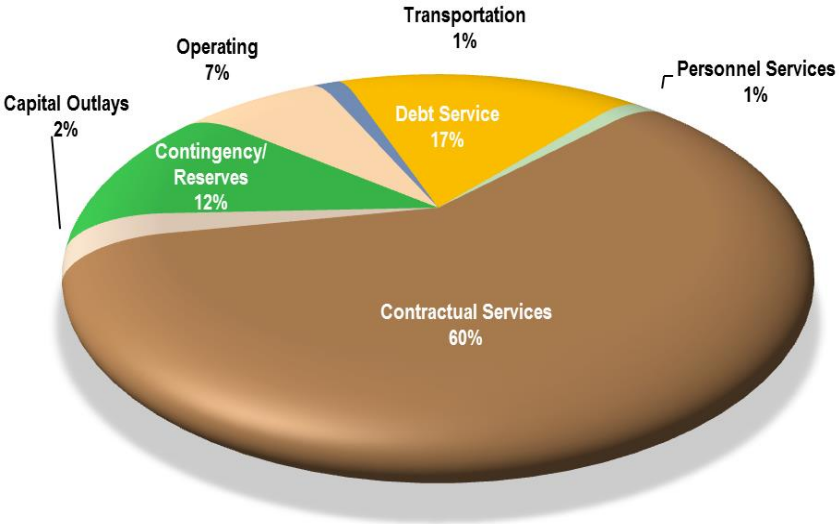
Tourism Development Fund Sources (in $ millions)

Transient Occupancy Tax	19.4
Property Rental	1.7
Miscellaneous	0.0
Total Sources	21.1



Tourism Development Fund Uses (in $ millions)

Personnel Services	0.3
Contractual Services	12.9
Commodities	0.0
Capital Outlays	0.5
Contingency/Reserves	2.5
Adopted Budget	16.2
Transfers Out	
Operating	1.6
Transportation	0.3
Debt Service	3.6
Total Uses	21.7



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Tourism Development Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Undesignated, Unreserved Fund Balance	7,296,287	7,682,195	7,943,108	7,943,108	10,171,579
Total Beginning Fund Balance	**9,796,287**	**10,182,195**	**10,443,108**	**10,443,108**	**12,671,579**
Revenues					
Transient Occupancy Tax	17,396,331	18,714,000	18,714,000	18,838,333	19,441,159
Property Rental	1,531,012	1,618,667	1,618,667	1,618,667	1,667,227
Miscellaneous	19,017	20,500	20,500	18,000	20,500
Subtotal	***18,946,360***	***20,353,167***	***20,353,167***	***20,475,000***	***21,128,886***
Total Sources	**18,946,360**	**20,353,167**	**20,353,167**	**20,475,000**	**21,128,886**
Expenditures					
Destination Marketing Contract	8,698,166	9,357,000	9,357,000	9,419,166	9,720,580
Event Retention and Development	991,014	1,200,000	1,200,000	1,000,000	1,200,000
Hospitality Trolley/Banner Program	17,455	327	327	18,000	20,500
Mayor and Council Support - Bed Tax [(a)]	75,000	75,000	75,000	75,000	-
Tourism Dev One Time Commitments	169,089	500,000	500,000	50,000	500,000
Tourism Development - Bed Tax	436,642	500,000	505,700	500,000	488,336
Tourism Development Carryover	674,457	1,815,354	1,815,354	800,000	1,551,354
Trolley-Downtown Tourism Fund [(b)]	300,000	300,000	300,000	300,000	-
Operating Projects	-	-	1,125,628	875,628	250,000
Citywide Pay Program	-	5,164	-	-	8,664
Subtotal	***11,361,823***	***13,752,845***	***14,879,009***	***13,037,794***	***13,739,434***
TOTAL OPERATING BUDGET	11,361,823	13,752,845	14,879,009	13,037,794	13,739,434
Transfers Out					
Operating Transfer Out [(b)]	1,500,875	1,500,000	1,500,000	1,500,000	1,900,000
Transfer Out - CIP	1,846,900	-	-	119,372	-
Transfer Out-Debt Svc MPC Bonds	3,589,941	3,589,363	3,589,363	3,589,363	3,591,763
Subtotal	***6,937,716***	***5,089,363***	***5,089,363***	***5,208,735***	***5,491,763***
Total Uses	**18,299,539**	**18,842,208**	**19,968,372**	**18,246,529**	**19,231,197**
Sources Over/(Under) Uses	**646,821**	**1,510,959**	**384,795**	**2,228,471**	**1,897,689**
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	1,255,000	1,192,834	2,500,000
Undesignated, Unreserved Fund Balance	7,943,108	9,193,154	9,572,903	11,478,745	12,069,268
Total Ending Fund Balance	**10,443,108**	**11,693,154**	**10,827,903**	**12,671,579**	**14,569,268**

[(a)] Council authorized $0.1 million of Tourism Development Funds to be dedicated to the Global Ties contract. Beginning FY 2017/18 this contract will be funded with General Funds.

[(b)] Council has authorized $0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for his program. However, beginning in FY 2017/18, the preference is to transfer Tourism Development Funds to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

BUDGET BY FUND | Tourism Development Fund Five Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Undesignated, Unreserved Fund Balance	10,171,579	12,069,268	15,485,968	19,241,668	23,324,668
Total Beginning Fund Balance	**12,671,579**	**14,569,268**	**17,985,968**	**21,741,668**	**25,824,668**
Revenues					
Transient Occupancy Tax	19,441,159	20,063,300	20,665,200	21,285,100	21,923,700
Property Rental	1,667,227	1,708,900	1,743,100	1,760,500	1,778,100
Miscellaneous	20,500	20,500	20,500	20,500	20,500
Subtotal	***21,128,886***	***21,792,700***	***22,428,800***	***23,066,100***	***23,722,300***
Total Sources	**21,128,886**	**21,792,700**	**22,428,800**	**23,066,100**	**23,722,300**
Expenditures					
Destination Marketing Contract	9,720,580	10,031,600	10,332,600	10,642,500	10,961,800
Event Retention and Development	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Hospitality Trolley/Banner Program	20,500	20,500	20,500	20,500	20,500
Mayor and Council Support - Bed Tax [a]	-	-	-	-	-
Tourism Dev One Time Commitments	500,000	500,000	500,000	500,000	500,000
Tourism Development - Bed Tax	488,336	482,400	473,000	463,200	456,900
Tourism Development Carryover	1,551,354	631,000	631,000	631,000	631,000
Trolley-Downtown Tourism Fund [b]	-	-	-	-	-
Operating Projects	250,000	-	-	-	-
Citywide Pay Program	8,664	17,500	26,800	36,400	42,600
Subtotal	***13,739,434***	***12,883,000***	***13,183,900***	***13,493,600***	***13,812,800***
TOTAL OPERATING BUDGET	13,739,434	12,883,000	13,183,900	13,493,600	13,812,800
Transfers Out					
Operating Transfer Out [b]	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Transfer Out - CIP	-	-	-	-	-
Transfer Out-Debt Svc MPC Bonds	3,591,763	3,593,000	3,589,200	3,589,500	3,593,900
Subtotal	***5,491,763***	***5,493,000***	***5,489,200***	***5,489,500***	***5,493,900***
Total Uses	**19,231,197**	**18,376,000**	**18,673,100**	**18,983,100**	**19,306,700**
Sources Over/(Under) Uses	**1,897,689**	**3,416,700**	**3,755,700**	**4,083,000**	**4,415,600**
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Undesignated, Unreserved Fund Balance	12,069,268	15,485,968	19,241,668	23,324,668	27,740,268
Total Ending Fund Balance	**14,569,268**	**17,985,968**	**21,741,668**	**25,824,668**	**30,240,268**

[a] Council authorized $0.1 million of Tourism Development Funds to be dedicated to the Global Ties contract. Beginning FY 2017/18 this contract will be funded with General Funds.

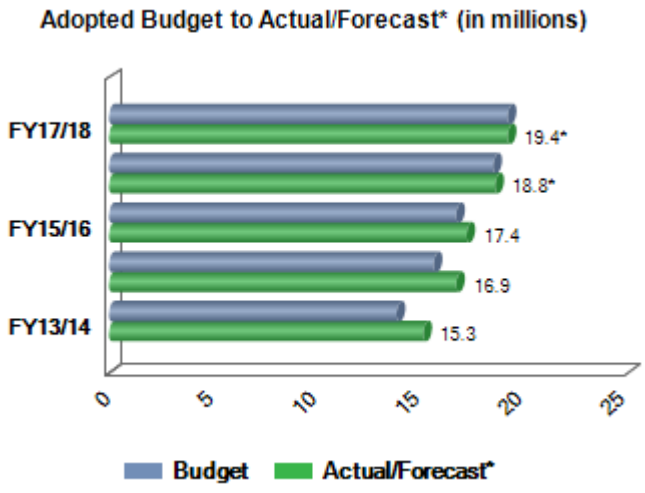
[b] Council has authorized $0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for his program. However, beginning in FY 2017/18, the preference is to transfer Tourism Development Funds to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

Tourism Development Fund Sources

There are two main sources for the Tourism Development Fund: Transient Occupancy Tax and lease revenue from the Fairmont Scottsdale Princess Hotel. Additionally, there is miscellaneous revenue related to tourism activities. More specific information on these sources is detailed below.

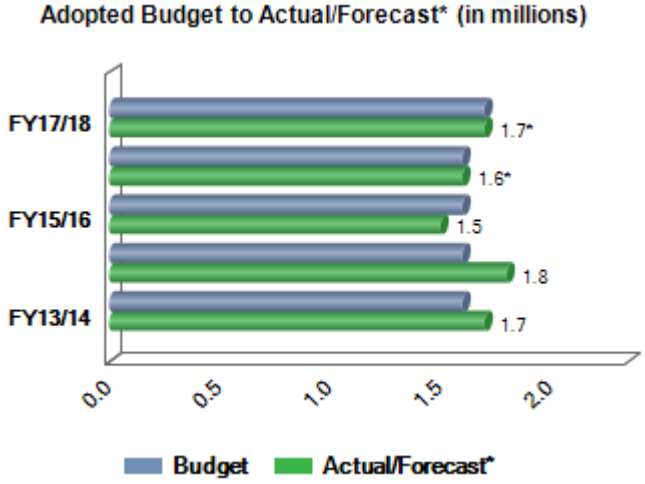
Transient Occupancy Tax

Transient Occupancy Tax reflects a voter approved tax of 5 percent on hotel and motel room rentals in addition to the sales tax. Beginning January 1, 2017 the Arizona Department of Revenue (ADOR) has taken over administration, collection and reporting of transient occupancy tax. Payments from ADOR are received weekly rather than daily. The FY 2017/18 budget of $19.4 million is $0.6 million or 3 percent higher than the FY 2016/17 year end forecast.



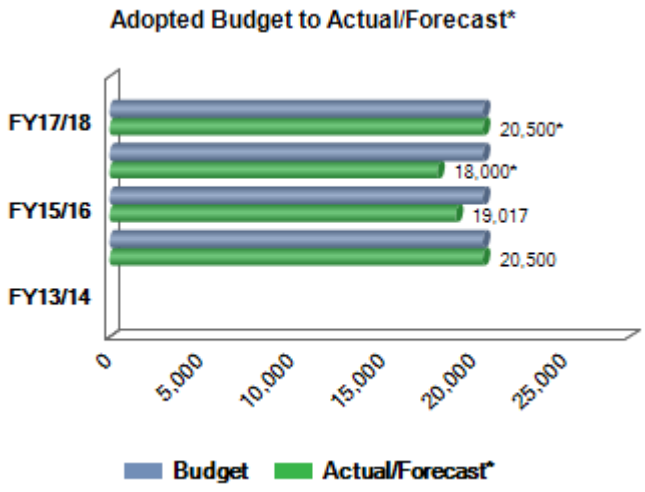
Property Rental

The Fairmont Scottsdale Princess Hotel has a ground lease agreement with the City of Scottsdale. During the current period of the lease, the Princess Hotel shall pay a rate of 1.50 percent of the adjusted gross revenue above $100.0 million in addition to a set amount of $1.5 million annually. The FY 2017/18 budget for property rental is $1.7 million, which represents a slight increase from the FY 2016/17 year-end forecast, based on gross sales projections.



Miscellaneous

Miscellaneous includes the reimbursement for the banner program and other additional revenues that are not attributable to one of the specific revenue categories previously noted. The FY 2017/18 budget is $20,500.

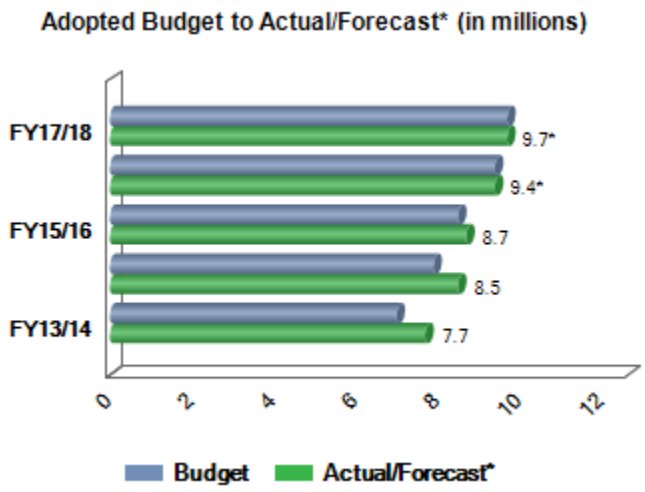


Tourism Development Fund Uses

Tourism Development Fund uses are presented by use of funds according to Financial Policy No. 21A.

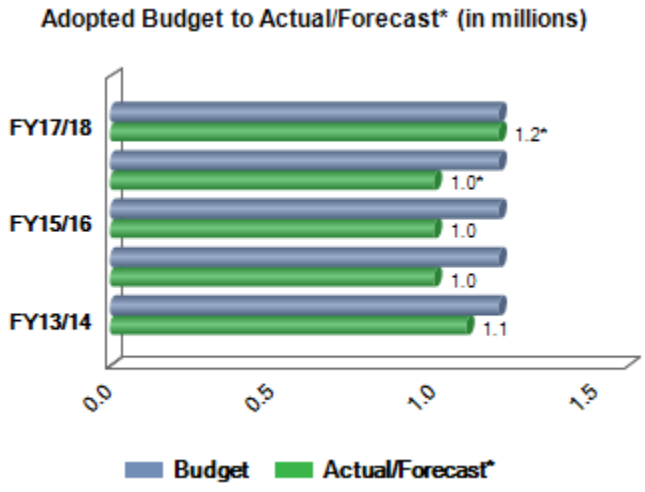
Destination Marketing Contract

50 percent of the Transient Occupancy Tax received by the city is used for destination marketing through a contract with Experience Scottsdale. The adopted FY 2017/18 budget for Destination Marketing Contract is $9.7 million, which is a $0.3 million increase from the FY 2016/17 year-end forecast.



Event Retention and Development

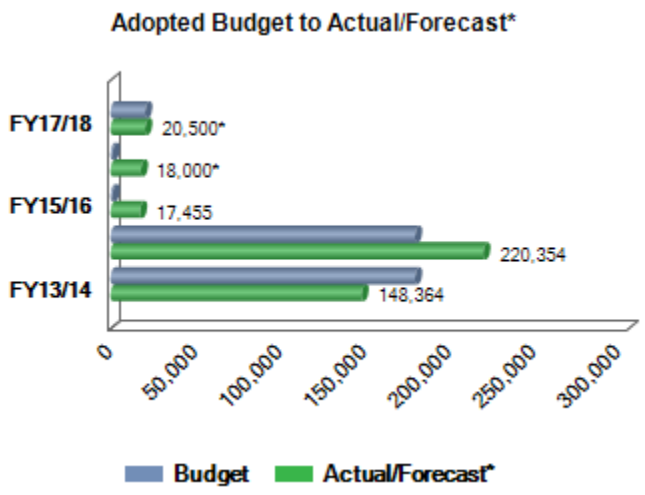
Event Retention and Development per Financial Policy No. 21A, includes $1.2 million for events and event development. The funds are allocated toward new event development, community events, matching event advertising, event venue fee, and event notification program. Anticipated events for FY 2017/18 include the Fiesta Bowl and the Scottsdale International Film Festival, among others.



BUDGET BY FUND | Tourism Development Fund Uses

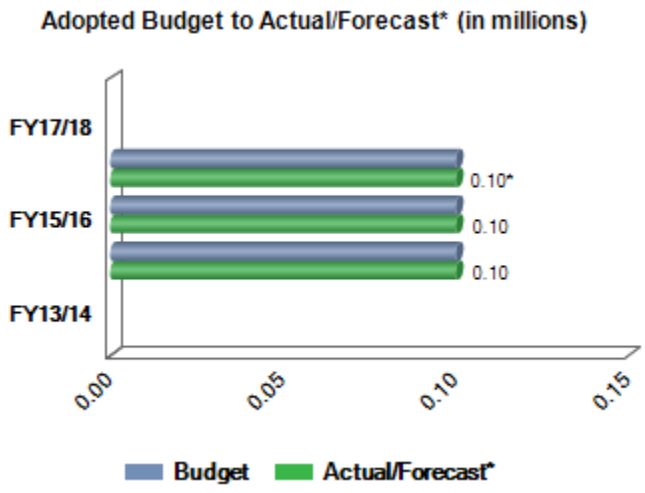
Hospitality Trolley/Banner Program

The Hospitality Trolley route is no longer in service. This line item also includes expenses related to the banner program that are reimbursed by event producers. The FY 2017/18 budget is $20,500.



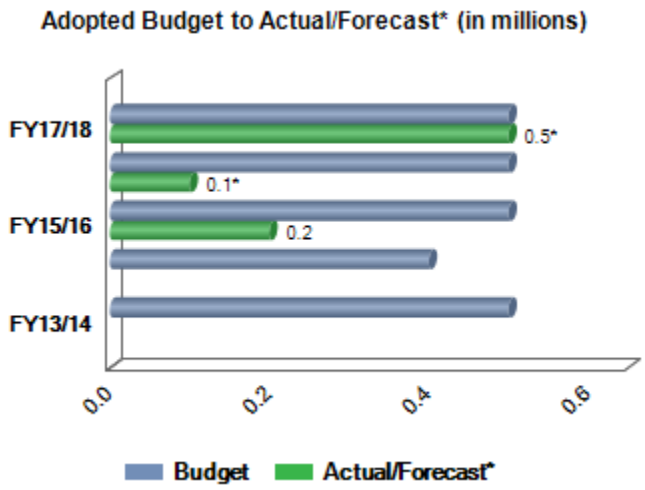
Mayor and City Council Support - Bed Tax

Beginning FY 2017/18, the payment to the Arizona Council for International Visitors was moved back to the General Fund where it was previously budgeted prior to FY 2014/15, and also moved to the City Manager division's budget. The funding is used to assist international visitors, provide protocol services and provide office space for the Scottsdale Sister Cities Association.



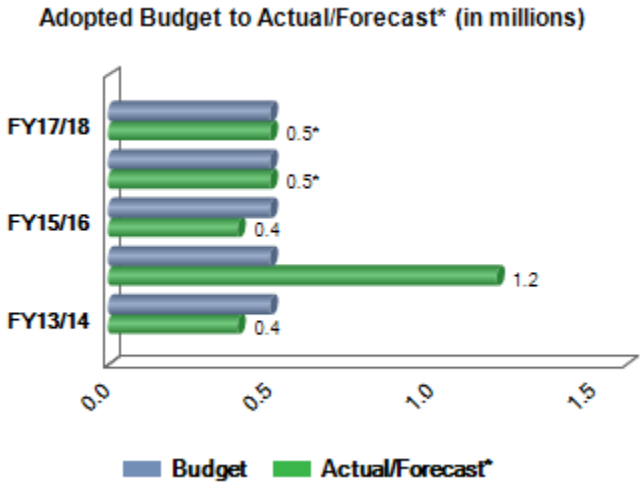
Tourism Dev One Time Commitments

Financial Policy No. 21A allocates $0.5 million from the Transient Occupancy Tax monies to one-time commitments to capital projects, events and event development, or administration and research. No expenses occurred for one-time commitments in 2013/14 and FY 2014/15.



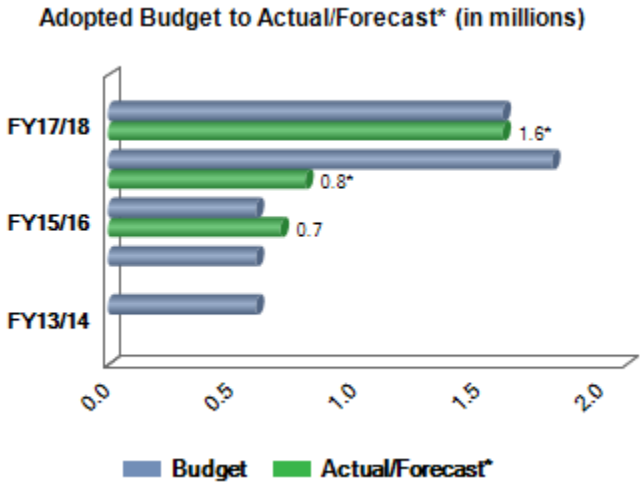
Tourism Development - Bed Tax

Financial Policy No. 21A allows for $0.5 million to be allocated from the Transient Occupancy Tax revenues for tourism-related administration and research expenses. The significant actual of $1.2 million in FY 2014/15 was due to FY 2013/14 and FY 2014/15 invoices related to the Museum of the West matching program totaling $0.8 million that were recorded in this category instead of in Events & Event Development.



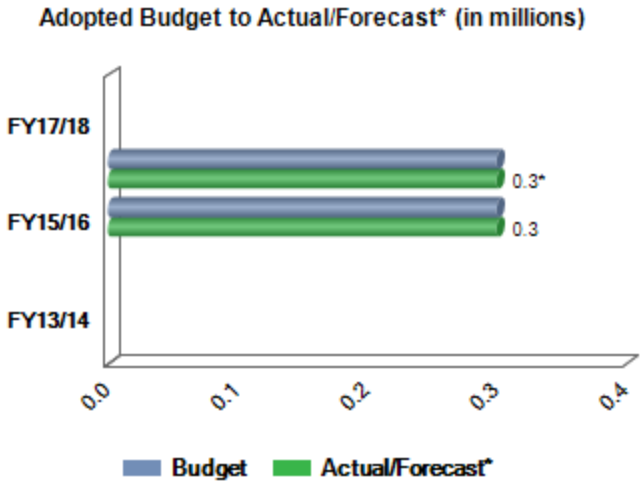
Tourism Development Carryover

Financial policy No. 21A allows the balance of the Transient Occupancy Tax monies to be allocated for tourism-related capital projects, in the form of one-time commitments or multi-year annual commitments, not to exceed $0.6 million per project. The FY 2017/18 budget is $1.6 million and includes $0.3 million for events to promote downtown per council direction; $0.4 million for the last year of matching payment for the Museum of the West; $0.5 million of carryover funds from FY 2016/17 to install conduit and electrical outlets within downtown; and $0.3 million for strategic plan related expenditures.



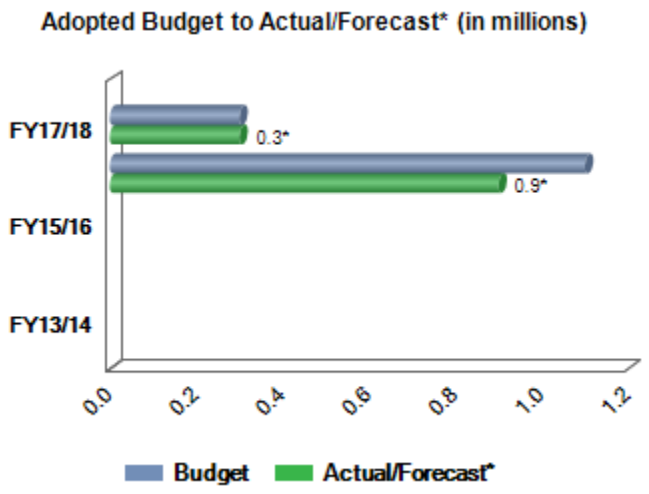
Trolley-Downtown Tourism Fund

Beginning in FY 2015/16, City Council authorized $0.3 million of Tourism Development Funds to be dedicated to the downtown trolley, with transportation sales tax covering the remainder of the cost. These authorized expenses were charged directly to the Tourism Development Fund. The preference beginning in FY 2017/18 is to transfer Tourism Development funds to the Transportation department, which will allow for better monitoring at the fund level.



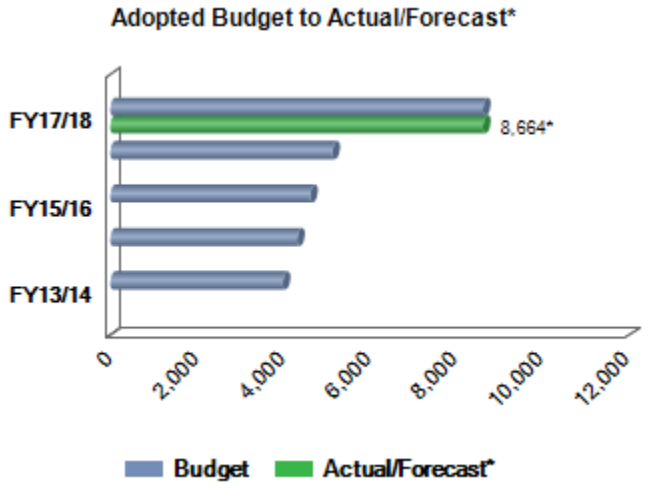
Operating Projects

Beginning in FY 2016/17, specific projects authorized by council are recorded as operating projects to allow better monitoring of these funds. The FY 2017/18 budget is $0.3 million, which corresponds to carryover of a portion of the FY 2016/17 council approved funds for the Strategic Planning - Year 4 project.



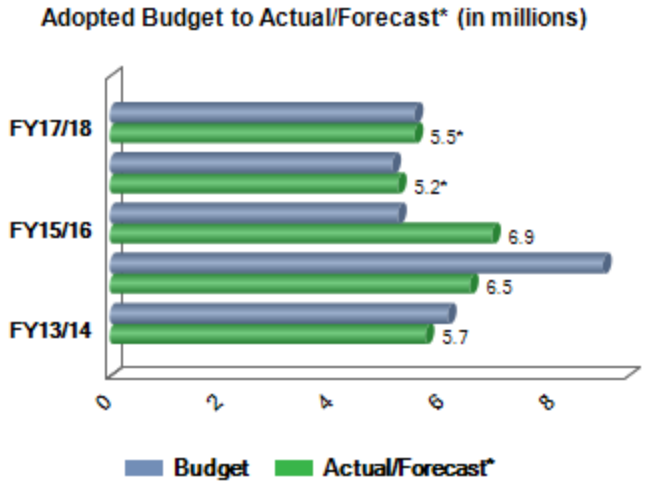
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaling $8,664 for FY 2017/18. Additionally, the FY 2016/17 forecast and FY 2015/16 actuals at $0 are due to the actuals being allocated into the division. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid on actual increases. The actual amount spent each year has been at or below the adopted budget.



Transfers Out

Transfers Out are the authorized movements of cash or other resources to other funds and/or capital projects. The FY 2017/18 budget of $5.5 million includes a $1.5 million transfer out to the General Fund per financial policy No. 21A; $0.3 million council approved transfer out to the Transportation Fund for downtown trolley maintenance; $0.1 million transfer out to the General Fund to cover part of the marketing contract for WestWorld; and a $3.6 million transfer out to the Debt Service Fund to cover debt service payments on debt issued for tourism projects.



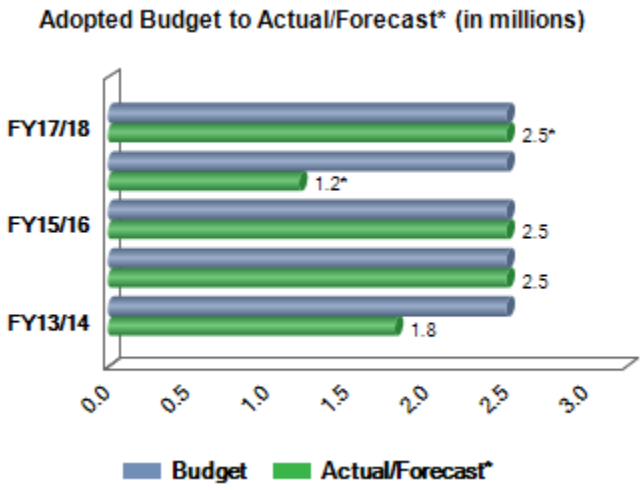
BUDGET BY FUND | Tourism Development Fund Ending Fund Balance

Tourism Development Fund Balance

The adopted FY 2017/18 Tourism Development Fund ending fund balance is $14.6 million and includes the following reserves.

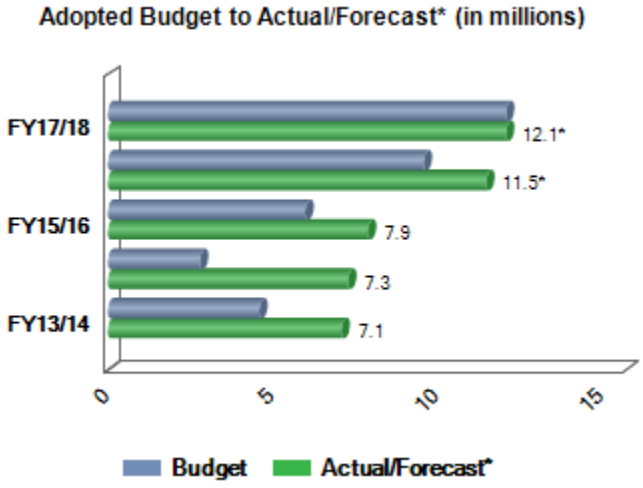
Operating Contingency

Operating Contingency includes $2.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval.

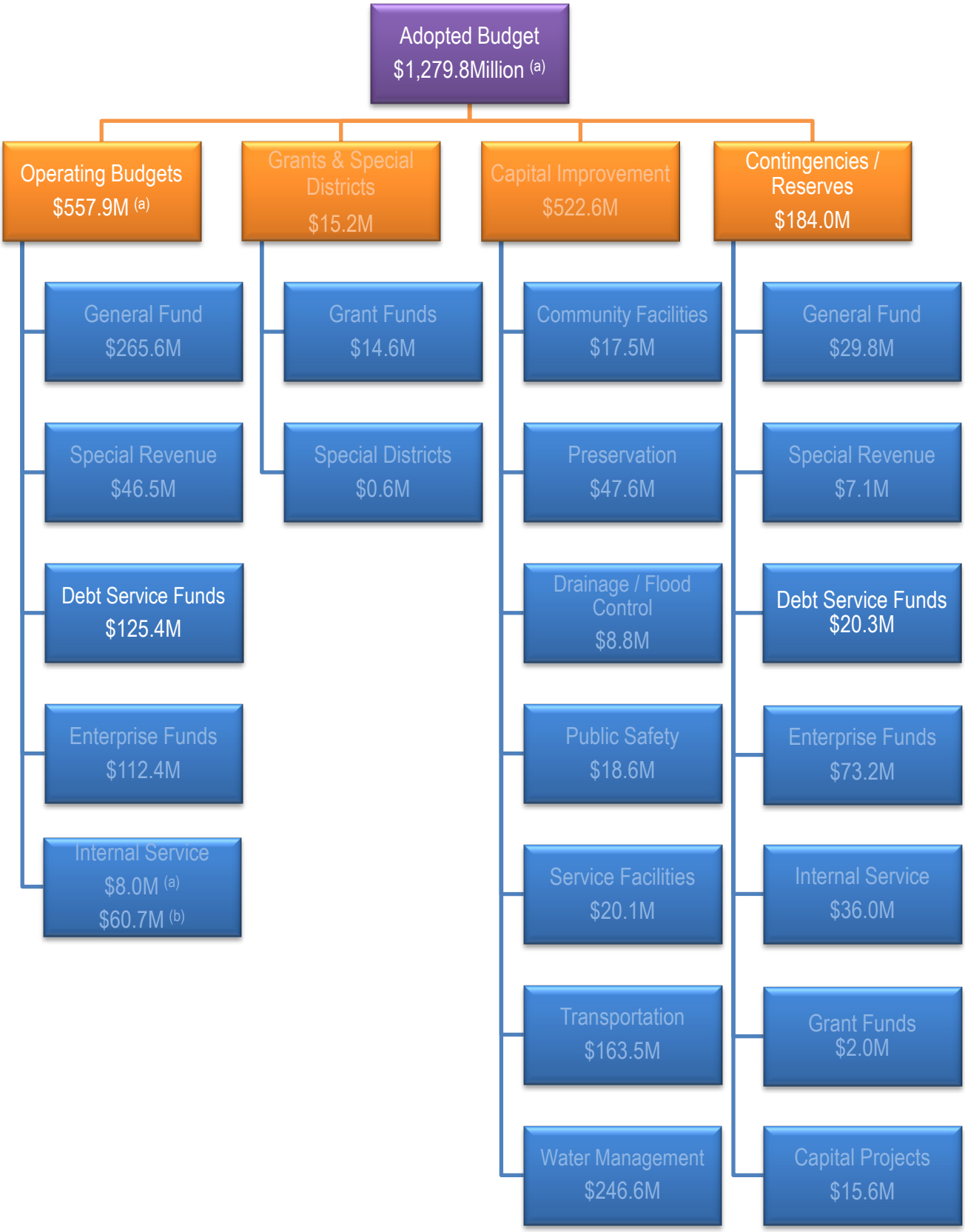


Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2017/18 ending undesignated, unreserved fund balance is $12.1 million, which represents an accumulation of one-time revenues. Under prudent fiscal management practices, this amount should most appropriately be used for one-time expenditures, not to fund new or expanded programs with ongoing operating expenses.



BUDGET BY FUND | Debt Service Fund Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

Note: Amounts are rounded in millions; therefore, differences may occur.

FY 2017/18 Adopted Budget

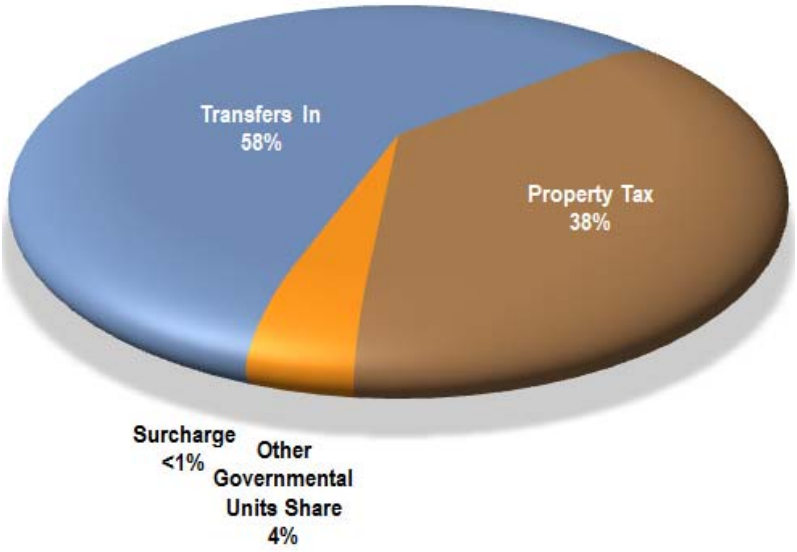
BUDGET BY FUND | Debt Service Fund Overview

Fund Purpose

This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest not serviced by the proprietary funds, with the exception of the General Fund. The General Fund includes Contracts Payable and certificates of participation for contractual debt such as related to sales tax development agreements, and will vary based on the actual sales tax collections at each development site. The applicable specific sources, uses, and fund balance of the Debt Service Fund are described in the following sections.

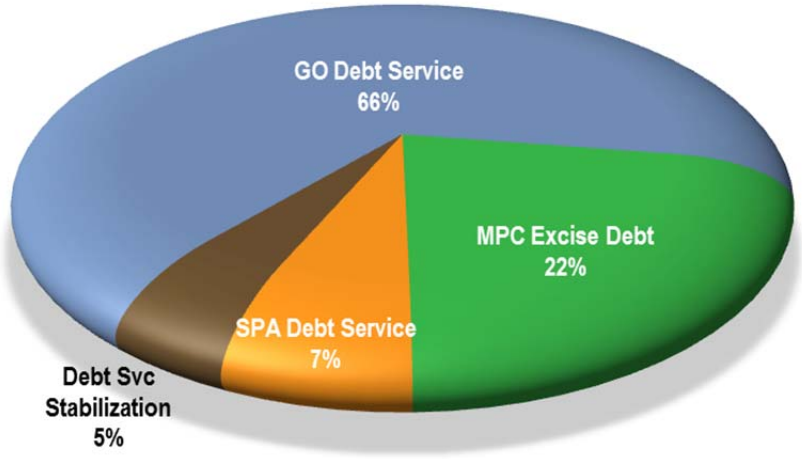
Debt Service Fund Sources (in $ millions)

Property Tax	33.6
Other Governmental Units Share	3.5
Surcharge	0.1
Total Revenue	37.2
Transfers In	51.9
Total Sources	89.1



Debt Service Fund Uses (in $ millions)

GO Debt Service	59.9
MPC Excise Debt	20.0
SPA Debt Service	6.1
Adopted Budget	86.0
Transfers Out	
Debt Svc Stabilization	4.2
Total Uses	90.2



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Debt Service Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Debt Stabilization Reserve	10,976,317	11,406,846	10,718,115	10,718,115	10,541,870
G.O. Debt Service Reserve	12,172,349	12,172,349	11,529,233	11,529,233	10,966,293
MPC Excise Debt Reserve	2,579	2,579	-	-	-
Total Beginning Fund Balance	**23,151,245**	**23,581,774**	**22,247,348**	**22,247,348**	**21,508,163**
Revenues					
Property Tax	32,098,384	33,575,842	33,575,842	33,515,986	33,558,964
Other Governmental Units Share	2,019,287	3,236,263	3,236,263	3,133,180	3,486,400
Surcharge	167,739	145,000	145,000	145,000	145,000
Subtotal	***34,285,410***	***36,957,105***	***36,957,105***	***36,794,166***	***37,190,364***
Transfers In					
Transfer In - Debt Svc GO Bonds	24,117,587	25,975,095	25,975,095	23,733,837	25,724,510
Transfer In - Debt Svc MPC Bonds	18,062,216	19,162,795	19,162,795	19,159,615	20,019,776
Transfer In - Debt Svc Rev Bonds	6,489,681	6,115,863	6,115,863	6,115,863	6,129,963
Subtotal	***48,669,484***	***51,253,753***	***51,253,753***	***49,009,315***	***51,874,249***
Total Sources	**82,954,894**	**88,210,858**	**88,210,858**	**85,803,481**	**89,064,613**
Debt Service					
GO Debt Service	56,859,086	60,052,746	60,052,746	57,812,763	59,883,474
MPC Excise Debt	18,064,799	19,162,795	19,162,795	19,159,615	20,019,776
SPA Debt Service	6,489,681	6,115,863	6,115,863	6,115,863	6,129,963
Subtotal	***81,413,566***	***85,331,404***	***85,331,404***	***83,088,241***	***86,033,213***
TOTAL OPERATING BUDGET	81,413,566	85,331,404	85,331,404	83,088,241	86,033,213
Transfers Out					
Transfer Out - Debt Svc Stabilization	2,445,225	3,454,425	3,454,425	3,454,425	4,210,537
Subtotal	***2,445,225***	***3,454,425***	***3,454,425***	***3,454,425***	***4,210,537***
Total Uses	**83,858,791**	**88,785,829**	**88,785,829**	**86,542,666**	**90,243,750**
Sources Over/(Under) Uses	**(903,897)**	**(574,971)**	**(574,971)**	**(739,185)**	**(1,179,137)**
Ending Fund Balance					
Debt Stabilization Reserve	10,718,115	11,336,263	10,644,953	10,541,870	9,962,733
G.O. Debt Service Reserve	11,529,233	11,670,540	11,027,424	10,966,293	10,366,293
MPC Excise Debt Reserve	-	2,579	-	-	-
Total Ending Fund Balance	**22,247,348**	**23,006,803**	**21,672,377**	**21,508,163**	**20,329,026**

BUDGET BY FUND | Debt Service Fund Five Year Financial Forecast

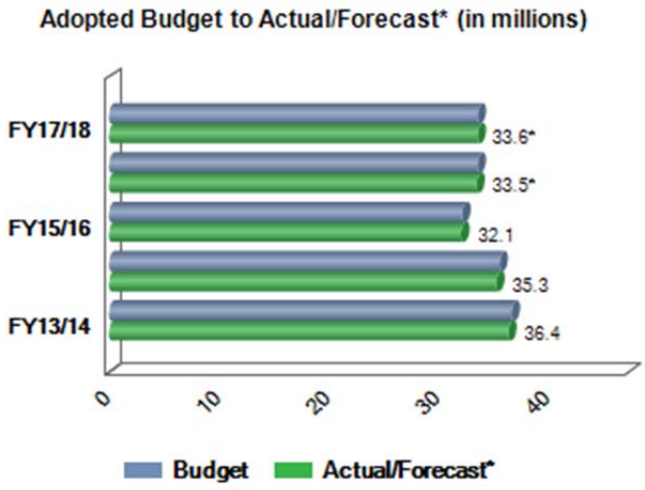
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Debt Stabilization Reserve	10,541,870	9,962,733	7,162,033	7,819,633	6,114,833
G.O. Debt Service Reserve	10,966,293	10,366,293	10,366,293	10,366,293	10,366,293
MPC Excise Debt Reserve	-	-	-	-	-
Total Beginning Fund Balance	**21,508,163**	**20,329,026**	**17,528,326**	**18,185,926**	**16,481,126**
Revenues					
Property Tax	33,558,964	33,795,841	32,247,642	30,378,535	26,161,318
Other Governmental Units Share	3,486,400	3,672,400	7,822,000	-	-
Surcharge	145,000	145,000	145,000	145,000	-
Subtotal	***37,190,364***	***37,613,241***	***40,214,642***	***30,523,535***	***26,161,318***
Transfers In					
Transfer In - Debt Svc GO Bonds	25,724,510	26,040,500	26,767,400	27,525,200	28,235,400
Transfer In - Debt Svc MPC Bonds	20,019,776	22,535,500	23,334,400	18,003,000	16,296,900
Transfer In - Debt Svc Rev Bonds	6,129,963	6,147,500	6,160,500	6,177,100	6,207,000
Subtotal	***51,874,249***	***54,723,500***	***56,262,300***	***51,705,300***	***50,739,300***
Total Sources	**89,064,613**	**92,336,741**	**96,476,942**	**82,228,835**	**76,900,618**
Debt Service					
GO Debt Service	59,883,474	59,836,341	59,015,042	57,903,735	54,396,718
MPC Excise Debt	20,019,776	22,535,500	23,334,400	18,003,000	16,296,900
SPA Debt Service	6,129,963	6,147,500	6,160,500	6,177,100	6,207,000
Subtotal	***86,033,213***	***88,519,341***	***88,509,942***	***82,083,835***	***76,900,618***
TOTAL OPERATING BUDGET	86,033,213	88,519,341	88,509,942	82,083,835	76,900,618
Transfers Out					
Transfer Out - Debt Svc Stabilization	4,210,537	6,618,100	7,309,400	1,849,800	-
Subtotal	***4,210,537***	***6,618,100***	***7,309,400***	***1,849,800***	***-***
Total Uses	**90,243,750**	**95,137,441**	**95,819,342**	**83,933,635**	**76,900,618**
Sources Over/(Under) Uses	**(1,179,137)**	**(2,800,700)**	**657,600**	**(1,704,800)**	**-**
Ending Fund Balance					
Debt Stabilization Reserve	9,962,733	7,162,033	7,819,633	6,114,833	6,114,833
G.O. Debt Service Reserve	10,366,293	10,366,293	10,366,293	10,366,293	10,366,293
MPC Excise Debt Reserve	-	-	-	-	-
Total Ending Fund Balance	**20,329,026**	**17,528,326**	**18,185,926**	**16,481,126**	**16,481,126**

Debt Service Sources

Debt Service Fund sources for FY 2017/18 equal $89.1 million which is an increase of $3.3 million from the FY 2016/17 year-end forecast. This is mainly due to the issuance of new bonds. It includes Property Tax, Other Governmental Units Share, Surcharge and Transfers In.

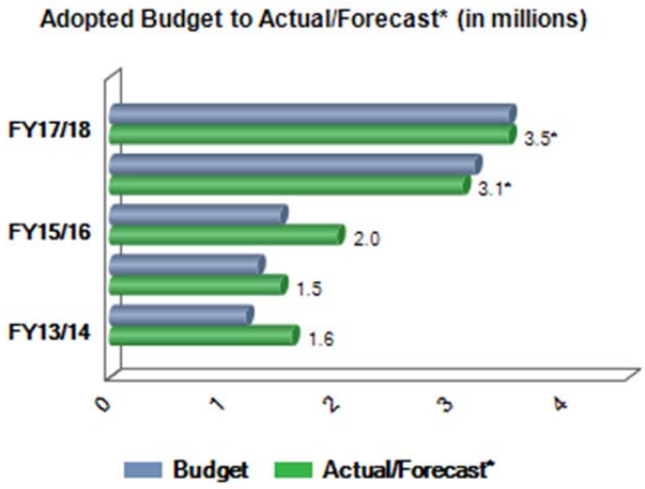
Property Tax

Property Tax represents the secondary portion of the property tax that is limited and levied to pay debt service. While the growth is unlimited, the city's use of this portion of the property tax is restricted by State Statute to solely pay debt service on voter-approved general obligation bonds. The FY 2017/18 levy amount (revenue) of $33.6 million is slightly higher when compared to the FY 2016/17 year-end forecast.



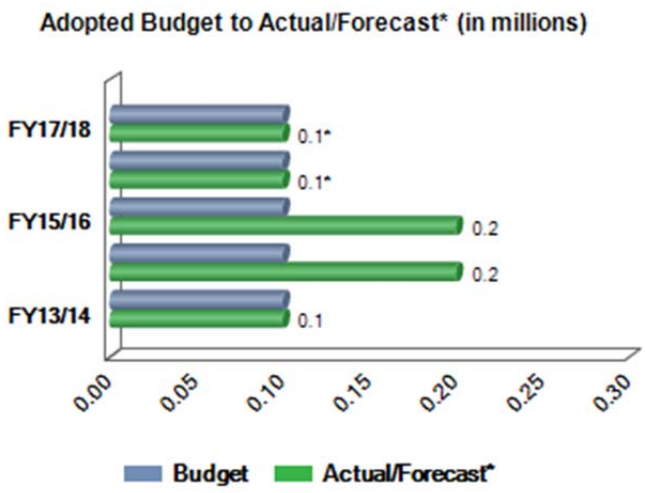
Other Governmental Units Share

Other Governmental Units Share consists of revenue received from Maricopa County Stadium District (MCSD) and the Arizona Sports and Tourism Authority (AZSTA) contributions made to the city to pay debt service associated with the Cactus League spring training facilities (San Francisco Giants professional baseball practice facility). MCSD contributions are derived from a $2.50 surcharge on car rentals in Maricopa County; AZSTA contributions are derived from a 1.0 percent hotel room tax and a 3.25 percent car rental surcharge (net of the $2.50 MCSD surcharge). The FY 2017/18 Other Governmental Units Share adopted budget is $3.5 million, which is an increase of $0.4 million over FY 2016/17, based on the AZSTA's projected forecast.



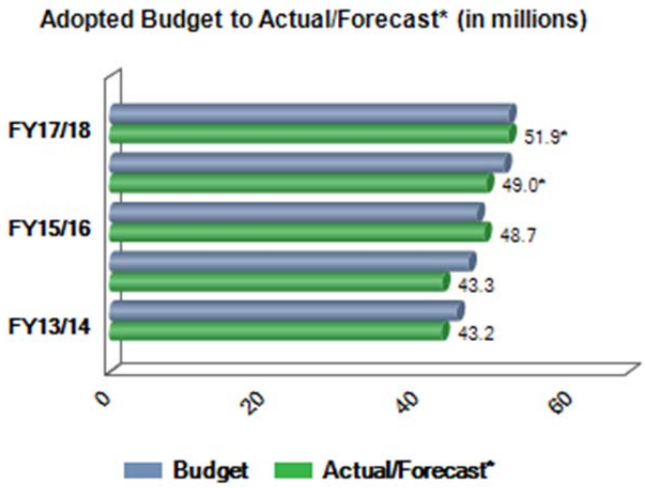
Surcharge

Surcharge represents the $1 ticket surcharge assessed on San Francisco Giants spring training games held in Scottsdale. The FY 2017/18 budgeted revenue is $0.1 million. The surcharge is used to help pay for capital projects and/or debt service related to professional baseball facilities.



Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. These transfers originate from the General Fund, Special Programs Fund, Tourism Development Fund for Municipal Property Corporation (MPC) debt service payments and the Preservation Fund for the payment of Preserve General Obligation (GO) and revenue bond debt service. Total Transfers In for FY 2017/18 equal $51.9 million (GO bonds $25.7 million; MPC bonds $20.0 million; and Revenue Bonds $6.1 million). Included in the Debt Service MPC bond Transfer In amount is a transfer to provide funding to cover the difference in the MCSD and AZSTA revenue contribution amounts for Cactus League spring training facilities. This is an internal transfer between two Debt Service Funds and so there is a corresponding Transfer Out of the same amount reflected in Transfer Out - Debt Svc Stabilization having a net $0 impact. FY 2016/17 was the first year this transfer was budgeted for.

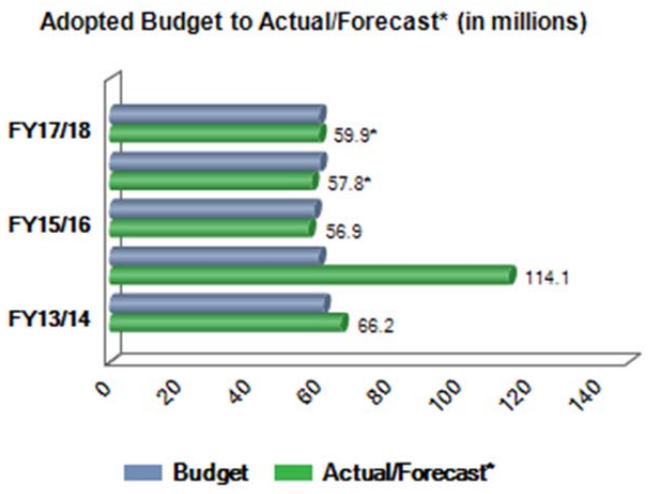


Debt Service Fund Uses by Debt Type

The Debt Service Fund uses include debt service for GO Bonds, MPC Excise Bonds and SPA Bonds as well as Transfers Out for debt service stabilization.

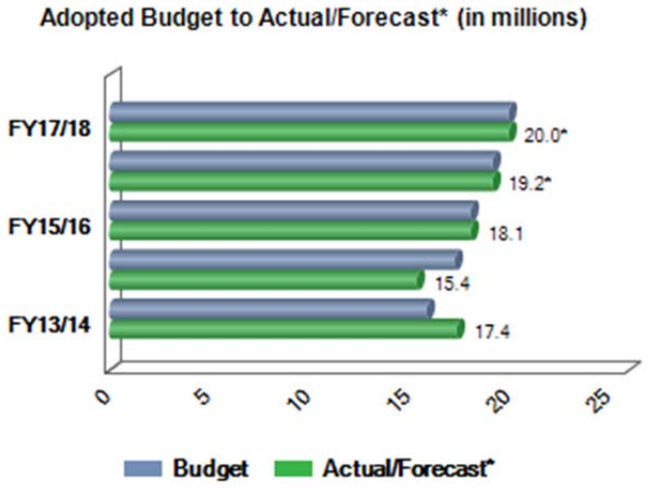
GO Debt Service

GO Debt Service consists of two bond types, General Obligation (GO) Bonds and Preserve General Obligation Bonds. General Obligation Bonds are voter authorized debt issued for capital projects. General Obligation Debt is repaid by Property Tax (Secondary). Under state law, cities and towns are allowed to levy a Secondary Property Tax for the sole purpose of retiring the principal and interest on general obligation indebtedness. Preserve General Obligation Bonds represent debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve debt is repaid by a dedicated 0.20 percent sales tax authorized by voters in 1995 and a 0.15 percent sales tax authorized by voters in 2004. For FY 2017/18 the General Obligation Bonds debt service is forecasted at $59.9 million, which is an increase of $2.1 million from the FY 2016/17 year-end forecast of $57.8 million due to FY 2017/18 being the first year budgeted to pay the principal on the 2012 G.O Bonds Preserve and to reflect the issuance of new debt in the form of the 2017 G.O. Preserve Bonds. General Obligations in FY 2014/15 were higher than normal due to an additional principal and interest payoff for a mature bond refunding in the amount of $59.5 million.



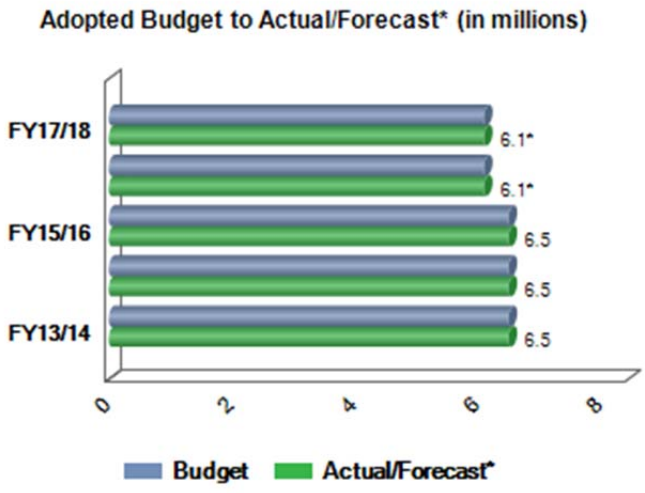
MPC Excise Debt

MPC Excise Debt represents Municipal Property Corporation (MPC) Bonds which are non-voter approved and issued by the City of Scottsdale Municipal Property Corporation, a nonprofit corporation created by the city in 1967 for the sole purpose of constructing, acquiring and equipping buildings, structures, or improvements on land owned by the city. The debt incurred by the corporation is a city obligation and the repayment of debt is financed by General Fund excise taxes, Tourism Development Fund bed tax receipts, etc. Per financial policy No. 31, non-voter approved debt will be utilized only when a dedicated revenue source can be identified to pay or reimburse the city for paying debt services expenses. Debt Service payments for FY 2017/18 total $20.0 million, a $0.8 million increase over the FY 2016/17 year-end forecast. The increase is mainly due to the issuance the 2015 MPC Refunding Spring Training MCSD and AZSTA Funded bond.



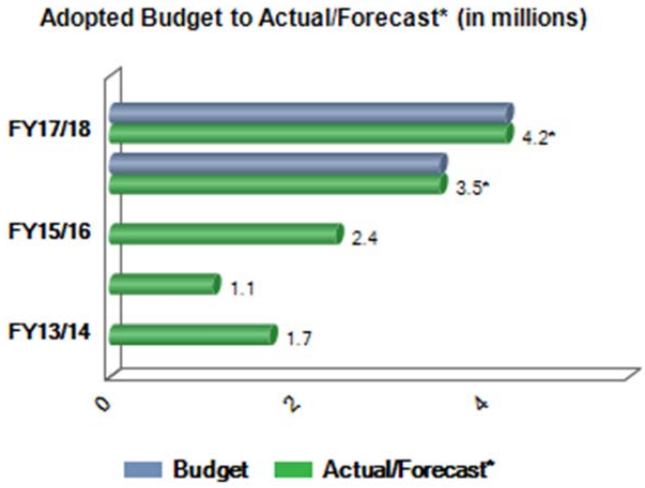
SPA Debt Service

Preserve Revenue Bonds (SPA) Debt Service represent prior debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve Authority Revenue debt is repaid by the dedicated 0.20 percent sales tax authorized by voters in 1995 and the 0.15 percent sales tax authorized by voters in 2004. Obligations for FY 2017/18 total $6.1 million, which is flat when compared to the FY 2016/17 year-end forecast.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The FY 2017/18 adopted budget includes $4.2 million in Transfers Out to the MPC Excise Debt Fund for Debt Service Stabilization to cover the difference in the MCSD and AZSTA revenue contribution amounts for Cactus League spring training facilities. This is an internal transfer between two Debt Service Funds and so there is a corresponding Transfer In of the same amount reflected in Transfer In - Debt Svc MPC Bonds having a net $0 impact. FY 2016/17 was the first year this transfer was budgeted for.



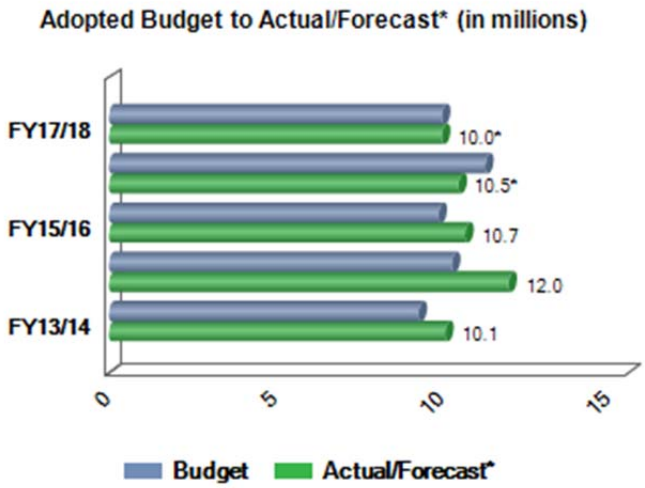
BUDGET BY FUND | Debt Service Fund Ending Fund Balance

Debt Service Fund Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. The Debt Service Fund balance varies primarily due to the timing of debt issuances and related repayment schedules. Growth of fund balance occurs when sources exceed uses. The specific make-up of the city's Debt Service Fund balance is noted in the following:

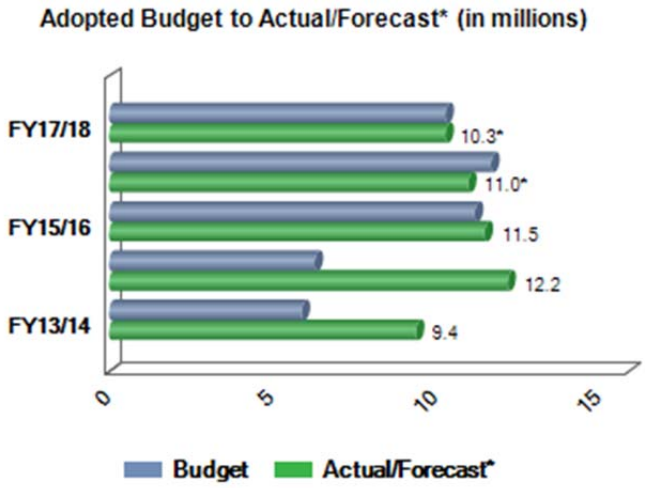
Debt Stabilization Reserve

Debt Stabilization Reserve of $10.0 million is projected for the end of FY 2017/18. As with the other reserves, the Debt Stabilization Reserve balance varies primarily due to the timing of debt issuances and related repayment schedules associated with the MPC Excise Debt.



GO Debt Service Reserve

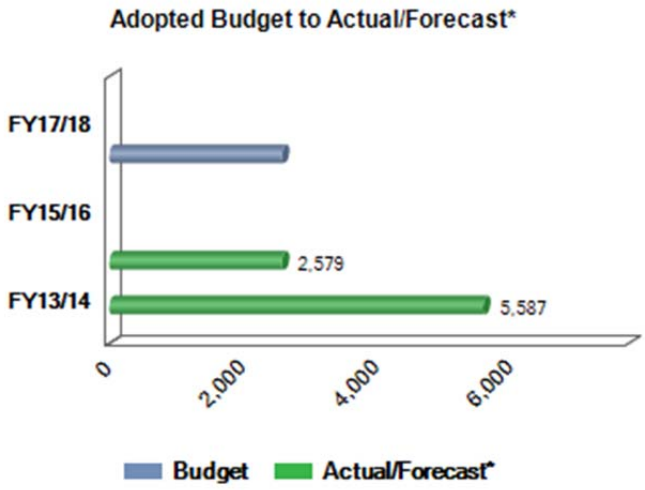
Debt Stabilization Reserve of $10.4 million is projected for the end of FY 2017/18. As with the other reserves, the GO Debt Service Reserve balance varies primarily due to the timing of debt issuances and related repayment schedules associated with GO Debt Service. Actuals in FY 2013/14 and 2014/15 are much higher than Adopted due to unexpected proceeds of refunding bonds received during those fiscal years.



BUDGET BY FUND | Debt Service Fund Ending Fund Balance

MPC Excise Debt Reserve

MPC Excise Debt Reserve Fund balance was previously dedicated to fiscal agent fees. Because actuals and budgets were sporadically applied, beginning in FY 2017/18 fiscal agent fees are included in the Debt Stabilization Reserve.



BUDGET BY FUND | Debt Service Expense

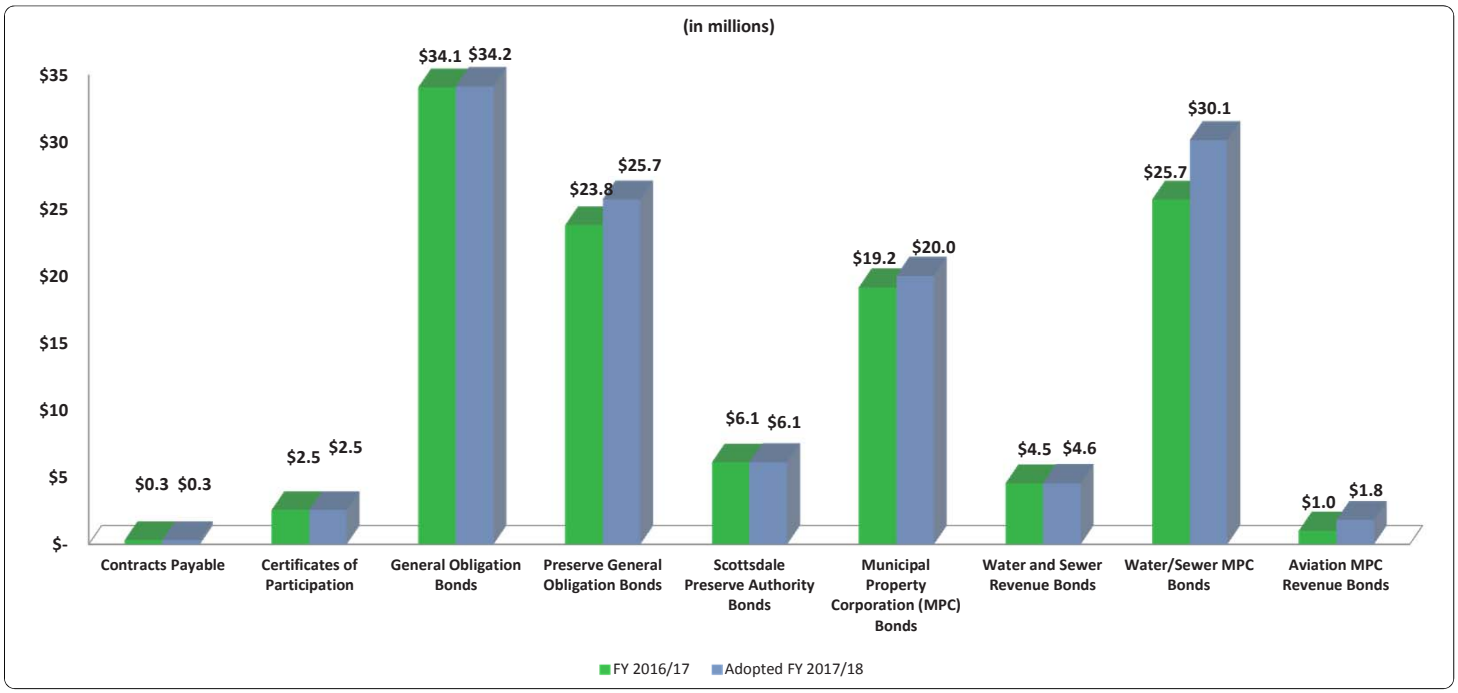
	Budget 2016/17	Forecast 2016/17	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Final Payment Date
General Fund								
Contracts Payable								
BOR Administration/Westworld	155,133	155,133	162,889	171,000	179,600	188,600	198,000	2032
BOR Administration/TPC	155,133	155,133	162,890	171,000	179,600	188,600	198,000	2035
Total Contracts Payable	310,266	310,266	325,779	342,000	359,200	377,200	396,000	
Certificates of Participation								
Police/Fire Radio Communication	2,548,680	2,548,680	2,548,679	2,548,700	2,548,700	-	-	2020
Total Certificates of Participation	2,548,680	2,548,680	2,548,679	2,548,700	2,548,700	-	-	
Total General Fund	**2,858,946**	**2,858,946**	**2,874,458**	**2,890,700**	**2,907,900**	**377,200**	**396,000**	
Debt Service Funds								
General Obligation Bonds - Property Tax (Secondary) Supported								
2008A G.O. Various Purpose ($100.0M Apr 2008)	5,351,250	5,351,250	5,643,000	-	-	-	-	2018
2010 G.O. Various Purpose ($50.8M Apr 2010)	3,409,125	3,409,125	3,506,625	3,580,600	3,719,100	3,851,600	3,972,000	2030
2011 G.O. Refunding Bonds ($8.6M Apr 2011)	1,601,400	1,601,400	1,617,200	-	-	-	-	2018
2012 G.O. Refunding Bonds ($38.5M Jul 2012)	8,567,628	8,567,628	8,191,178	7,972,300	5,667,900	4,440,100	-	2021
2014 G.O. Refunding Bonds ($73.8M May 2014)	12,064,118	12,064,118	12,116,631	11,719,700	11,822,900	11,397,000	10,958,900	2023
2015 G.O. Refunding Bonds ($86.4M Apr 2015)	3,080,295	3,080,295	3,080,295	9,160,300	9,242,100	8,905,900	9,451,100	2028
Future G.O. Bond: $28.9M issue Feb 2018	-	-	-	1,359,341	1,792,042	1,780,335	1,775,918	2038
Fiscal Agent Fees and Arbitrage Fees	3,835	5,110	4,035	3,600	3,600	3,600	3,400	
Total General Obligation Bonds	34,077,651	34,078,926	34,158,964	33,795,841	32,247,642	30,378,535	26,161,318	
Preserve General Obligation Bonds - Preserve Sales Tax Supported								
2002 G.O. Refunding Bonds Preserve	1,832,192	1,832,192	1,822,193	1,798,300	-	-	-	2019
2008B G.O. Bonds Preserve ($20.0M Apr 2008)	680,813	680,813	679,250	-	-	-	-	2018
2011 G.O. Bonds Preserve ($22.5M Feb 2011)	1,673,500	1,673,500	1,661,100	1,652,900	1,643,700	1,638,500	1,627,100	2034
2011 G.O. Refunding Bonds Preserve ($34.4M Apr 2011)	2,842,850	2,842,850	2,883,250	3,934,100	7,983,800	3,755,500	3,753,500	2024
2012 G.O. Bonds Preserve ($50.0M Feb 2012)	1,601,250	1,601,250	3,001,250	1,573,300	3,073,300	3,028,300	1,468,300	2034
2012 G.O. Refunding Bonds Preserve ($44.5M Jul 2012)	1,581,047	1,581,047	1,581,047	1,581,100	2,294,400	2,977,900	4,833,300	2025
2013 G.O. Bonds Preserve ($75.0M Feb 2013)	2,365,200	2,365,200	2,365,200	3,365,200	3,825,200	3,765,200	4,205,200	2034
2014 G.O. Bonds Preserve ($14.0M May 2014)	984,881	984,881	983,781	986,800	986,600	983,700	985,400	2034
2014 G.O. Refunding Bonds Preserve ($9.4M May 2014)	1,559,032	1,559,032	1,551,419	1,552,300	1,550,000	1,544,900	1,561,800	2023
2015 G.O. Refunding Bonds Preserve ($74.0M Apr 2015)	8,349,555	8,349,555	8,370,355	8,770,800	4,585,200	9,006,000	8,975,400	2034
2017 G.O. Preserve Bonds ($17.4M Feb 2017)	2,500,000	257,577	820,600	820,600	820,600	820,600	820,600	2034
Fiscal Agent Fees	4,775	5,940	5,065	5,100	4,600	4,600	4,800	
Total Preserve General Obligation Bonds	25,975,095	23,733,837	25,724,510	26,040,500	26,767,400	27,525,200	28,235,400	
Scottsdale Preserve Authority Bonds - Preserve Sales Tax Supported								
2010 Scottsdale Preserve Revenue Refunding Bonds	4,709,063	4,709,063	4,725,763	4,737,500	4,748,200	4,760,600	4,784,500	2024
2011 Scottsdale Preserve Revenue Refunding Bonds	1,401,800	1,401,800	1,399,200	1,405,000	1,407,300	1,411,500	1,417,500	2022
Fiscal Agent Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Total Scottsdale Preserve Authority Bonds	6,115,863	6,115,863	6,129,963	6,147,500	6,160,500	6,177,100	6,207,000	
Municipal Property Corp. (MPC) Bonds - Excise Tax Supported								
2006 MPC Refunding SkySong	2,703,250	2,703,250	1,438,000	1,438,000	2,813,000	2,814,300	2,817,000	2034
2014 MPC Refunding SkySong ($2.6M)	61,308	61,308	1,339,130	1,335,700	-	-	-	2019
2005 MPC Spring Training MCSD and AZSTA Funded	286,688	286,688	-	-	-	-	-	2017
2015 MPC Refunding Spring Training MCSD and AZSTA Funded	3,167,737	3,167,737	4,210,537	6,618,100	7,309,400	1,849,800	-	2021
2006 MPC Refunding WW/TPC Land Acquisition 80-acres	2,379,250	2,379,250	2,419,000	2,459,000	2,494,000	2,524,000	2,544,000	2030
2015 MPC Refunding WW/TPC Land Acquisition 80-acres	68,350	68,350	68,350	68,300	68,400	68,300	68,300	2035
2015 MPC Refunding WW/TPC Land Acq. 80-acres Tourism Funded	600,000	600,000	600,000	600,000	600,000	600,000	600,000	2035
2006A MPC TPC ($10.0M)	357,000	357,000	-	-	-	-	-	2017
2014 MPC Refunding TPC ($4.2M)	165,520	165,520	524,908	524,900	514,900	518,700	518,300	2027
2015 MPC Refunding TPC	96,884	96,884	96,884	96,900	96,900	96,900	96,900	2031
2006B MPC WW/TPC Land Acq 52- and 17-acres ($32.5M)	1,286,250	1,286,250	-	-	-	-	-	2017
2014 MPC Refunding WW/TPC Land Acq 52- and 17-acres ($16.0M)	633,035	633,035	1,930,824	1,951,200	1,933,700	1,948,000	1,988,400	2027
2015 MPC Refunding WW/TPC Land Acq 52- and 17-acres	383,392	383,392	383,392	383,400	383,400	383,400	383,400	2031
2013A MPC SFS Garage Payoff ($31.0M)	2,196,900	2,196,900	2,260,400	2,327,900	2,398,900	2,472,900	2,544,400	2028
2013B MPC McDowell Golf ($1.6M)	103,825	103,825	106,325	103,600	105,800	107,800	104,600	2033
2013C MPC TNEC ($41.9M)	1,505,375	1,505,375	1,479,375	1,461,400	1,455,900	1,457,100	1,464,600	2033
2013C MPC TNEC Tourism Funded	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	2033
2015A MPC Revenue Museum Tourism Funded	889,363	889,363	891,763	893,000	889,200	889,500	893,900	2034
2015A MPC Revenue Taxable TPC Tourism Funded	900,000	900,000	900,000	900,000	900,000	900,000	900,000	2034
2015A MPC Revenue Taxable TPC Golf Surcharge	163,063	163,063	161,463	164,700	161,500	162,900	163,700	2034
Fiscal Agent Fees	15,605	12,425	9,425	9,400	9,400	9,400	9,400	
Subtotal:								
MPC - General Fund/Excise Tax Funded	*12,015,182*	*12,012,002*	*12,111,151*	*12,220,800*	*12,330,000*	*12,455,900*	*12,598,400*	
MPC - Tourism Funded	*3,589,363*	*3,589,363*	*3,591,763*	*3,593,000*	*3,589,200*	*3,589,500*	*3,593,900*	
MPC - Special Program (McDowell Golf) Funded	*103,825*	*103,825*	*106,325*	*103,600*	*105,800*	*107,800*	*104,600*	
MPC - MCSD and AZSTA Funded	*3,454,425*	*3,454,425*	*4,210,537*	*6,618,100*	*7,309,400*	*1,849,800*	-	
Total Municipal Property Corp. (MPC) Bonds	19,162,795	19,159,615	20,019,776	22,535,500	23,334,400	18,003,000	16,296,900	
Total Debt Service Funds	**85,331,404**	**83,142,699**	**86,033,213**	**88,519,341**	**88,509,942**	**82,083,835**	**76,900,618**	

BUDGET BY FUND | Debt Service Expense

	Budget 2016/17	Forecast 2016/17	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Final Payment Date
Water and Water Reclamation Funds								
Water and Sewer Revenue Bonds								
2008 Water Sewer Revenue Refunding Bonds-Water Reclamation	4,549,438	4,549,438	4,564,688	4,566,200	4,574,200	4,583,600	4,592,300	2023
Fiscal Agent Fees	400	400	400	400	400	400	400	
Total Water and Sewer Revenue Bonds	4,549,838	4,549,838	4,565,088	4,566,600	4,574,600	4,584,000	4,592,700	
Municipal Property Corp. (MPC) Bonds								
2006 MPC Refunding Bonds-Water	11,341,748	11,341,748	11,282,106	11,235,400	11,186,900	11,136,000	11,086,400	2030
2006 MPC Refunding Bonds-Water Reclamation	1,351,502	1,351,502	1,344,394	1,338,800	1,333,100	1,327,000	1,321,100	2030
2008A MPC Bonds-Water	3,902,474	3,902,474	3,920,609	933,800	933,800	933,800	933,800	2032
2008A MPC Bonds-Water Reclamation	1,207,901	1,207,901	1,213,516	289,000	289,000	289,000	289,000	2032
2010 MPC Bonds-Water	951,392	951,392	986,213	1,019,300	1,055,300	1,093,800	1,132,500	2036
2010 MPC Bonds-Water Reclamation	3,245,308	3,245,308	3,364,087	3,477,000	3,599,500	3,730,900	3,863,000	2036
2015A MPC-Water Reclamation	1,350,763	1,350,763	1,348,963	1,348,100	1,352,400	1,349,600	1,350,900	2034
2015 MPC Refunding Bonds-Water	1,787,358	1,787,358	1,787,358	4,680,400	4,699,200	4,642,400	4,600,600	2028
2015 MPC Refunding Bonds-Water Reclamation	553,229	553,229	553,229	1,448,700	1,454,500	1,437,000	1,424,100	2028
Fiscal Agent Fees	10,825	9,825	11,825	11,900	11,900	11,900	11,900	
Future Revenue Bonds - Water Reclamation ($15.0M Jan 2018)	-	-	656,250	1,143,000	1,093,000	1,090,000	1,083,000	2037
Future Revenue Bonds - Water ($42.1M Jan 2018)	-	-	3,666,644	3,074,000	3,068,000	3,059,000	3,040,000	2037
Total Municipal Property Corp. (MPC) Bonds	25,702,500	25,701,500	30,135,194	29,999,400	30,076,600	30,100,400	30,136,300	
Total Water and Sewer Funds	**30,252,338**	**30,251,338**	**34,700,282**	**34,566,000**	**34,651,200**	**34,684,400**	**34,729,000**	
Aviation Fund								
Future MPC Revenue Bonds - Aviation ($27.0M Jan 2018) *	1,014,936	1,014,936	1,820,000	1,954,000	1,918,000	1,882,000	1,846,000	2037
Fiscal Agent Fees (Future Bonds @ $1,000/bond)	-	-	1,000	1,000	1,000	1,000	1,000	
Total Aviation Fund	1,014,936	1,014,936	1,821,000	1,955,000	1,919,000	1,883,000	1,847,000	
GRAND TOTAL DEBT SERVICE	**119,457,624**	**117,267,919**	**125,428,953**	**127,931,041**	**127,988,042**	**119,028,435**	**113,872,618**	

Debt Service Expense FY 2016/17 vs. FY 2017/18

Type of Bond	FY 2016/17	Adopted FY 2017/18
Contracts Payable	310,266	325,779
Certificates of Participation	2,548,680	2,548,679
General Obligation Bonds	34,078,926	34,158,964
Preserve General Obligation Bonds	23,788,295	25,724,510
Scottsdale Preserve Authority Bonds	6,115,863	6,129,963
Municipal Property Corporation (MPC) Bonds	19,159,615	20,019,776
Water and Sewer Revenue Bonds	4,549,838	4,565,088
Water/Sewer MPC Bonds	25,701,500	30,135,194
Aviation MPC Revenue Bonds	1,014,936	1,821,000
Total	117,267,919	125,428,953



BUDGET BY FUND | Long-Term Debt Outstanding

Long-Term Debt Outstanding - All Funds
As of 6/30/17 through 6/30/21

	Balance at 6/30/17	Balance at 6/30/18	Balance at 6/30/19	Balance at 6/30/20	Balance at 6/30/21	Final Payment Date
General Fund						
Contracts Payable & Service Concession Arrangements						
BOR Administration/Westworld	1,199,405	1,119,445	1,039,484	959,524	879,564	2032
BOR Administration/TPC	1,329,804	1,255,926	1,182,048	1,108,170	1,034,292	2035
Total General Fund Contracts Payable	2,529,209	2,375,371	2,221,532	2,067,694	1,913,856	
Certificates of Participation						
2010 Certificates of Participation - Public Safety Communications	7,264,240	4,913,857	2,493,145	-	-	2020
Total Certificates of Participation	7,264,240	4,913,857	2,493,145	-	-	
Total General Fund	**9,793,449**	**7,289,228**	**4,714,677**	**2,067,694**	**1,913,856**	
Debt Service Funds						
General Obligation Bonds - Property Tax (Secondary) Supported						
2008A G.O. Various Purpose	5,400,000	-	-	-	-	2018
2010 G.O.Various Purpose Bonds	41,700,000	39,800,000	37,750,000	35,500,000	33,050,000	2030
2011 G.O. Refunding Bonds	1,555,000	-	-	-	-	2018
2012 G.O. Refunding Bonds	24,074,993	16,779,993	9,484,993	4,238,329	-	2021
2014 G.O. Refunding Bonds	60,478,964	50,681,535	40,987,116	30,898,620	20,832,541	2023
2015 G.O. Refunding Bonds	86,400,000	86,400,000	80,320,000	73,915,000	67,590,000	2028
Future G.O. Bonds	-	28,850,000	21,196,152	20,445,142	19,667,626	2038
Total General Obligation Bonds	219,608,957	222,511,528	189,738,261	164,997,091	141,140,167	
Preserve General Obligation Bonds - Preserve Sales Tax Supported						
2002 G.O. Refunding Bonds-Preserve	3,405,000	1,725,000	-	-	-	2019
2008B G.O. Bonds-Preserve	650,000	-	-	-	-	2018
2011 G.O. Bonds-Preserve	18,665,000	17,835,000	16,980,000	16,100,000	15,190,000	2034
2011 G.O. Refunding Bonds-Preserve	20,665,000	18,685,000	15,575,000	8,310,000	4,970,000	2024
2012 G.O. Bonds-Preserve	50,000,000	48,600,000	48,600,000	47,100,000	45,600,000	2034
2012 G.O. Refunding Bonds-Preserve	44,020,007	44,020,007	44,020,007	43,306,671	41,880,000	2025
2013 G.O. Bonds-Preserve	74,000,000	74,000,000	73,000,000	71,500,000	70,000,000	2034
2014 G.O. Bonds-Preserve	12,435,000	11,870,000	11,285,000	10,690,000	10,080,000	2034
2014 G.O. Refunding Bonds-Preserve	8,156,036	6,918,465	5,642,884	4,331,380	2,972,459	2023
2015 G.O. Refunding Bonds-Preserve	62,305,000	56,065,000	49,175,000	46,195,000	38,675,000	2034
2017 G.O. Bonds-Preserve	17,410,000	17,410,000	17,410,000	17,410,000	17,410,000	2034
Total Preserve General Obligation Bonds	311,711,043	297,128,472	281,687,891	264,943,051	246,777,459	
Scottsdale Preserve Authority Bonds - Preserve Sales Tax Supported						
2010 Scottsdale Preserve Revenue Refunding Bonds	29,745,000	26,485,000	23,100,000	19,535,000	15,800,000	2024
2011 Scottsdale Preserve Revenue Refunding Bonds	6,105,000	5,000,000	3,845,000	2,630,000	1,350,000	2022
Total Scottsdale Preserve Authority Bonds	35,850,000	31,485,000	26,945,000	22,165,000	17,150,000	
Municipal Property Corp. (MPC) Bonds - Excise Tax Supported						
2006 MPC Refunding SkySong	28,760,000	28,760,000	28,760,000	27,385,000	25,940,000	2034
2014 MPC Refunding SkySong	2,590,550	1,312,727	-	-	-	2019
2015 MPC Refunding Spring Training	17,880,748	14,530,748	8,639,208	1,761,720	-	2021
2006 MPC Refunding WW/TPC 80-acres	24,380,000	23,180,000	21,880,000	20,480,000	18,980,000	2030
2015 MPC Refunding WW/TPC 80-acres	14,457,510	14,457,510	14,457,510	14,457,510	14,457,510	2035
2014 MPC Refunding TPC	4,185,241	3,825,853	3,455,723	3,089,038	2,707,643	2027
2015 MPC Refunding TPC	2,162,411	2,162,411	2,162,411	2,162,411	2,162,411	2031
2014 MPC Refunding WW/TPC 52- and 17-acres	15,959,209	14,661,420	13,304,277	11,940,962	10,522,357	2027
2015 MPC Refunding WW/TPC 52- and 17-acres	8,557,600	8,557,600	8,557,600	8,557,600	8,557,600	2031
2013A MPC Garage	22,405,000	21,155,000	19,775,000	18,255,000	16,585,000	2028
2013B MPC McDowell Mnt	1,245,000	1,190,000	1,135,000	1,075,000	1,010,000	2033
2013C MPC TNEC	32,215,000	30,855,000	29,445,000	27,970,000	26,420,000	2033
2015A MPC Museum	11,130,000	10,670,000	10,195,000	9,700,000	9,180,000	2034
2015A Taxable TPC	13,190,000	12,600,000	11,995,000	11,375,000	10,735,000	2034
Total Municipal Property Corp. Bonds	199,118,269	187,918,269	173,761,729	158,209,241	147,257,521	
Total Debt Service Funds	**766,288,269**	**739,043,269**	**672,132,881**	**610,314,383**	**552,325,147**	

BUDGET BY FUND | Long-Term Debt Outstanding

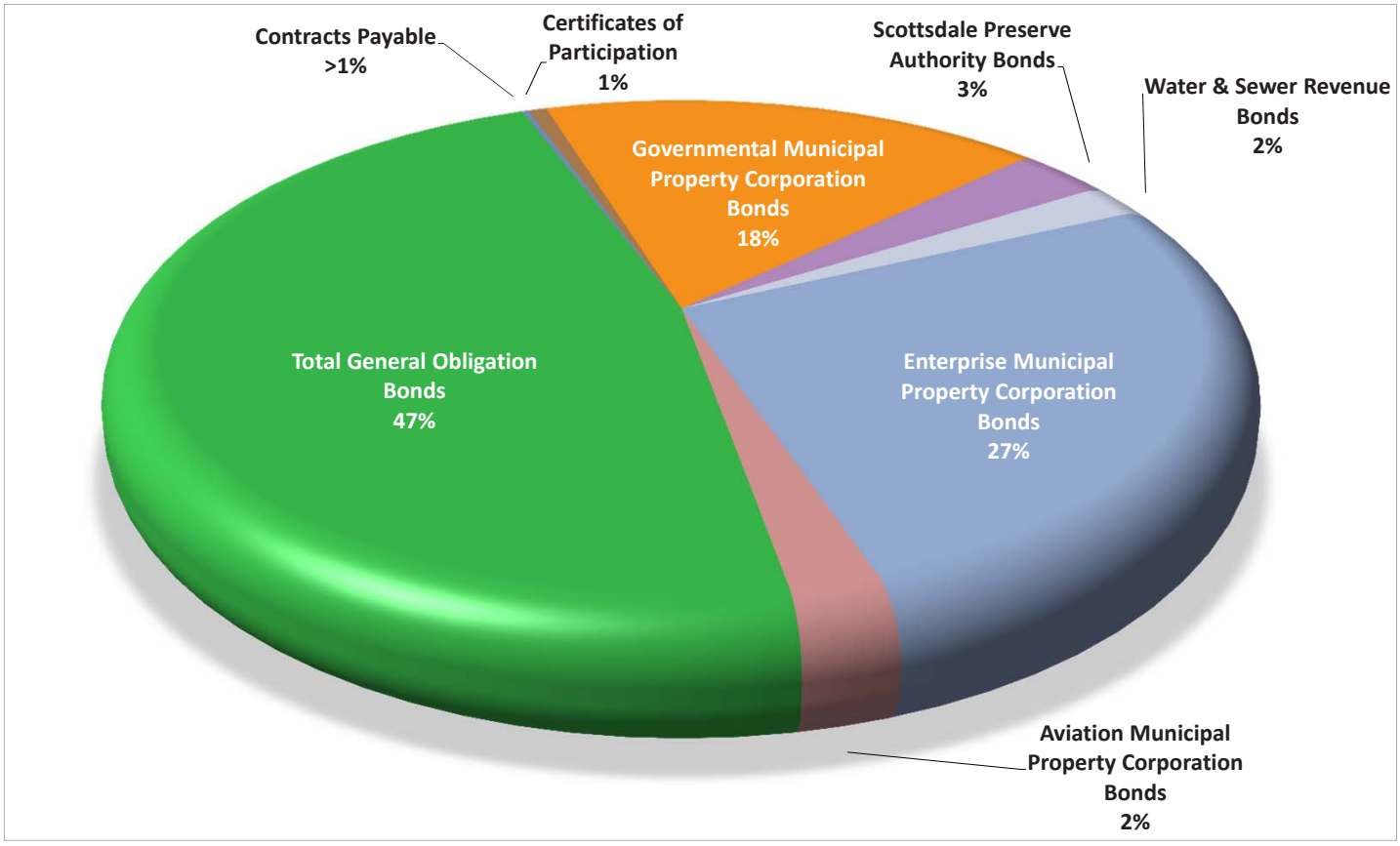
Long-Term Debt Outstanding - All Funds
As of 6/30/17 through 6/30/21

	Balance at 6/30/17	Balance at 6/30/18	Balance at 6/30/19	Balance at 6/30/20	Balance at 6/30/21	Final Payment Date
Water and Water Reclamation Funds						
Water Sewer Revenue Bonds						
2008 Water Sewer Revenue Refunding Bonds	23,085,000	19,715,000	16,175,000	12,450,000	8,520,000	2023
Total Water Sewer Revenue Bonds	23,085,000	19,715,000	16,175,000	12,450,000	8,520,000	
Municipal Property Corp. (MPC) Bonds						
2006 MPC Refunding Water/Sewer MPC Bonds	95,630,000	87,785,000	79,600,000	71,060,000	62,150,000	2030
2008A Water & Sewer MPC Bonds	3,725,000	-	-	-	-	2032
2010 Water & Sewer MPC Bonds	16,330,000	15,230,000	13,940,000	12,440,000	10,710,000	2036
2015A Water & Sewer MPC Bonds	16,860,000	16,165,000	15,450,000	14,695,000	13,905,000	2034
2015 Refunding Water & Sewer MPC Bonds	46,811,731	46,811,731	43,023,271	39,020,759	34,892,479	2028
2017 Refunding Water & Sewer MPC Bonds	79,970,000	79,970,000	79,970,000	79,970,000	79,970,000	2036
Future MPC Bonds	42,105,000	40,262,906	38,799,758	37,283,978	35,715,566	2037
Total MPC Bonds - Water and Sewer Supported	301,431,731	286,224,637	270,783,029	254,469,737	237,343,045	
Total Water and Sewer Funds	**324,516,731**	**305,939,637**	**286,958,029**	**266,919,737**	**245,863,045**	
Aviation Fund						
Municipal Property Corp. (MPC) Bonds						
Future MPC Bonds						
2017 MPC Bonds - Airport Supported	27,000,000	26,350,000	25,450,000	24,550,000	23,650,000	2037
Total Aviation Fund	**27,000,000**	**26,350,000**	**25,450,000**	**24,550,000**	**23,650,000**	
TOTAL LONG-TERM DEBT OUTSTANDING	**1,127,598,449**	**1,078,622,134**	**989,255,587**	**903,851,814**	**823,752,048**	

Outstanding Bonds By Type

Forecast at June 30, 2017

Type of Issuance	Principal Bond Amount	% Total
General Obligation Bonds (Combined)		
6% Capacity	26,116,267	5%
20% Capacity	505,203,733	95%
Total General Obligation Bonds	531,320,000	47%
Contracts Payable	2,529,209	0%
Certificates of Participation	7,264,240	1%
Governmental Municipal Property Corporation Bonds	199,118,269	18%
Scottsdale Preserve Authority Bonds	35,850,000	3%
Water & Sewer Revenue Bonds	23,085,000	2%
Enterprise Municipal Property Corporation Bonds	301,431,731	27%
Aviation Municipal Property Corporation Bonds	27,000,000	2%
Total	1,127,598,449	100%



General Obligation Bonds Property Tax (Secondary) Supported

FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
34,158,964	33,795,841	32,247,642	30,378,535	26,161,318

COMPUTATION OF LEGAL DEBT MARGINS
Forecast at June 30, 2017

Net Assessed Valuation Forecasted as of June 30, 2017		5,398,913,387	
Debt Limit Equal to 20% of Assessed Valuation		1,079,782,677	
General Obligation Bonded Debt Subject to 20% Debt Limit (net of amounts available in Debt Service Funds forecasted for payment on July 1, 2017):			
2002 Refunding	3,405,000		
2008A	5,400,000		
2008B	650,000		
2010	33,800,000		
2011	18,665,000		
2011 Refunding	22,220,000		
2012	50,000,000		
2012 Refunding	68,095,000		
2013	74,000,000		
2014	12,435,000		
2014 Refunding	50,418,733		
2015 Refunding	148,705,000		
2017	17,410,000		
Net Outstanding Forecasted Bonded Debt Subject to 20% Limit		505,203,733	(A)
Forecasted Legal 20% Debt Margin (Available Borrowing Capacity)		**574,578,944**	(C)
Debt Limit Equal to 6% of Assessed Valuation		323,934,803	
General Obligation Bonded Debt Subject to 6% Debt Limit (net of amounts available in Debt Service Funds forecasted for payment on July 1, 2017):			
2010	7,900,000		
2014 Refunding	18,216,267		
Net Outstanding Forecasted Bonded Debt Subject to 6% Limit		26,116,267	(B)
Forecasted Legal 6% Debt Margin (Available Borrowing Capacity)		**297,818,536**	(D)

State Regulation
The Arizona Constitution (Article 9, Section 8), provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed 6% of the assessed valuation of the taxable property in that city. In addition to the 6% limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20% of the assessed valuation for supplying such city with water, artificial light, or sewers, for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and transportation facilities.

City of Scottsdale Compliance with State Regulation

This schedule indicates the assessed valuation of property tax within the City of Scottsdale allows a maximum legal bonding capacity of $1,079,782,677 for projects subject to the 20% limitation and $323,934,803 for projects subject to the 6% limitation.

Legal Debt Capacity Used
Based on the City's current outstanding general obligation debt, it is forecasted as of June 30, 2017, the City has used (borrowed) the following legal debt capacity by percentage limitation:

20% limitation (A) $505,203,733 or 47%
6% limitation (B) $26,116,267 or 8%

Legal Capacity Available
Based on the City's current outstanding general obligation debt, it is forecasted as of June 30, 2017, the City has available (for borrowing) the following legal debt capacity by percentage limitation:

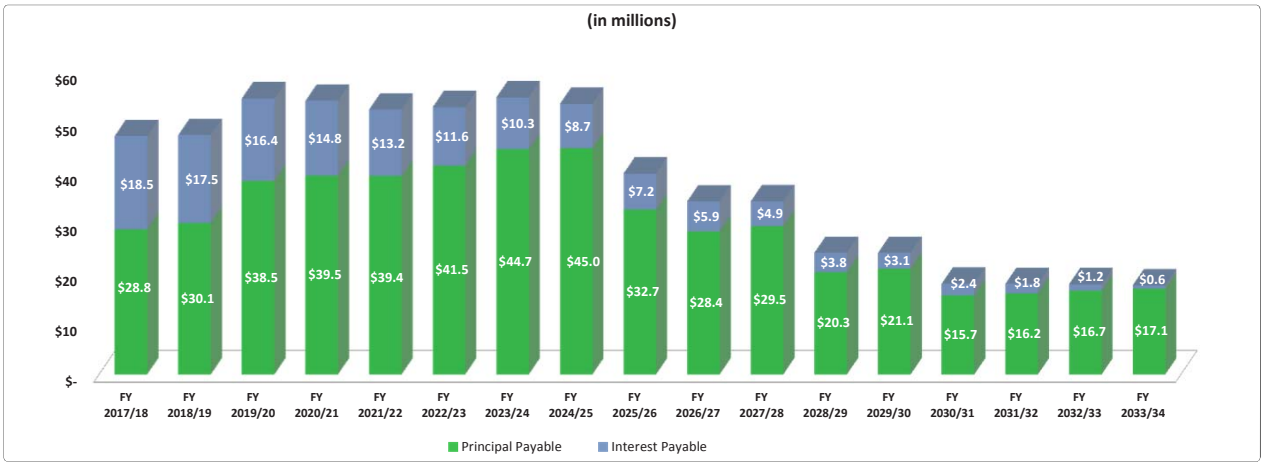
20% limitation (C) $574,578,944 or 53%
6% limitation (D) $297,818,536 or 92%

General Obligation Bond Capacity Available as of June 30, 2017

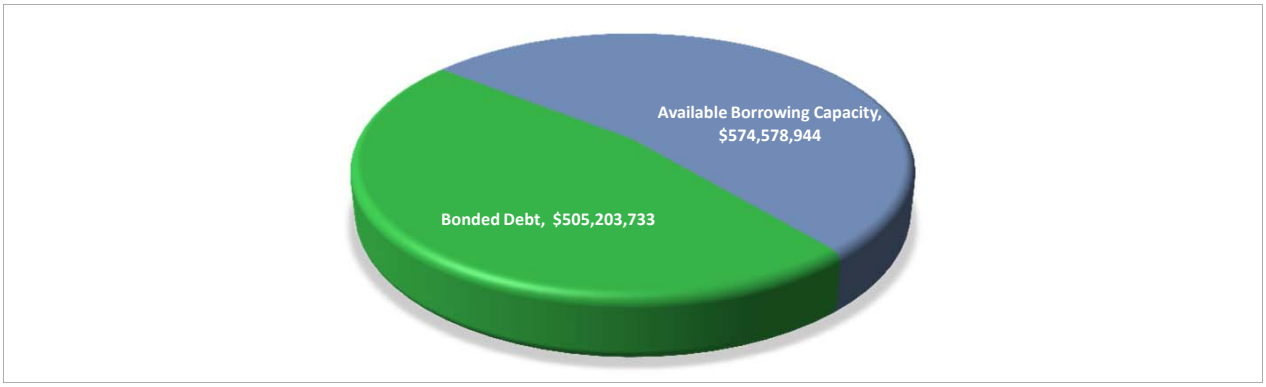
Under Arizona Constitution Article IX, section 8 (amended by Proposition 104 in 2006), cities may issue General Obligation Bonds for streets and transportation facilities, public safety, law enforcement, fire and emergency services facilities, water, water reclamation, artificial light, acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities up to an amount not exceeding 20% of secondary assessed value. Cities may also issue General Obligation Bonds for all other general purposes not included in the 20% debt margin category up to an amount not exceeding 6% of the secondary assessed value.

Outstanding General Obligation Bonds Subject to 20% Limit

Maturity Date	Principal Payable	Interest Payable	Fiscal Total
FY 2017/18	28,832,570	18,537,636	47,370,206
FY 2018/19	30,091,163	17,471,379	47,562,541
FY 2019/20	38,485,000	16,356,944	54,841,944
FY 2020/21	39,545,000	14,814,944	54,359,944
FY 2021/22	39,420,000	13,192,519	52,612,519
FY 2022/23	41,495,000	11,605,969	53,100,969
FY 2023/24	44,720,000	10,294,194	55,014,194
FY 2024/25	45,005,000	8,744,444	53,749,444
FY 2025/26	32,745,000	7,162,088	39,907,088
FY 2026/27	28,435,000	5,946,900	34,381,900
FY 2027/28	29,485,000	4,902,725	34,387,725
FY 2028/29	20,335,000	3,817,825	24,152,825
FY 2029/30	21,050,000	3,102,294	24,152,294
FY 2030/31	15,675,000	2,357,000	18,032,000
FY 2031/32	16,165,000	1,810,550	17,975,550
FY 2032/33	16,665,000	1,242,650	17,907,650
FY 2033/34	17,055,000	633,450	17,688,450
Total	505,203,733	141,993,508	647,197,241

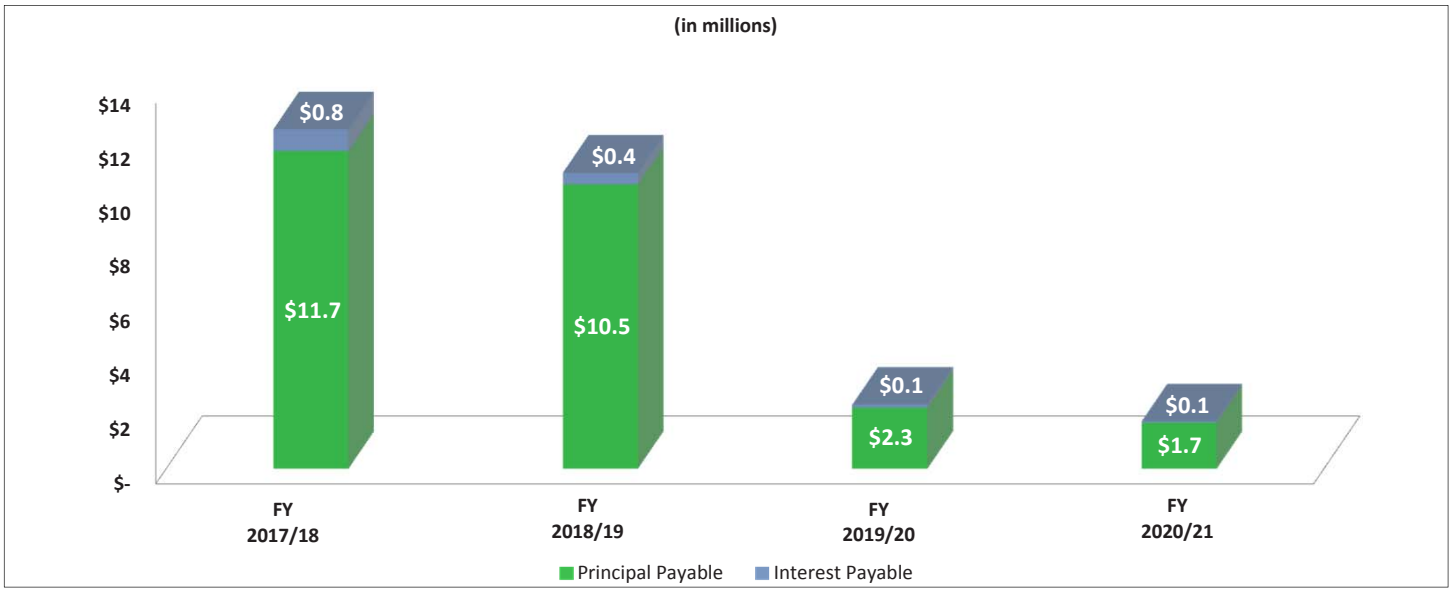


Bonded Debt	Available Borrowing Capacity
505,203,733	574,578,944

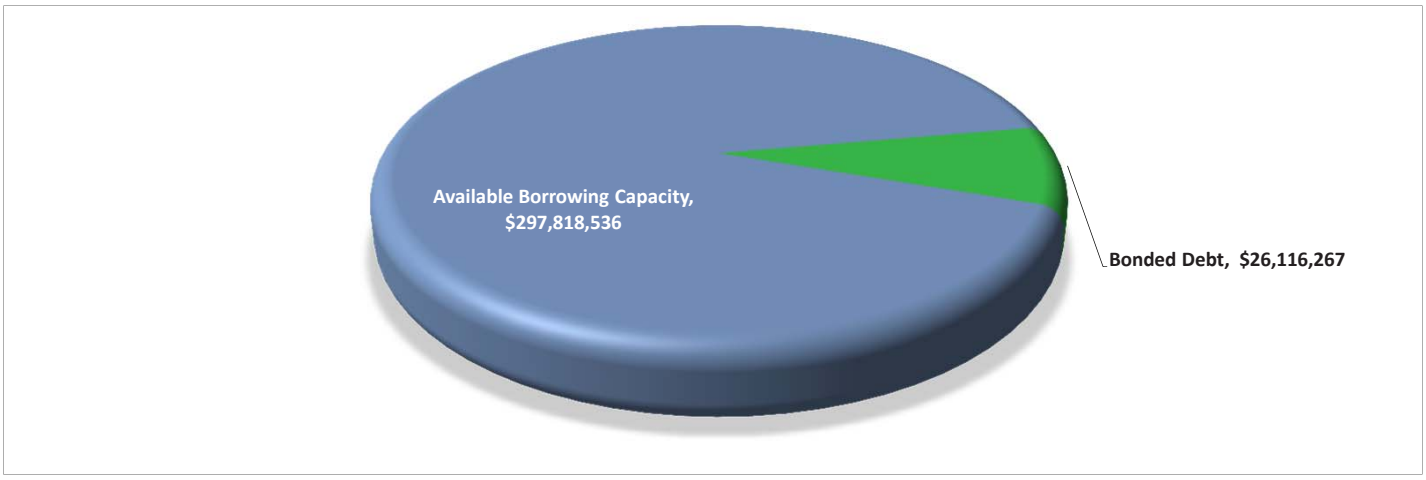


Outstanding General Obligation Bonds Subject to 6% Limit as of June 30, 2017

Maturity Date	Principal Payable	Interest Payable	Fiscal Total
FY 2017/18	11,697,430	806,738	12,504,168
FY 2018/19	10,468,837	436,815	10,905,652
FY 2019/20	2,250,000	122,750	2,372,750
FY 2020/21	1,700,000	55,250	1,755,250
Total	26,116,267	1,421,553	27,537,820



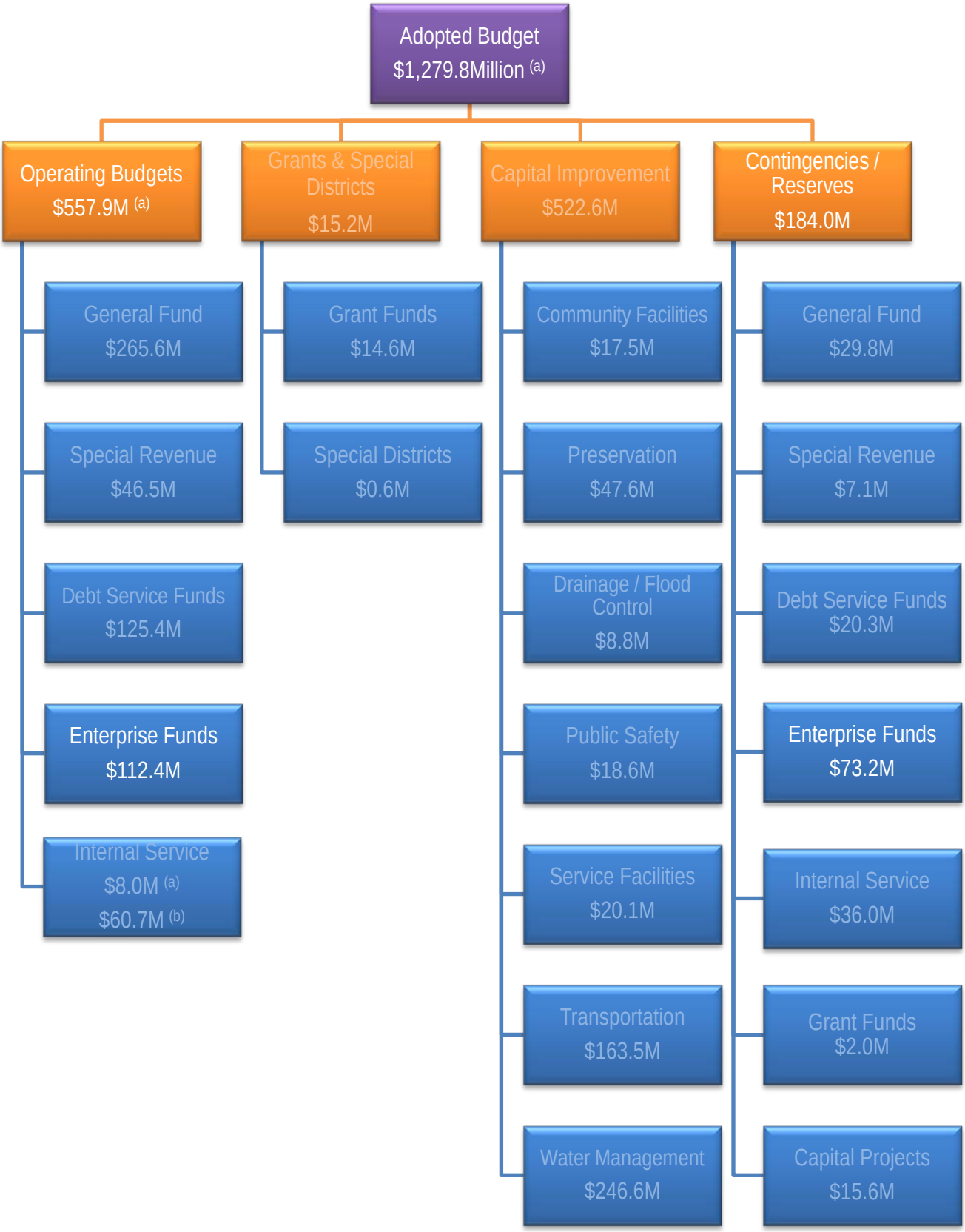
Bonded Debt	Available Borrowing Capacity
26,116,267	297,818,536



FY 2017/18 Adopted Budget

ONLY
AGEMENT
Peterbilt
CITY OF SCOTTSDALE
SOLID WASTE MANAGEMENT
NO PARKING IN FRONT OF CONTAINER
ORDINANCE 24-40
REDUCE • REUSE • RECYCLE
CITY OF SCOTTSDALE
NO PARKING IN FRONT OF CONTAINER
ORDINANCE 24-40
HELL
HOUSEHOLD HAZARDOUS WASTE DAY
There's a good reason behind it.
1007442

BUDGET BY FUND | Enterprise Funds Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

Note: Amounts are rounded in millions; therefore, differences may occur.

Enterprise Funds Description

Scottsdale uses three separate Enterprise Funds to account for the activity of the proprietary funds. The individual funds are Water and Water Reclamation, Solid Waste, and Aviation. In aggregate, the Enterprise Funds are the city's second largest source of revenues, which are derived from user fees and charges. User fees and charges are established to promote efficiency by shifting costs to specific users of services and avoiding general taxation. The applicable revenues of the individual funds, along with each fund's purpose, are described in the sections that follow.

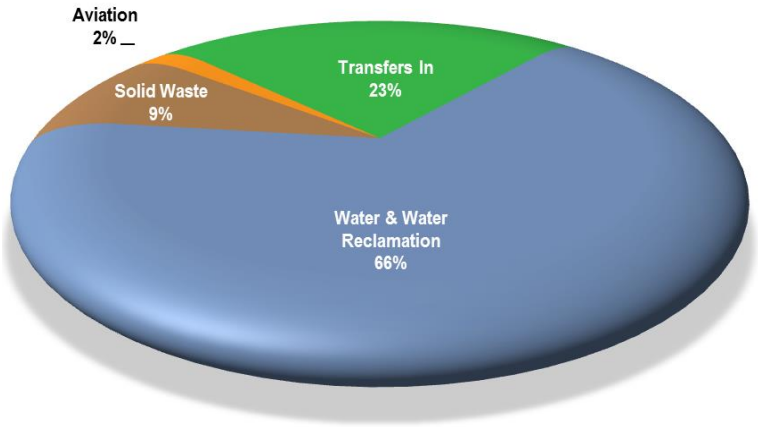
Overview of User Fees Revenue Policy

Rate adjustments for Enterprise User Fees are recommended based upon five-year financial plans developed for each operation and are reviewed annually per Scottsdale's adopted financial policies to meet the stated objectives of:

- Equity – to ensure that charges are borne by the beneficiaries of a product or service.
- Rate Stability – to level distribution of necessary cost increases to avoid large rate increases in any one year.
- Financing – to manage the level of debt to ensure the city can meet bond coverage requirements, provide for capital financing needs and remain financially healthy.
- Rate Design – to encourage efficient use of city resources and conservation where applicable.

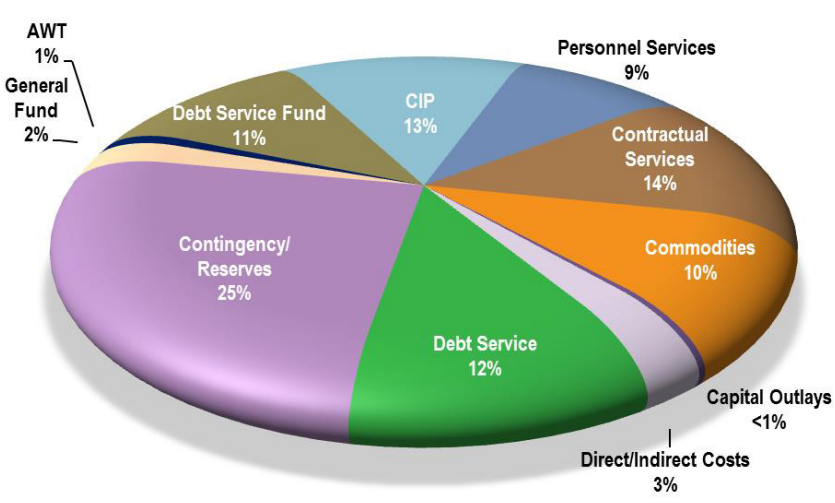
Enterprise Funds Sources (in millions)

Water & Water Reclamation	151.3
Solid Waste	20.1
Aviation	4.0
Total Revenue	175.4
Transfers In	54.3
Total Sources	229.7



Enterprise Funds Uses (in millions)

Personnel Services	28.8
Contractual Services	42.7
Commodities	31.5
Capital Outlays	1.1
Direct/Indirect Costs	8.3
Debt Service	36.5
Contingency/ Reserves	79.6
Adopted Budget	228.6
Transfers Out	
General Fund	7.2
AWT	3.0
Debt Service Fund	34.7
CIP	42.1
Total Uses	315.6



Note: Amounts are rounded in millions; therefore, differences may occur.

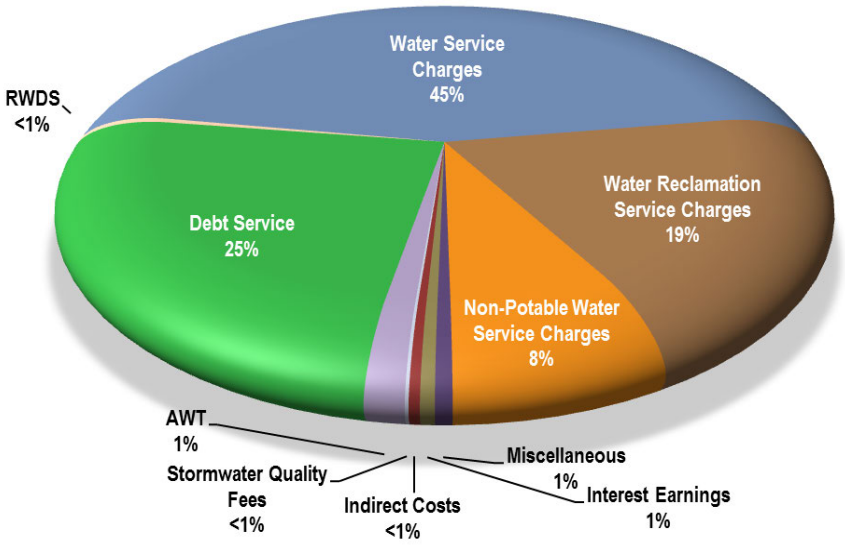
BUDGET BY FUND | Water & Water Reclamation Funds Overview

Fund Purpose

These funds account for the transactions related to the city's water and water reclamation business activities, including operating sources, uses and debt service payments. Capital uses are accounted for in various Capital Improvement Plan funds (see Volume Three for project details).

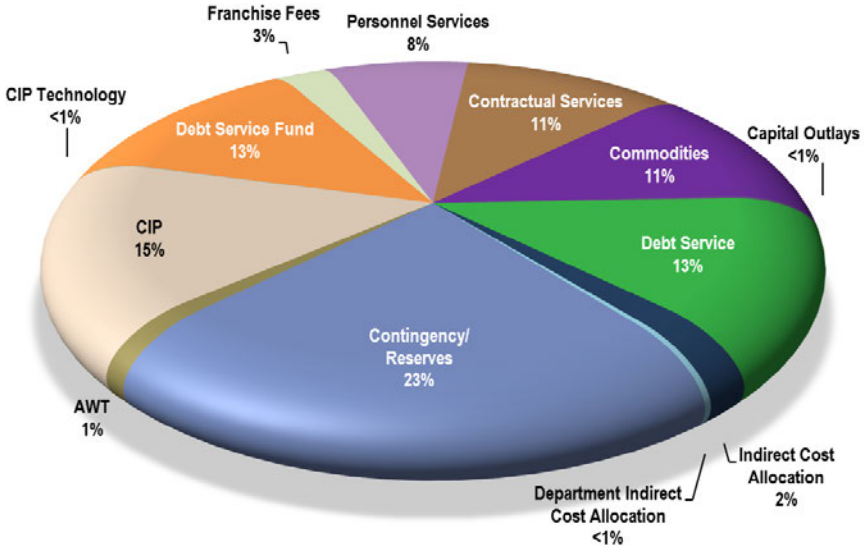
Water & Water Reclamation Funds Sources (in millions)

Water Service Charges	91.8
Water Reclamation Service Charges	39.9
Non-Potable Water Service Charges	16.2
Miscellaneous	1.3
Interest Earnings	1.1
Indirect Costs	0.8
Stormwater Quality Fees	0.3
Total Revenue	151.3
Transfers In	
AWT	3.0
Debt Service	50.4
RWDS	0.9
Total Sources	205.6



Water & Water Reclamation Funds Uses (in millions)

Personnel Services	20.3
Contractual Services	30.5
Commodities	30.8
Capital Outlays	0.6
Debt Service	34.7
Indirect Cost Allocation	5.1
Department Indirect Cost Allocation	0.8
Contingency/ Reserves	64.0
Adopted Budget	186.7
Transfers Out	
AWT	3.0
CIP	41.8
CIP Technology	0.1
Debt Service Fund	34.7
Franchise Fees	7.2
Total Uses	273.5



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Water & Water Reclamation Funds Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Reserve	14,323,102	14,933,121	14,933,121	14,933,121	16,320,824
Repair/Replacement Reserve	37,914,174	38,244,900	38,244,900	38,244,900	38,244,900
Revenue Bond Debt Service Reserve	4,691,838	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	4,028,535	5,149,276	5,149,276	5,149,276	5,063,991
Undesignated, Unreserved Fund Balance	23,949,845	-	2,709,998	2,709,998	3,692,111
Total Beginning Fund Balance	**84,907,494**	**62,931,985**	**65,641,983**	**65,641,983**	**67,926,514**
Revenues					
Water Service Charges	91,698,399	91,418,800	91,418,800	91,868,800	91,774,100
Water Reclamation Service Charges	38,843,243	38,677,500	38,677,500	38,852,500	39,894,800
Non-Potable Water Service Charges	12,256,750	13,256,800	13,256,800	13,256,800	16,217,900
Miscellaneous	3,171,710	1,180,000	1,180,000	1,180,000	1,264,500
Interest Earnings	946,265	899,138	899,138	899,138	1,065,365
Indirect Costs	759,727	866,900	866,900	866,900	804,500
Stormwater Quality Fees	111,878	267,000	267,000	267,000	268,500
Subtotal	***147,787,972***	***146,566,138***	***146,566,138***	***147,191,138***	***151,289,665***
Transfers In					
AWT	-	2,749,667	2,749,667	2,749,667	2,960,000
Debt Service[(a)]	27,615,040	15,595,296	15,595,296	45,847,634	50,420,429
RWDS	900,000	900,000	900,000	900,000	900,000
Total Sources	**176,303,012**	**165,811,101**	**165,811,101**	**196,688,439**	**205,570,094**
Expenditures					
Mayor and City Council	91,166	-	-	-	-
City Treasurer	2,066,669	2,242,080	2,186,417	2,186,417	2,136,143
Water Resources	55,111,649	61,361,923	61,324,216	61,324,215	63,918,663
Citywide Indirect Cost Allocation	4,443,590	4,836,310	4,836,310	4,836,310	5,069,106
Department Indirect Cost	759,727	866,900	866,900	866,900	804,500
Citywide Pay Program	-	476,914	13,866	-	443,056
Estimated Personnel Savings from Vacant Positions	-	(1,130,000)	(397,832)	(397,832)	(1,152,600)
Leave Accrual Payments	-	566,000	391,800	391,800	466,001
Utilities	14,549,848	16,281,900	16,281,900	16,281,900	16,329,312
Subtotal	***77,022,650***	***85,502,027***	***85,503,577***	***85,489,710***	***88,014,181***
Debt Service					
MPC Bonds Debt Service-Sewer	7,227,322	7,714,285	7,714,285	7,714,285	8,484,992
MPC Bonds Debt Service-Water	18,169,639	17,988,215	17,988,215	17,988,215	21,650,202
Sewer Revenue Bonds	4,455,282	4,549,838	4,549,838	4,549,838	4,565,088
Water Revenue Bond	87,205	-	-	-	-
Subtotal	***29,939,449***	***30,252,338***	***30,252,338***	***30,252,338***	***34,700,282***
TOTAL OPERATING BUDGET	106,962,099	115,754,365	115,755,915	115,742,048	122,714,463
Transfers Out					
AWT	-	2,749,667	2,749,667	2,749,667	2,960,000
CIP	67,776,888	38,295,657	38,295,657	38,295,657	41,822,695
CIP Technology	81,375	108,043	108,043	108,043	76,100
Debt Service[(a)]	13,696,883	-	-	30,252,338	34,700,282
Franchise Fees	7,051,278	7,211,400	7,211,400	7,256,155	7,214,440
Subtotal	***88,606,424***	***48,364,767***	***48,364,767***	***78,661,860***	***86,773,517***
Total Uses	**195,568,523**	**164,119,132**	**164,120,682**	**194,403,908**	**209,487,980**
Sources Over/(Under) Uses	**(19,265,511)**	**1,691,969**	**1,690,419**	**2,284,531**	**(3,917,886)**
Ending Fund Balance					
Operating Reserve	14,933,121	14,946,509	14,946,509	16,320,824	17,278,888
Repair/Replacement Reserve	38,244,900	39,789,235	39,789,235	38,244,900	41,302,123
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	5,149,276	5,283,522	5,283,522	5,063,991	822,929
Undesignated, Unreserved Fund Balance	2,709,998	-	2,708,448	3,692,111	-
Total Ending Fund Balance	**65,641,983**	**64,623,954**	**67,332,402**	**67,926,514**	**64,008,628**

[(a)] Development fee revenues are receipted in the Capital Fund and paid by developers when new construction developments are permitted. A portion of these revenues are then transferred to the operating budget to pay for debt service costs associated with providing additional infrastructure to serve new development areas.

BUDGET BY FUND | Water & Water Reclamation Funds Five Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Reserve	16,320,824	17,278,888	17,863,171	18,509,541	18,732,828
Repair/Replacement Reserve	38,244,900	41,302,123	42,831,470	43,895,164	44,592,168
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	5,063,991	822,929	833,999	845,335	856,944
Undesignated, Unreserved Fund Balance	3,692,111	-	-	-	-
Total Beginning Fund Balance	**67,926,514**	**64,008,628**	**66,133,328**	**67,854,728**	**68,786,628**
Revenues					
Water Service Charges	91,774,100	94,499,800	96,374,400	98,286,400	100,236,600
Water Reclamation Service Charges	39,894,800	41,042,100	42,223,100	43,439,300	44,691,400
Non-Potable Water Service Charges	16,217,900	16,542,100	16,873,200	17,210,400	17,554,800
Miscellaneous	1,264,500	1,289,800	1,315,400	1,341,900	1,368,800
Interest Earnings	1,065,365	1,568,300	2,154,600	2,400,100	2,565,400
Indirect Costs	804,500	820,600	837,000	853,600	870,900
Stormwater Quality Fees	268,500	271,200	273,900	276,600	279,400
Subtotal	***151,289,665***	***156,033,900***	***160,051,600***	***163,808,300***	***167,567,300***
Transfers In					
AWT	2,960,000	2,989,600	3,019,500	3,049,700	3,080,200
Debt Service[(a)]	50,420,429	50,191,700	50,399,900	50,466,500	50,563,900
RWDS	900,000	900,000	900,000	900,000	900,000
Total Sources	**205,570,094**	**210,115,200**	**214,371,000**	**218,224,500**	**222,111,400**
Expenditures					
Mayor and City Council	-	-	-	-	-
City Treasurer	2,136,143	2,179,400	2,208,600	2,237,800	2,268,800
Water Resources	63,918,663	66,781,100	67,844,900	70,698,600	73,613,900
Citywide Indirect Cost Allocation	5,069,106	5,322,600	5,588,800	5,868,200	6,161,500
Department Indirect Cost	804,500	820,600	837,000	853,600	870,900
Citywide Pay Program	443,056	865,000	1,266,800	1,644,200	2,005,000
Estimated Personnel Savings from Vacant Positions	(1,152,600)	(1,169,700)	(1,187,200)	(1,205,400)	(1,224,000)
Leave Accrual Payments	466,001	472,700	480,000	487,400	494,900
Utilities	16,329,312	16,812,400	17,310,000	17,822,700	18,698,100
Subtotal	***88,014,181***	***92,084,100***	***94,348,900***	***98,407,100***	***102,889,100***
Debt Service					
MPC Bonds Debt Service-Sewer	8,484,992	9,049,200	9,126,100	9,228,100	9,335,600
MPC Bonds Debt Service-Water	21,650,202	20,950,200	20,950,500	20,872,300	20,800,700
Sewer Revenue Bonds	4,565,088	4,566,600	4,574,600	4,584,000	4,592,700
Water Revenue Bond	-	-	-	-	-
Subtotal	***34,700,282***	***34,566,000***	***34,651,200***	***34,684,400***	***34,729,000***
TOTAL OPERATING BUDGET	122,714,463	126,650,100	129,000,100	133,091,500	137,618,100
Transfers Out					
AWT	2,960,000	2,989,600	3,019,500	3,049,700	3,080,200
CIP	41,822,695	36,114,700	38,248,800	38,593,500	37,766,500
CIP Technology	76,100	249,400	143,400	117,600	201,000
Debt Service[(a)]	34,700,282	34,566,000	34,651,200	34,684,400	34,729,000
Franchise Fees	7,214,440	7,420,700	7,586,600	7,755,900	7,929,800
Subtotal	***86,773,517***	***81,340,400***	***83,649,500***	***84,201,100***	***83,706,500***
Total Uses	**209,487,980**	**207,990,500**	**212,649,600**	**217,292,600**	**221,324,600**
Sources Over/(Under) Uses	**(3,917,886)**	**2,124,700**	**1,721,400**	**931,900**	**786,800**
Ending Fund Balance					
Operating Reserve	17,278,888	17,863,171	18,509,541	18,732,828	18,928,876
Repair/Replacement Reserve	41,302,123	42,831,470	43,895,164	44,592,168	45,171,029
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	822,929	833,999	845,335	856,944	868,835
Undesignated, Unreserved Fund Balance	-	-	-	-	-
Total Ending Fund Balance	**64,008,628**	**66,133,328**	**67,854,728**	**68,786,628**	**69,573,428**

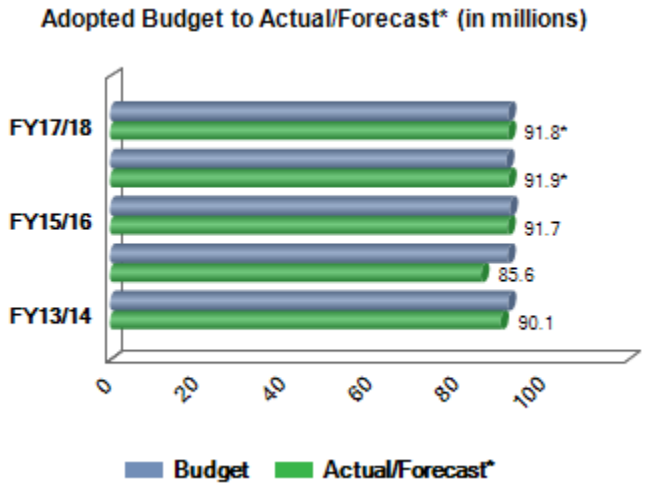
[(a)] Development fee revenues are receipted in the Capital Fund and paid by developers when new construction developments are permitted. A portion of these revenues are then transferred to the operating budget to pay for debt service costs associated with providing additional infrastructure to serve new development areas.

Water & Rater Reclamation Funds Sources

Water & Water Reclamation Funds sources for FY 2017/18 equal $205.6 million which is an increase of $8.9 million from the FY 2016/17 year-end forecast mainly due to rate and fee increases and development fees that are collected in the Capital Fund and then transferred to the operating budget to pay for debt service costs. The sources include Water Service Charges, Water Reclamation Service Charges, Non-Potable Water Service Charges, Miscellaneous, Interest Earnings, Indirect Costs, Stormwater Quality Fees and Transfers In.

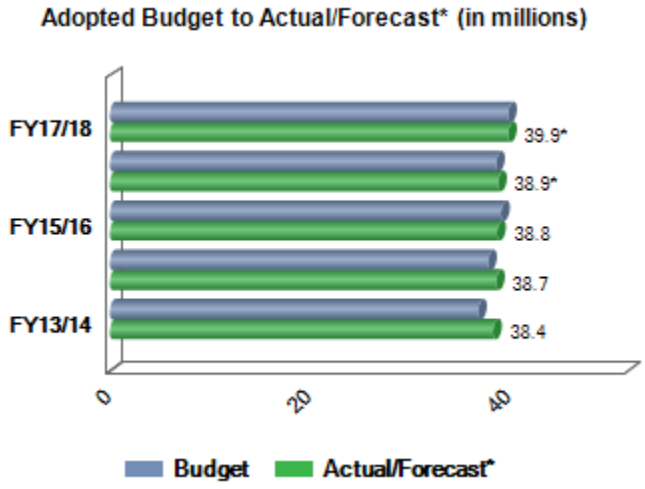
Water Service Charges

Water Service Charges revenue for FY 2017/18 totals $91.8 million, a $0.1 million decrease from the FY 2016/17 year-end forecast due to a decrease in the volume in water charges anticipated. The decrease in revenue due to volume was offset somewhat by rate and fee increases. Rate and fee increases for FY 2017/18 vary by meter size, user types and categories. Monthly water billings consist of a base charge according to meter size and a monthly quantity usage charge based on the amount of water consumed. Rates and fees are reviewed annually to determine if they cover the costs of the services provided.



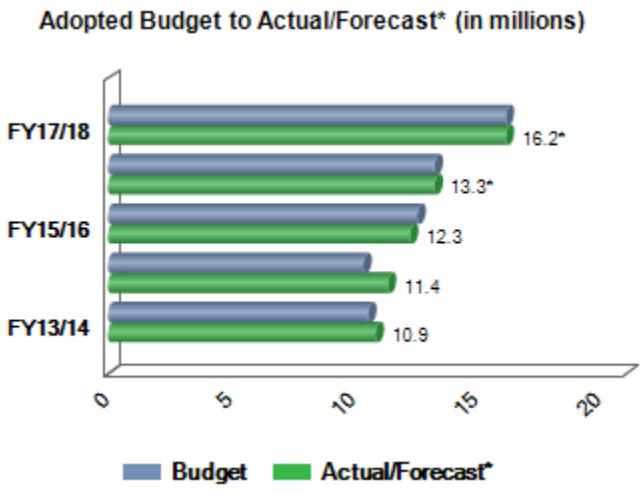
Water Reclamation Service Charges

Water Reclamation Service Charges revenue adopted for FY 2017/18 totals $39.9 million, a $1.0 million increase compared to the FY 2016/17 year-end forecast. The water reclamation revenues are greater than last year due to assumptions derived from a review of the prior three year actuals adjusted for rate structure changes. Monthly water reclamation billings consist of a base fee and a flow charge for capital costs and operation and maintenance expenses that vary by customer classification determined by relative wastewater loadings. Rates and fees are reviewed annually to determine if they cover the costs of the services provided.



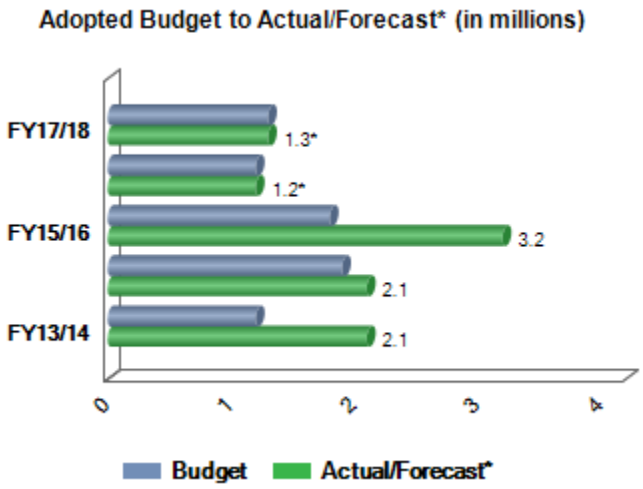
Non-Potable Water Service Charges

Non-Potable Water Service Charges revenue adopted for FY 2017/18 totals $16.2 million, reflecting a $2.9 million increase from the FY 2016/17 year-end forecast due to an anticipated volume increase in non-potable water use associated with higher Advanced Water Treatment Reverse Osmosis (AWT RO) and Reclaimed Water Distribution Sales (RWDS) and a higher water rate. Non-Potable Water Service Charges revenue includes advanced water treatment and effluent sales related to water treated to irrigation standards at the city's Water Reclamation Plant for 23 golf courses in north Scottsdale that are part of the RWDS, and the city's Gainey Water Reclamation Plant for irrigation use at the Gainey Ranch Golf Club. Other non-potable water sales include three golf courses in north Scottsdale that are part of the Irrigation Water Distribution System (IWDS), the McDowell Mountain golf course and three city recreation facilities. The costs related to contractual obligations to provide water for irrigation are recovered through rates charged.



Miscellaneous

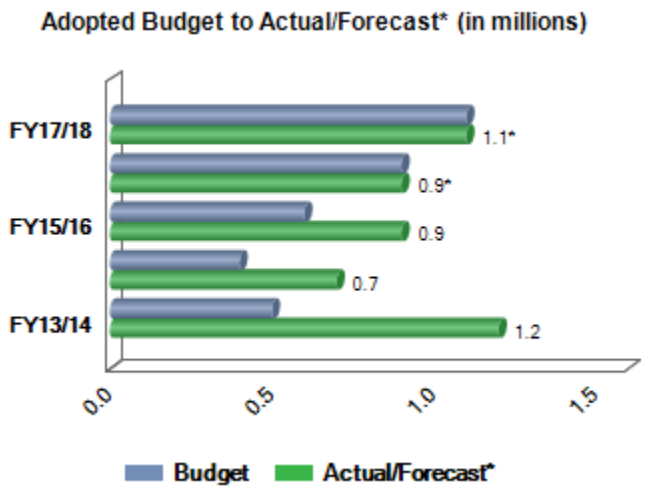
Miscellaneous revenue adopted for FY 2017/18 totals $1.3 million, reflecting a $0.1 million increase from the FY 2016/17 year-end forecast. Miscellaneous revenue includes the sale of excess property no longer in use, rental income, recovery of various line extension agreements and recovery of expenses from outside parties.



BUDGET BY FUND | Water & Water Reclamation Funds Sources

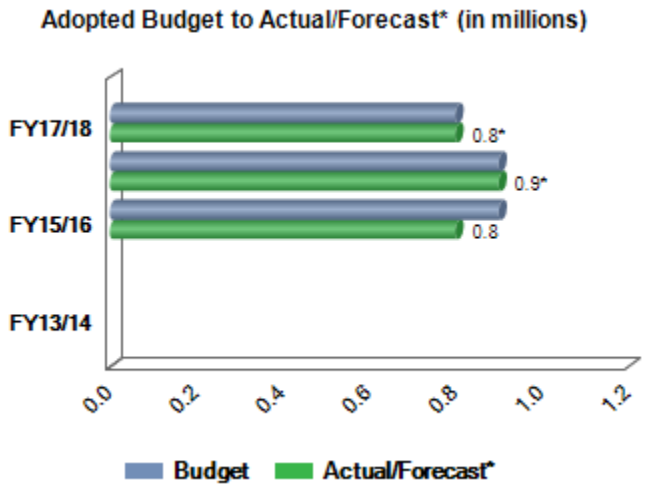
Interest Earnings

Interest Earnings revenue adopted for FY 2017/18 totals $1.1 million, a $0.2 million increase from the FY 2016/17 year-end forecast. Interest earnings are generated on Water & Water Reclamation Funds cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield, and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool.



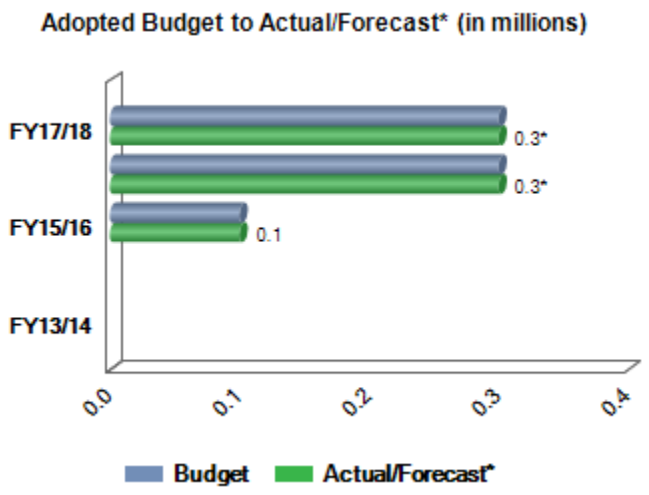
Indirect Costs

The FY 2017/18 adopted budget for Indirect Costs is $0.8 million, which $0.1 million less than the FY 2016/17 forecast. The Indirect Costs represent internal charges to the RWDS Fund, Inlet Silverado Golf Course Fund, Irrigation Water Distribution System (IWDS) Fund, McDowell Mountain Golf Recharge Fund, Gainey Ranch Fund, and PCX/NGTF Fund for central operations under the Water & Water Reclamation Funds. Prior to FY 2015/16, Indirect Costs were budgeted as Transfers In, but due to a change in accounting methodology, are now budgeted as a source.



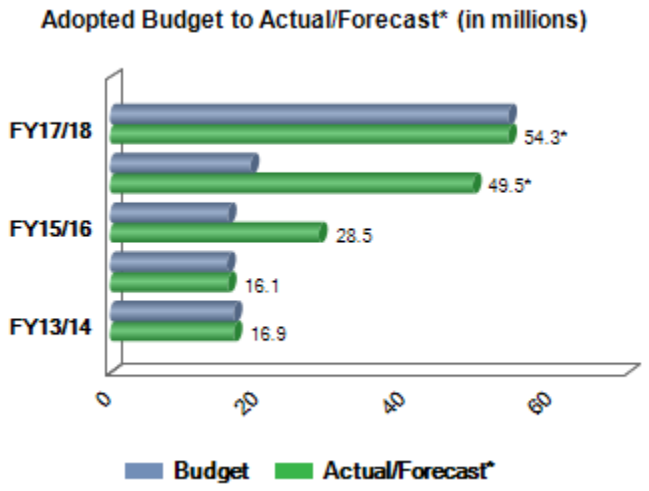
Stormwater Quality Fee

Stormwater Quality Fees revenue for FY 2017/18 totals $0.3 million. This is flat when compared to the FY 2016/17 year-end forecast. This revenue is collected to support capital improvements and permit compliance costs supported by the Water Reclamation Fund. The revenue source was first established in FY 2015/16.



Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. There are three Transfers In budgeted for Water & Water Reclamation, totaling $54.3 million, a $4.8 million increase from the FY 2016/17 year-end forecast: 1) AWT, which is an internal transfer between water funds reimbursing the Water Reclamation Fund for operating and maintenance costs for the Advanced Water Treatment Plant is $3.0 million; 2) Debt Service of $50.4 million, which are development fees collected in the CIP Fund and then transferred to the operating budget to pay for debt service costs; and 3) RWDS of $0.9 million from the CIP Reclaimed Water Distribution System (RWDS) Fund for debt service payments.

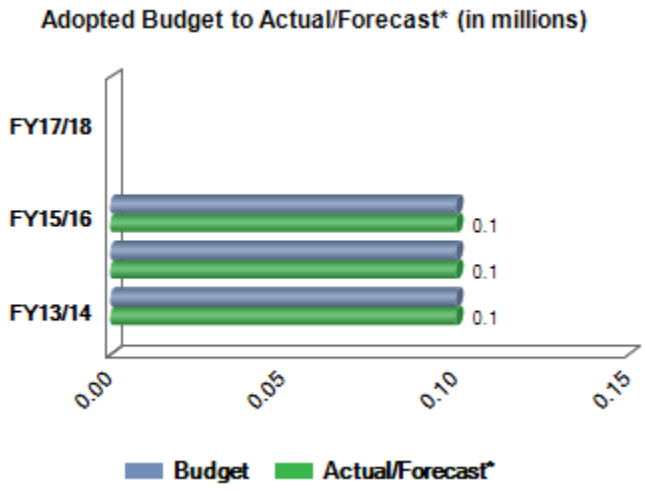


Water & Water Reclamation Funds Uses By Division

The Water & Water Reclamation Funds uses are presented by the following major groupings: Mayor and City Council, City Treasurer, Water Resources, Citywide Indirect Cost Allocation, Department Indirect Cost, Citywide Pay Program, Estimated Personnel Savings from Vacant Positions, Leave Accrual Payments and Utilities. Additionally, there are debt service payments and Transfers Out to other funds.

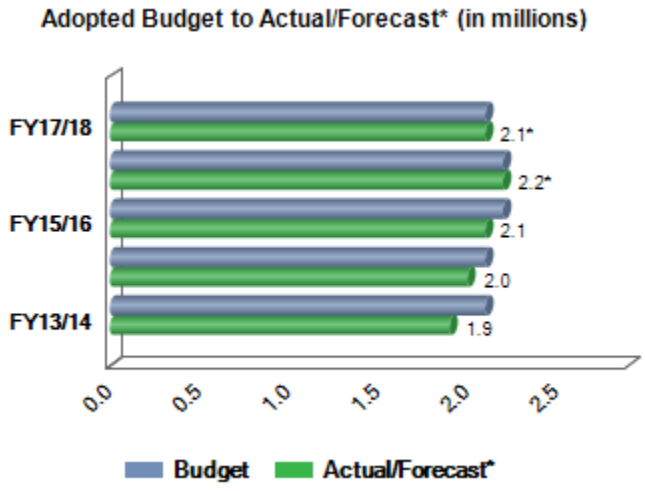
Mayor and City Council

Mayor and City Council uses are related to the payment of membership fees to the Arizona Municipal Water Users Association (AMWUA). Starting in FY 2016/17, these fees are paid out of Water Resources.



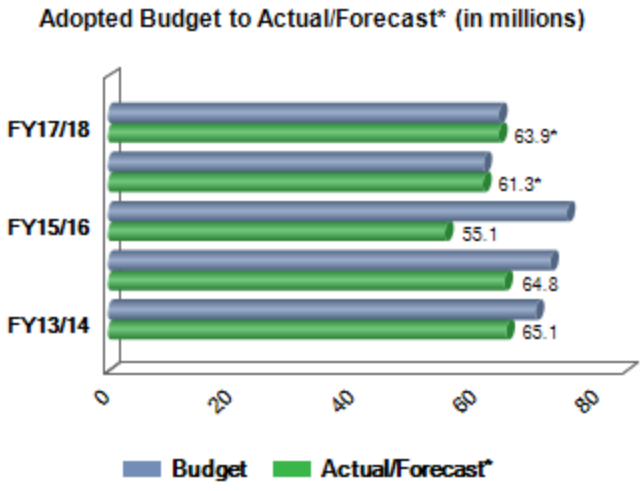
City Treasurer

The adopted FY 2017/18 budget of $2.1 million is about $0.1 less than in FY 2016/17. City Treasurer uses are for utility billing services, remittance payments, revenue recovery and other water and water reclamation related payments that are handled by City Treasurer staff. The staff who perform these services have a set percentage of their salary paid out of the Water & Water Reclamation Funds based on the time they are expected to work on water and water reclamation related tasks. These percentages are as follows: those involved with Utility Billing: 100 percent, Remittance Processing: 48 percent, Revenue Recovery: 34 percent and Tax and License: 14 percent. In addition, executive and management staff who oversee employees who perform water and water reclamation functions have a portion of their salaries charged to those funds as well. Finally, any non-personnel services related charges (including contractual services, commodities and capital outlay) incurred by these employees will be charged similarly to the Water & Water Reclamation Funds.



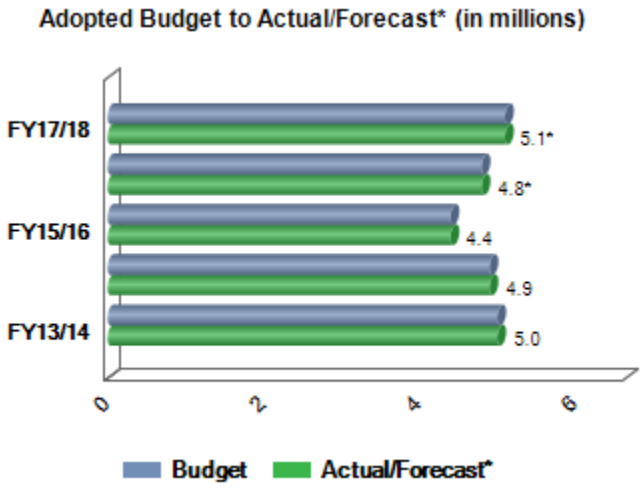
Water Resources

The adopted FY 2017/18 Water Resources budget of $63.9 million reflects an increase of $2.6 million over the FY 2016/17 year-end forecast. The increase is mainly due to the increased rates for the Sub Regional Operating Group (SROG) Multicity Water Reclamation Plant, the cost of Central Arizona Project (CAP) raw water, effluent and Advanced Water Treatment and the creation and provisioning of 1.19 FTE positions. The Water Resources division is where water and water reclamation functions are performed. Water functions include the production and management of drinking water, the storing and upkeep of drinking water sources and the maintaining of drinking water quality for Scottsdale's customers. Water reclamation functions include the efficient processing and treatment of sewage, recharging of effluent, the upkeep and maintenance of sewage treatment facilities and the compliance with regulatory and environmental requirements.



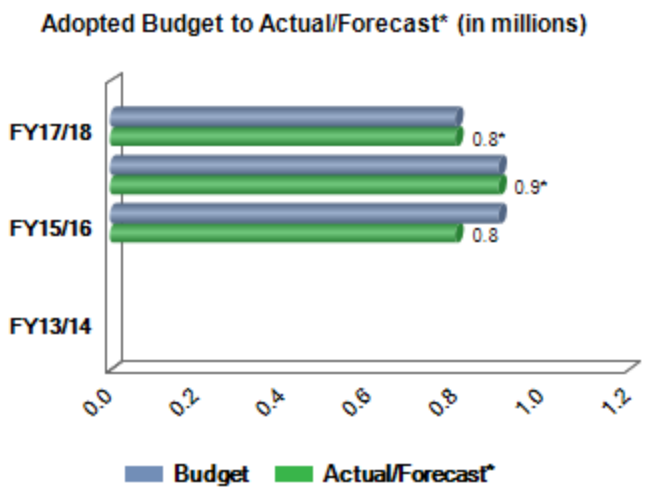
Citywide Indirect Cost Allocation

In FY 2017/18, the Citywide Indirect Cost Allocation budget is $5.1 million which reflects a $0.3 million increase from the FY 2016/17 year-end forecast. This is due to higher Indirect Cost Rates due associated with the increased cost of providing services to Water Resources. Indirect Cost Allocation represents Enterprise Funds charges for specific General Fund central administrative functions which benefit the Enterprise operations (e.g., City Manager, Information Technology, Human Resources, Legal, etc.). The city's indirect costs are allocated to the Enterprise Funds based upon a combination of relative benefits received and the proportion of the overall operating budgets for direct service providers.



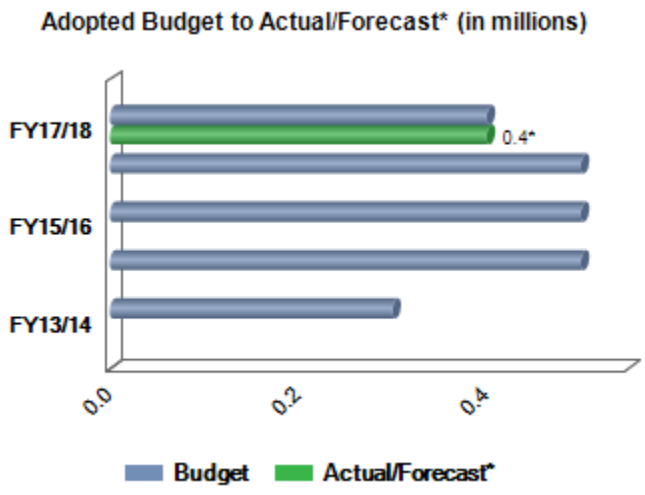
Department Indirect Cost

The FY 2017/18 adopted budget for Department Indirect Cost is $0.8 million, which $0.1 million less than the FY 2016/17 forecast. This mirrors the budget and actuals from the Indirect Costs source detailed in the Sources section. The Department Indirect Cost represents internal charges from the RWDS Fund, Inlet Silverado Golf Course Fund, Irrigation Water Distribution System (IWDS) Fund, McDowell Mountain Golf Recharge Fund, Gainey Ranch Fund, and PCX/NGTF Fund for central operations under the Water & Water Reclamation Funds. Prior to FY 2015/16, Department Indirect Cost was budgeted as Transfers Out, but due to a change in accounting methodology, is now budgeted as a use.



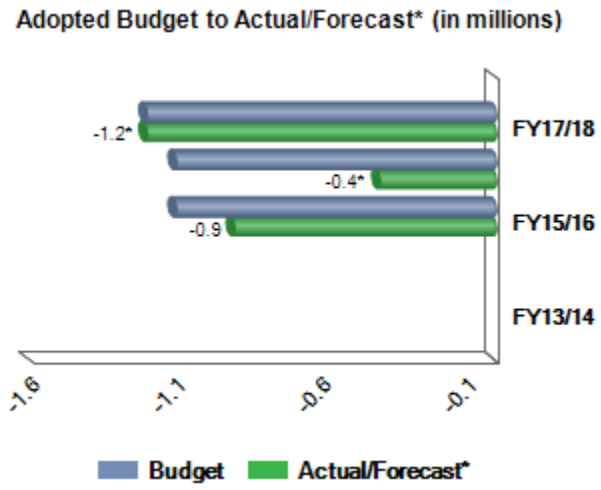
Citywide Pay Program

Water & Wastewater Funds portion of a citywide pay program, through which employees may receive increases within their established salary ranges based on performance, totaled $0.4 million for FY 2017/18. The FY 2016/17 forecast and FY 2013/14 - FY 2015/16 actuals at $0 are due to the actuals being allocated into the divisions. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



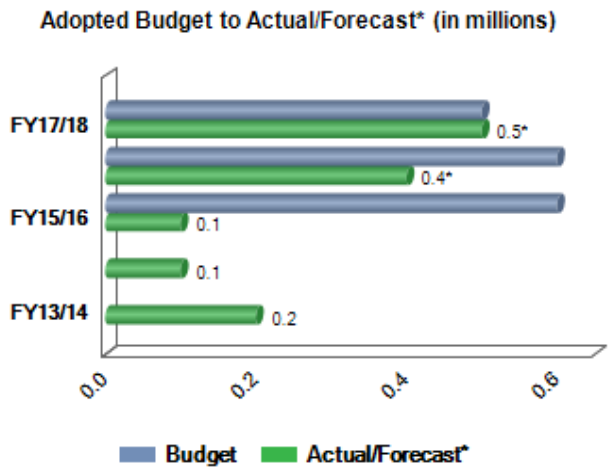
Estimated Personnel Savings from Vacant Positions

Personnel Savings is the amount of savings achieved from vacant positions. The FY 2017/18 Water & Water Reclamation Funds estimate for vacancy savings is ($1.2) million. Estimated Personnel Savings from Vacant Position was first budgeted in the Water & Water Reclamation Funds in FY 2015/16.



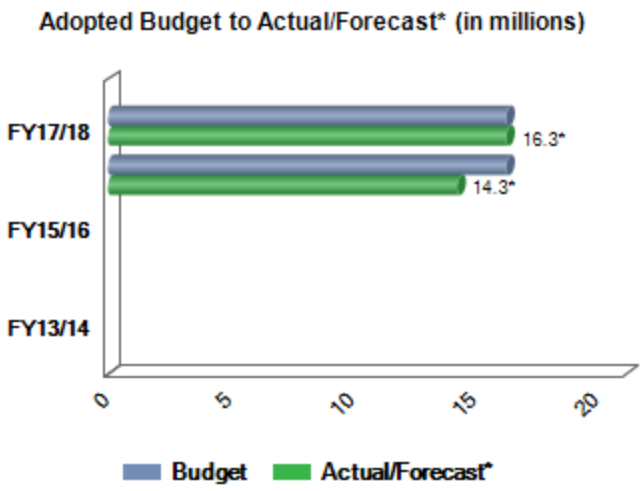
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2017/18 leave accrual payments of $0.5 million include $0.2 million budgeted for medical leave accrual payouts and $0.3 million budgeted for vacation leave accrual payouts. Leave Accrual Payments were first budgeted in the Water & Water Reclamation Funds in FY 2015/16.



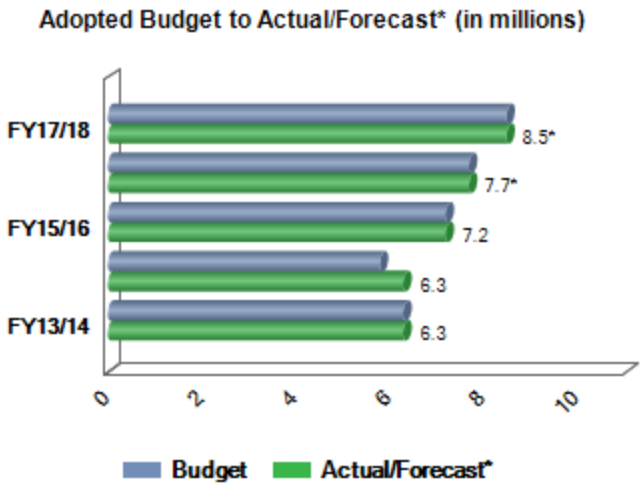
Utilities

The adopted FY 2017/18 Utilities budget of $16.3 million is flat when compared to the FY 2016/17 year-end forecast. Beginning in FY 2016/17 the Water & Water Reclamation Funds utilities budget (water, electric, sewer, gas, solid waste and recycling services) began being reported separately to allow for better transparency and accountability. Prior to FY 2016/17 utilities were reported in Contractual Services within individual departments which limited oversight of utilities spending.



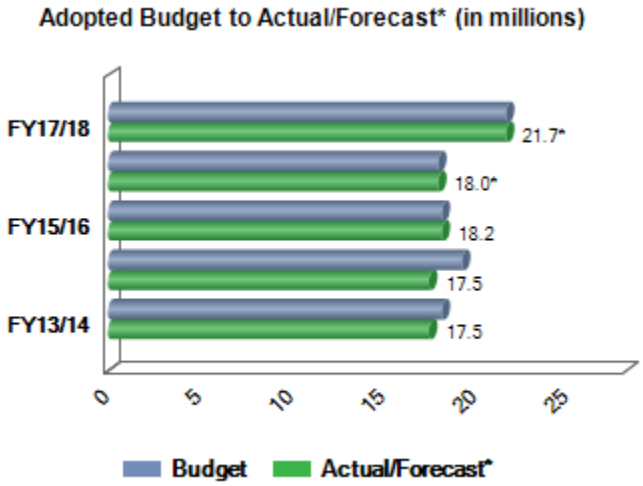
MPC Bonds Debt Service – Sewer

The adopted FY 2017/18 Municipal Property Corporation (MPC) Bonds Debt Service-Sewer's budget is $8.5, a $0.8 million increase over the FY 2016/17 year-end forecast. This increase is driven by debt service schedules which fluctuate from year to year. MPC Bonds Debt Service-Sewer represents the repayment of bonds and fiscal agent fees associated with water reclamation capital projects. The funding is derived from revenue generated from water reclamation rates and fees paid by Scottsdale residents and businesses to the City of Scottsdale Municipal Property Corporation (MPC), a non-profit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvement projects.



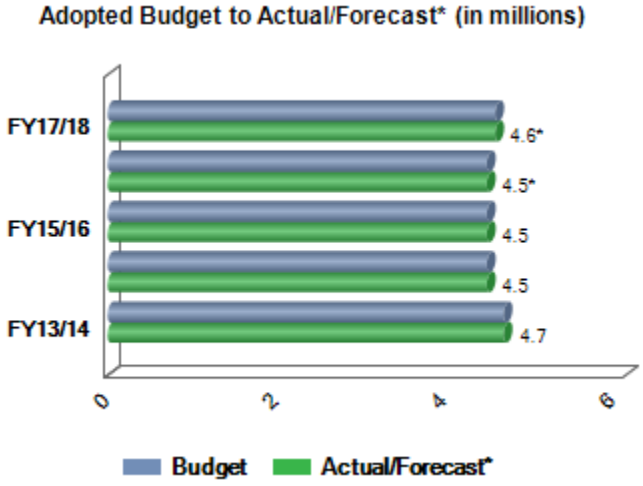
MPC Bonds Debt Service – Water

The adopted FY 2017/18 Municipal Property Corporation (MPC) Bonds Debt Service-Water's budget is $21.7 million a $3.7 million increase over the FY 2016/17 year-end forecast. This increase is driven by debt service schedules which fluctuate from year to year. MPC Bonds Debt Service-Water represents the repayment of bonds and fiscal agent fees associated with water capital projects. The funding is derived from revenue generated from water rates and fees paid by Scottsdale residents and businesses to the City of Scottsdale Municipal Property Corporation (MPC), a non-profit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvement projects.



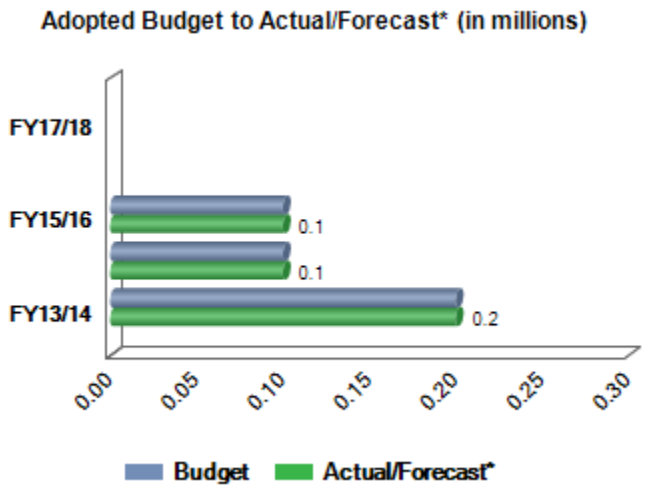
Sewer Revenue Bonds

The adopted FY 2017/18 Sewer Revenue Bonds budget is $4.6 million which is $0.1 million higher than the FY 2016/17 year-end forecast. Sewer Revenue Bonds represents the repayment of bonds and fiscal agent fees associated with water reclamation capital projects. The funding is derived from a public vote authorizing the use of revenue generated from water reclamation rates and fees paid by Scottsdale residents and businesses for capital projects.



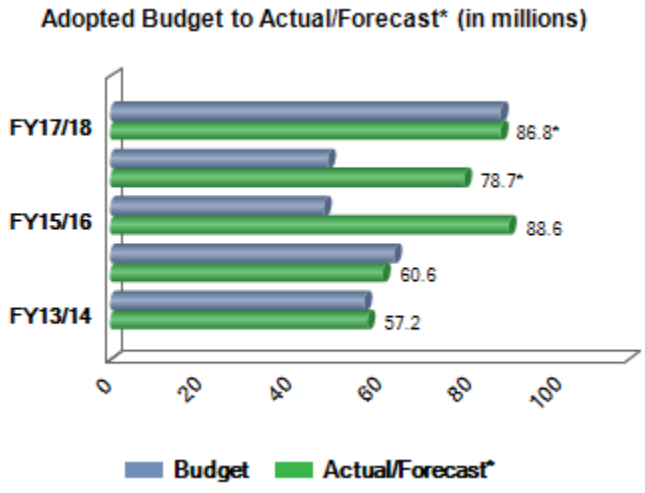
Water Revenue Bond

The last of the Water Revenue Bond previously issued was paid off in FY 2015/16. No new Water Revenue Bonds are expected to be issued in FY 2017/18. Water Revenue Bonds represents the repayment of bonds and fiscal agent fees associated with water capital projects. The funding is derived from a public vote authorizing the use of revenue generated from water rates and fees paid by Scottsdale residents and businesses for capital projects.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. There are five Transfers Out budgeted for Water & Water Reclamation Funds in FY 2017/18, totaling $86.8 million, an $8.1 million increase from the FY 2016/17 year-end forecast: 1) AWT is an internal transfer of $3.0 million between Water Funds reimbursing the Water Reclamation Fund for operating and maintenance costs for the Advanced Water Treatment Plant; 2) CIP of $41.8 million to pay for general water and water reclamation capital projects; 3) CIP Technology of $0.1 million to pay for water and water reclamation technology projects; 4) Debt Service (a new transfer first occurring in FY 2016/17), of $34.7 million from various water & water reclamation debt service funds to the Water & Water Reclamation Funds to better account for debt service payments; and 5) Franchise Fees of $7.2 million to the General Fund to represent an estimate of the fees a private utility organization would incur while conducting business in the city.



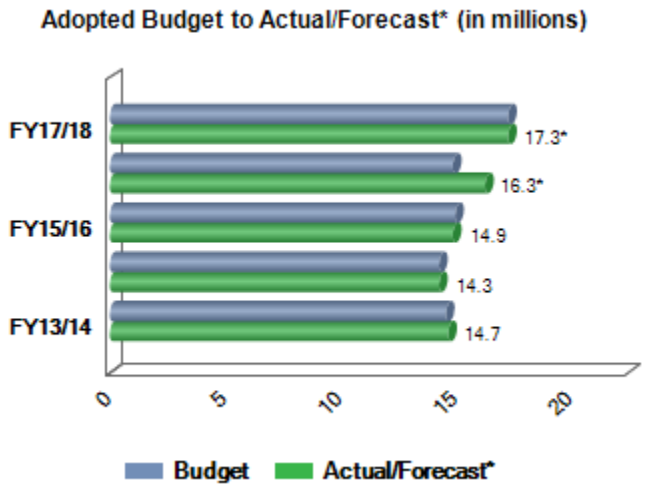
BUDGET BY FUND | Water & Water Reclamation Funds Ending Fund Balance

Water & Water Reclamation Funds Balance

Fund balance protects the city's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when sources exceed uses. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) uses. Once fund balances are spent, they are only replenished by future year sources in excess of uses. The city's budget planning, bond indenture and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before allocated or spent as budgeted uses. The specific make-up of the city's Water & Water Reclamation Funds balance is as follows:

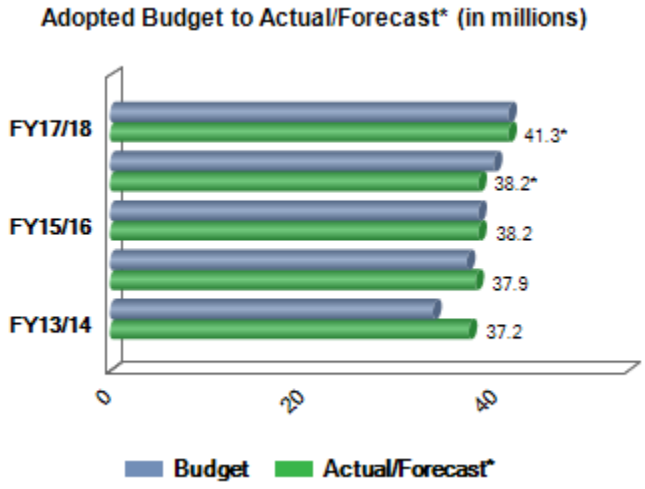
Operating Reserve

Operating Reserve of $17.3 million is projected for the end of FY 2017/18. This reserve is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days as detailed in Financial Policy No. 40. Operating reserves shall be maintained to provide contingency funding and use flexibility in the event of unexpected declines in revenue or increases in costs.



Repair/Replacement Reserve

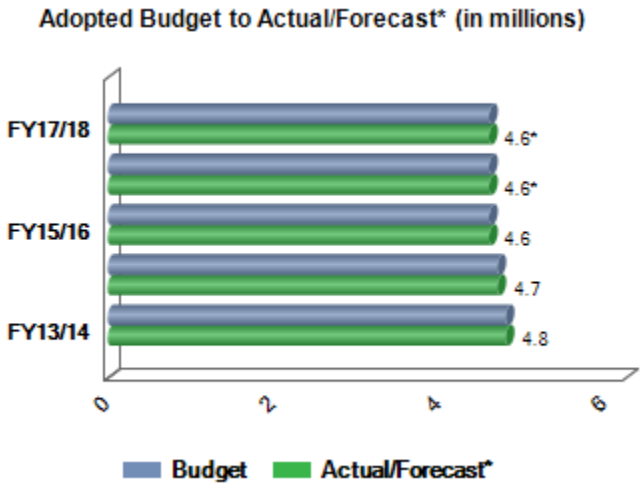
Repair/Replacement Reserve of $41.3 million is projected for the end of FY 2017/18. This reserve is required per the term of the revenue bond indenture to ensure that funds are set aside to preserve the assets, which in turn, are the collateral for the Sewer Revenue Bonds. There shall be deposited an amount equal to at least 2 percent of the revenues received during the year into the reserve until such time as the reserve equals 2 percent of the value of total tangible assets. The reserve may be used in times of unusual circumstances for replacement or extension of the assets.



BUDGET BY FUND | Water & Water Reclamation Funds Ending Fund Balance

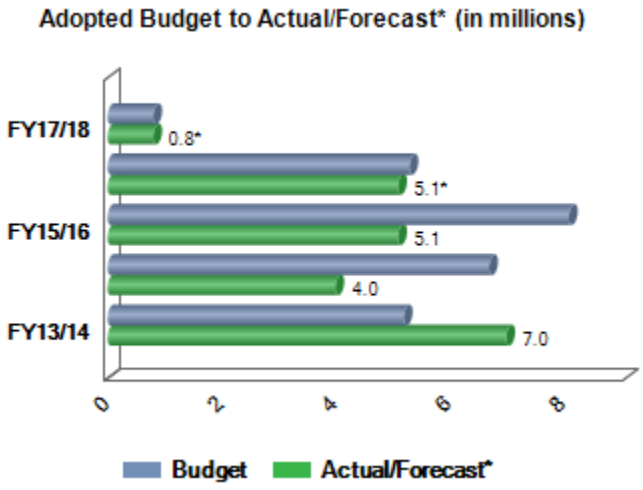
Revenue Bond Debt Service Reserve

Revenue Bond Debt Service Reserve of $4.6 million is projected for the end of FY 2017/18. This reserve is required per the term of the revenue bond indenture to ensure that funds are set aside as collateral for the Sewer Revenue Bonds debt service payments.



Special Contractual Fund Balance

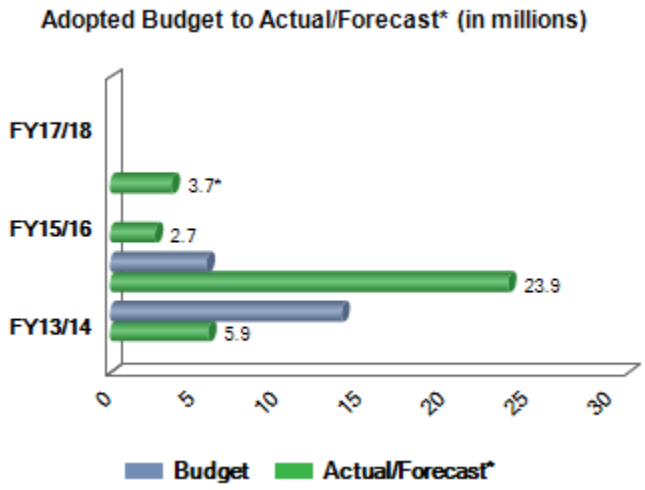
Special Contractual Fund Balance of $0.8 million is projected for the end of FY 2017/18. This balance reflects reserves established in accordance with various contractual agreements for delivery of non-potable water by the Water Resources Division.



BUDGET BY FUND | Water & Water Reclamation Funds Ending Fund Balance

Undesignated, Unreserved Fund Balance

The FY 2017/18 Undesignated, Unreserved fund balance is $0.0 million. While there is no balance in FY 2017/18, it historically represents the cumulative Water & Water Reclamation Funds sources not designated for a specific purpose. This balance represents an accumulation of one-time sources and it is most appropriately used for one-time uses. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating uses.



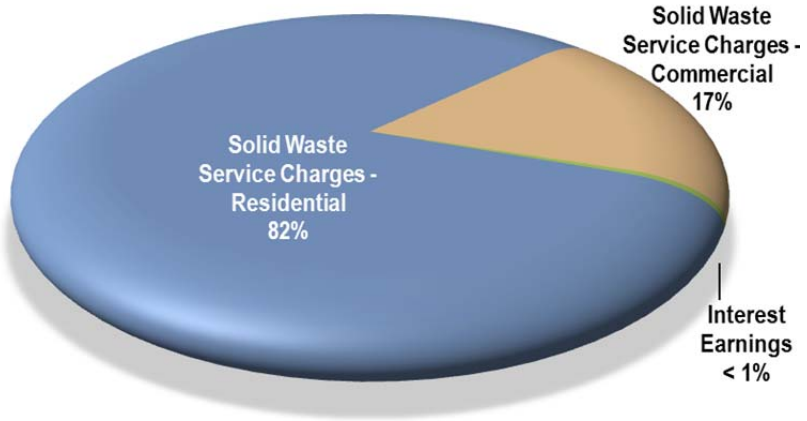
BUDGET BY FUND | Solid Waste Fund Overview

Fund Purpose

This fund accounts for the transactions related to the city's solid waste and recycling business activities, which includes operating sources and uses. Capital expenditures are accounted for in a separate Solid Waste Capital Fund.

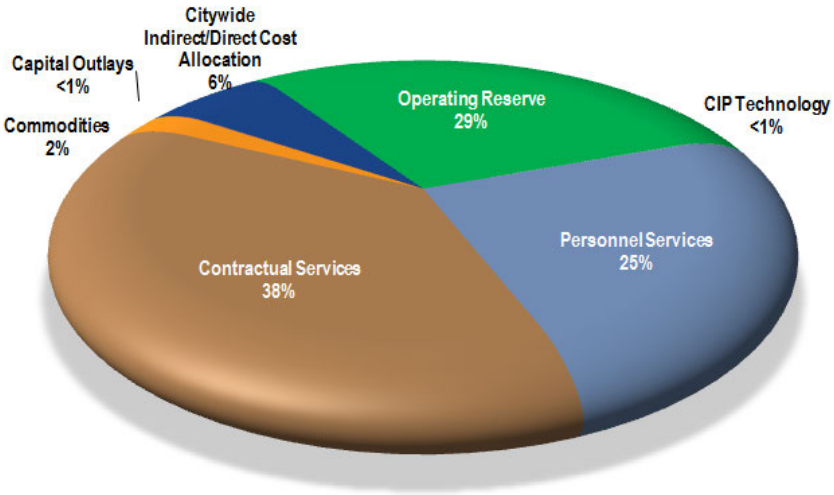
Solid Waste Sources (in millions)

Solid Waste Service Charges - Residential	16.5
Solid Waste Service Charges - Commercial	3.5
Interest Earnings	0.1
Total Revenue	20.1
Transfers In	
CIP	-
Total Sources	20.1



Solid Waste Uses (in millions)

Personnel Services	7.3
Contractual Services	11.3
Commodities	0.6
Capital Outlays	0.0
Citywide Indirect/Direct Cost Allocation	1.8
Operating Reserve	8.5
Adopted Budget	29.6
Transfers Out	
CIP Technology	0.0
Total Uses	29.6



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Solid Waste Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Reserve	4,866,295	5,785,316	5,785,316	5,785,316	5,322,000
Undesignated, Unreserved Fund Balance	5,697,204	3,269,126	4,055,861	4,055,861	4,108,318
Total Beginning Fund Balance	**10,563,499**	**9,054,442**	**9,841,177**	**9,841,177**	**9,430,318**
Revenues					
Solid Waste Service Charges - Residential	16,392,656	16,462,467	16,462,467	16,462,467	16,540,000
Solid Waste Service Charges - Commercial	3,727,071	4,071,243	4,071,243	3,373,300	3,513,480
Interest Earnings	78,032	92,717	92,717	92,717	91,327
Subtotal	***20,197,759***	***20,626,427***	***20,626,427***	***19,928,484***	***20,144,807***
Transfers In					
CIP	1,875,000	-	-	-	-
Subtotal	***1,875,000***	***-***	***-***	***-***	***-***
Total Sources	**22,072,759**	**20,626,427**	**20,626,427**	**19,928,484**	**20,144,807**
Expenditures					
Public Works	18,238,801	18,925,302	18,799,000	17,800,323	18,184,191
City Treasurer	852,967	941,154	914,088	914,088	918,465
Citywide Direct Cost Allocation	535,415	578,949	578,949	578,949	557,773
Citywide Indirect Cost Allocation	1,044,973	1,082,786	1,082,786	1,082,786	1,262,042
Citywide Pay Program	-	144,827	30,338	-	149,038
Estimated Personnel Savings from Vacant Positions	-	(115,013)	200,667	(63,747)	(118,463)
Leave Accrual Payments	-	10,000	(39,333)	891	50,000
Utilities	-	-	-	10,453	29,500
Subtotal	***20,672,156***	***21,568,005***	***21,566,495***	***20,323,743***	***21,032,546***
TOTAL OPERATING BUDGET	20,672,156	21,568,005	21,566,495	20,323,743	21,032,546
Transfers Out					
CIP	2,047,500	-	-	-	-
CIP Technology	37,800	15,600	15,600	15,600	10,500
Other	37,625	-	-	-	-
Subtotal	***2,122,925***	***15,600***	***15,600***	***15,600***	***10,500***
Total Uses	**22,795,081**	**21,583,605**	**21,582,095**	**20,339,343**	**21,043,046**
Sources Over/(Under) Uses	**(722,322)**	**(957,178)**	**(955,668)**	**(410,859)**	**(898,239)**
Ending Fund Balance					
Operating Reserve	5,785,316	5,322,000	5,322,000	5,322,000	5,188,696
Undesignated, Unreserved Fund Balance	4,055,861	2,775,264	3,563,509	4,108,318	3,343,383
Total Ending Fund Balance	**9,841,177**	**8,097,264**	**8,885,509**	**9,430,318**	**8,532,079**

BUDGET BY FUND | Solid Waste Fund Five Year Financial Forecast

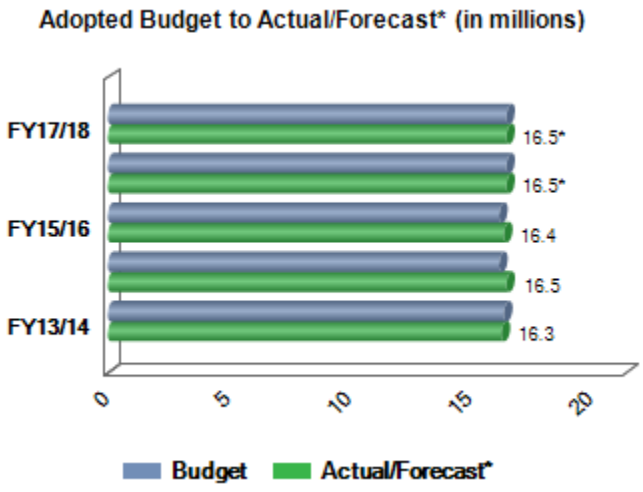
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Reserve	5,322,000	5,188,696	5,284,000	5,414,000	5,525,038
Undesignated, Unreserved Fund Balance	4,108,318	3,343,383	2,416,879	2,514,079	2,629,641
Total Beginning Fund Balance	**9,430,318**	**8,532,079**	**7,700,879**	**7,928,079**	**8,154,679**
Revenues					
Solid Waste Service Charges - Residential	16,540,000	16,665,600	17,740,000	17,754,400	17,754,400
Solid Waste Service Charges - Commercial	3,513,480	3,863,900	4,249,300	4,673,600	5,139,800
Interest Earnings	91,327	134,400	184,700	205,700	219,900
Subtotal	***20,144,807***	***20,663,900***	***22,174,000***	***22,633,700***	***23,114,100***
Transfers In					
CIP	-	-	-	-	-
Subtotal	***-***	***-***	***-***	***-***	***-***
Total Sources	**20,144,807**	**20,663,900**	**22,174,000**	**22,633,700**	**23,114,100**
Expenditures					
Public Works	18,184,191	18,370,700	18,603,000	18,837,600	19,084,900
City Treasurer	918,465	936,300	947,000	957,600	969,100
Citywide Direct Cost Allocation	557,773	566,200	574,900	584,300	594,100
Citywide Indirect Cost Allocation	1,262,042	1,325,100	1,391,400	1,461,000	1,534,000
Citywide Pay Program	149,038	302,900	453,200	594,700	733,700
Estimated Personnel Savings from Vacant Positions	(118,463)	(122,000)	(125,700)	(129,400)	(133,300)
Leave Accrual Payments	50,000	51,600	53,000	54,600	56,200
Utilities	29,500	29,800	30,100	30,400	30,700
Subtotal	***21,032,546***	***21,460,600***	***21,926,900***	***22,390,800***	***22,869,400***
TOTAL OPERATING BUDGET	21,032,546	21,460,600	21,926,900	22,390,800	22,869,400
Transfers Out					
CIP	-	-	-	-	-
CIP Technology	10,500	34,500	19,900	16,300	27,800
Other	-	-	-	-	-
Subtotal	***10,500***	***34,500***	***19,900***	***16,300***	***27,800***
Total Uses	**21,043,046**	**21,495,100**	**21,946,800**	**22,407,100**	**22,897,200**
Sources Over/(Under) Uses	**(898,239)**	**(831,200)**	**227,200**	**226,600**	**216,900**
Ending Fund Balance					
Operating Reserve	5,188,696	5,284,000	5,414,000	5,525,038	5,670,000
Undesignated, Unreserved Fund Balance	3,343,383	2,416,879	2,514,079	2,629,641	2,701,579
Total Ending Fund Balance	**8,532,079**	**7,700,879**	**7,928,079**	**8,154,679**	**8,371,579**

Solid Waste Fund Sources

Solid Waste Fund sources for FY 2017/18 equal $20.1 million which is an increase of $0.2 million from the FY 2016/17 year-end forecast. It includes Solid Waste Service Charges for both residential and commercial customers, Interest Earnings and Transfers In.

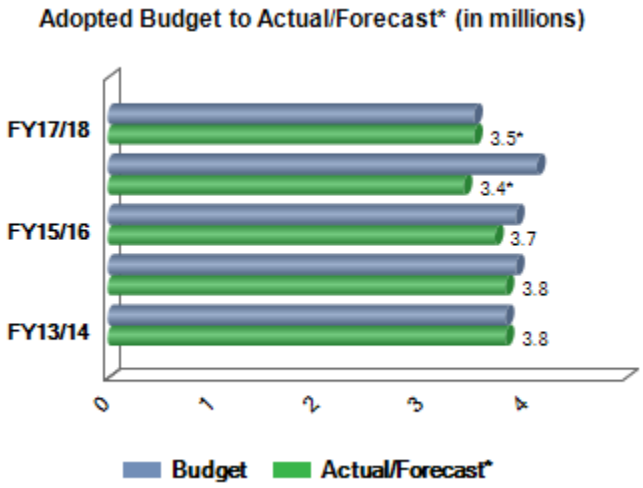
Solid Waste Service Charges – Residential

Solid Waste Service Charges – Residential includes charges for both scheduled and on-demand service. Scheduled services include solid waste service charges and recycled material fees for residential customers. Residential customers are billed a flat fee per month for the pickup of solid waste and the fees are reviewed annually to determine if they cover the costs of the services provided. On-demand services include residential refuse and recycle container charges, initiation charges, and late charges. The FY 2017/18 adopted budget is $16.5 million, remaining flat with the FY 2016/17 year-end forecast. In FY 2016/17, both residential and commercial Solid Waste service charges were reported together, while scheduled and on-demand services were reported separately. However, starting in FY 2017/18, residential and commercial service charges will be reported separately to better portray how customer services are tracked.



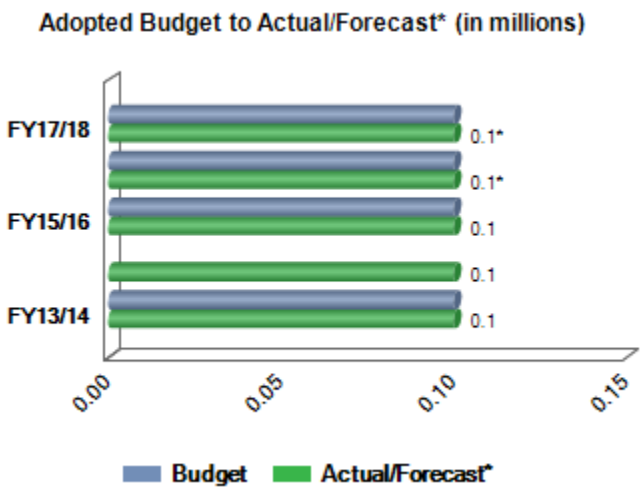
Solid Waste Service Charges – Commercial

Solid Waste Service Charges – Commercial includes charges for both scheduled and on-demand service. Scheduled services include solid waste service charges for commercial customers. Commercial customers are charged based upon the size of the container and the number of pickups per month and the fees are reviewed annually to determine if they cover the costs of the services provided. On-demand services include commercial roll-off charges, initiation charges, late charges and commercial recycled materials fees. The FY 2017/18 adopted budget is $3.5 million, increasing $0.1 million from the FY 2016/17 year-end forecast. In FY 2016/17, both residential and commercial Solid Waste service charges were reported together, while scheduled and on-demand services were reported separately. However, starting in FY 2017/18, residential and commercial service charges will be reported separately to better portray how customer services are tracked.



Interest Earnings

Interest Earnings revenue adopted for FY 2017/18 is $0.1 million, which is relatively flat from the FY 2016/17 year-end forecast. Interest earnings are generated on the Solid Waste Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield.

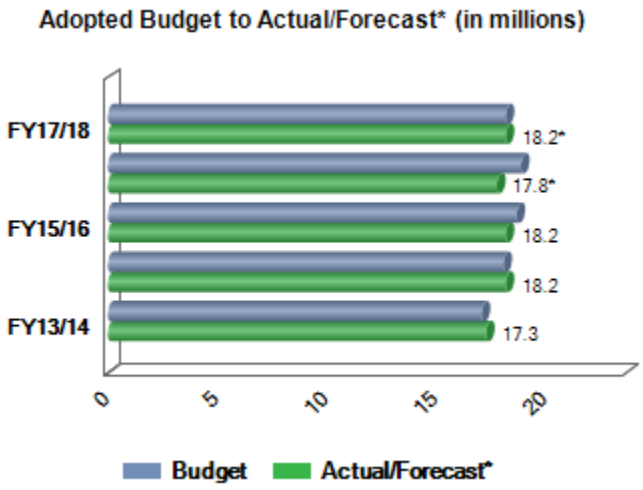


Solid Waste Fund Uses

The Solid Waste Fund uses are presented by division (Public Works and City Treasurer), Citywide Direct and Indirect Cost Allocations, Citywide Pay Program, Estimated Personnel Savings from Vacant Positions, Leave Accrual Payments and Utilities. Additionally, there are Transfers Out to other funds.

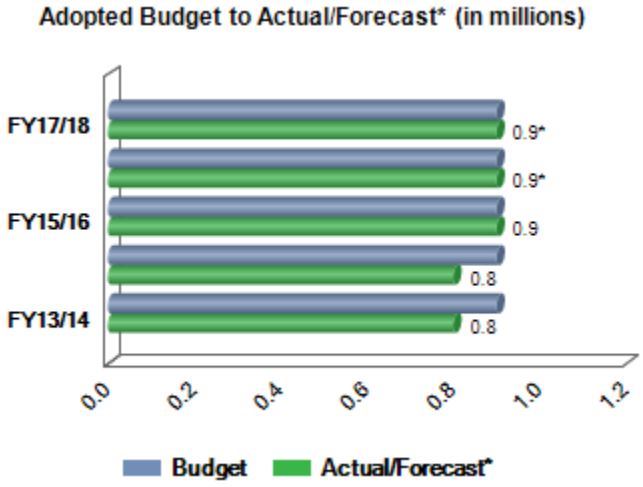
Public Works

Public Works provides solid waste collection, transportation, disposal, compliance and education. The goal is to provide these services at the lowest practical rate with the highest possible customer satisfaction. The adopted FY 2017/18 budget of $18.2 million is $0.4 million more than the FY 2016/17 year-end forecast due to the uncertainty of the effect the loss of roll off customers would have on the landfill contract. The increase is also due to the expansion of the Household Hazardous Waste program from 3 to 10 events annually.



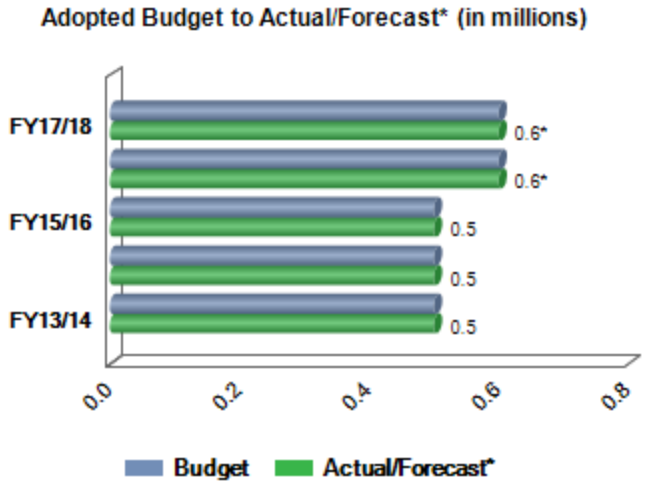
City Treasurer

Expenses for utility billing services, remittance payment, revenue recovery and solid waste related payments that are handled by the City Treasurer. The staff who perform these services have a set percentage of their personnel services and the related expenses needed to perform their jobs paid out of the Solid Waste Fund based on the time they are expected to work on solid waste related tasks. The adopted FY 2017/18 budget of $0.9 million remained relatively flat from the FY 2016/17 year-end forecast.



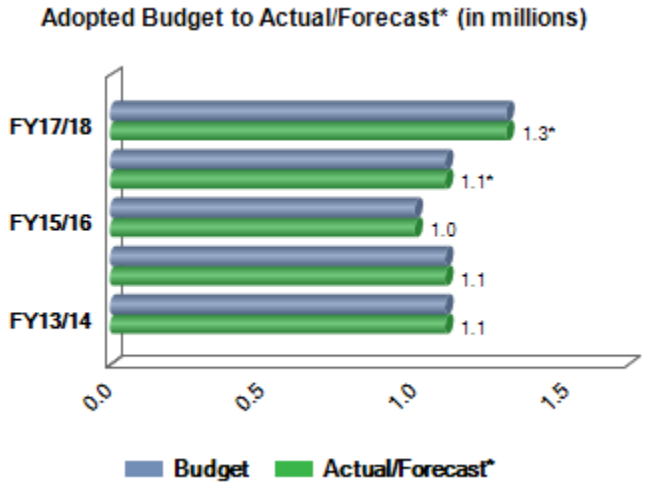
Citywide Direct Cost Allocation

The Citywide Direct Cost Allocation represents charges for the direct cost of alley maintenance performed by the Street Operations Department for the benefit of the Solid Waste operations. The alley maintenance expenses are budgeted in the Transportation Fund, which then receives 100 percent cost recovery from the Solid Waste Fund for this function. The budget for this allocation for FY 2017/18 is $0.6 million which has remained relatively flat from the FY 2016/17 year-end forecast.



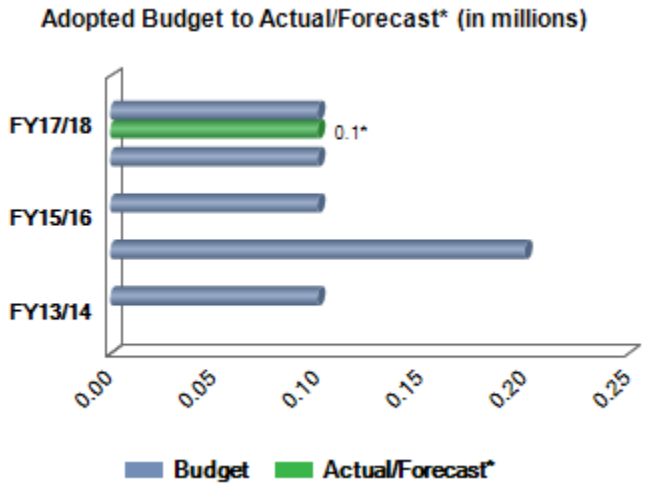
Citywide Indirect Cost Allocation

Reimbursement to the General Fund for centralized services provided to the Solid Waste Fund for payroll, accounts payable, human resources, information technology, city administration, etc. The citywide indirect cost allocation methodology includes factors such as full-time equivalents (FTE) for human resources overhead, information technology (IT) equipment counts for the IT overhead calculations and square footage calculation to determine the building maintenance costs. The FY 2017/18 adopted budget is $1.3 million, which is an increase of about $0.2 million from the FY 2016/17 year-end forecast because of the higher costs of providing services to Solid Waste by other city departments.



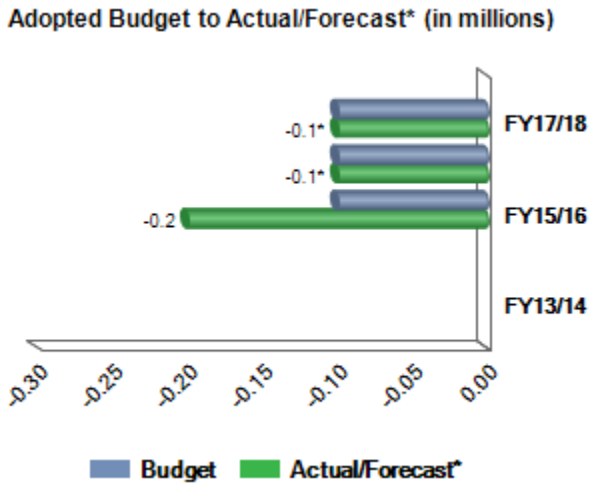
Citywide Pay Program

A citywide pay program, through which employees may receive increases within their established salary ranges based on performance. The FY 2017/18 adopted budget is $0.1 million. Additionally, the FY 2016/17 forecast and the FY 2013/14-2015/16 actuals are at $0 due to the actuals being allocated into the divisions. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



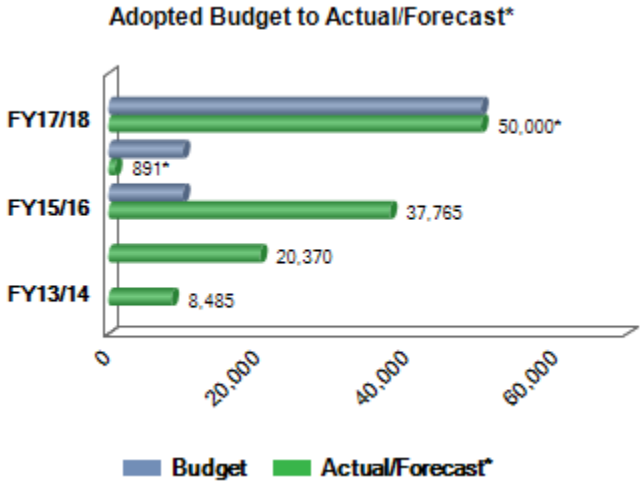
Estimated Personnel Savings from Vacant Positions

The amount of savings estimated to be achieved from vacant positions. The FY 2017/18 Solid Waste Fund estimate for vacancy savings is ($0.1) million which is consistent with FY 2016/17. Estimated personnel savings from vacant positions was first budgeted for and accounted for in the Solid Waste Fund beginning in FY 2015/16.



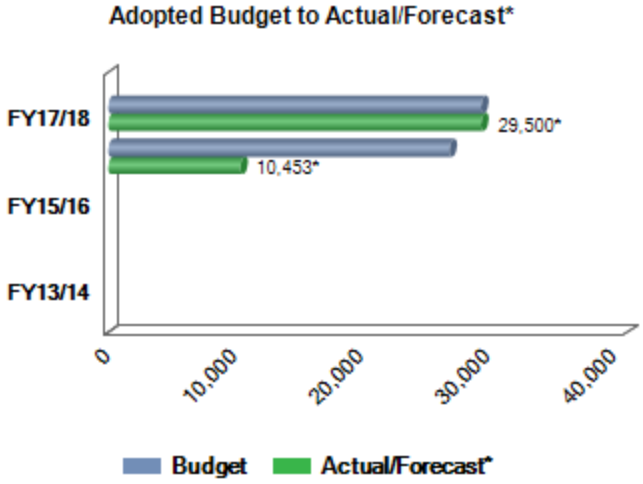
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2017/18 leave accrual payments budget of $50,000 include $25,000 budgeted for medical leave accrual payouts and $25,000 budgeted for vacation leave accrual payouts. The increased budget from FY 2016/17 is because more retirements are expected to occur in FY 2017/18. The Solid Waste Fund began including a budget for Leave Accrual Payments in FY 2015/16.



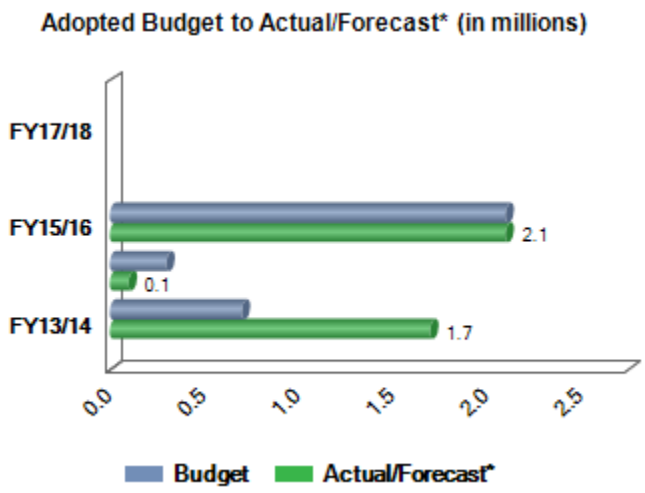
Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. Transfer amounts vary greatly each year. The large transfer amount in FY 2015/16 and FY 2013/14 was for a new Compressed Natural Gas Transfer Station and equipment for Solid Waste vehicles.



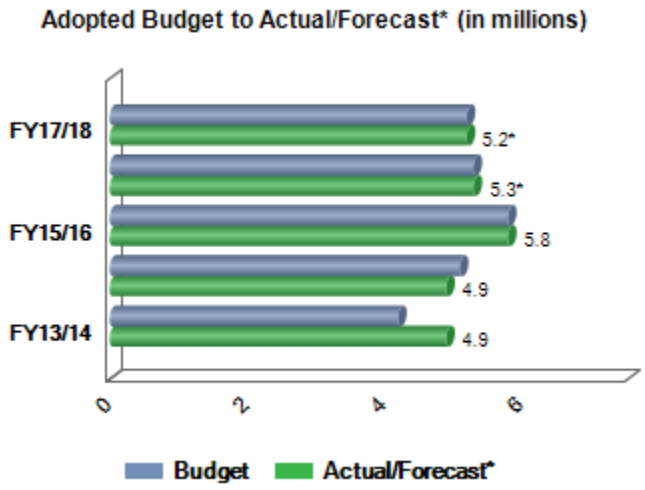
Solid Waste Fund Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) expenditures. Once fund balances are spent, they are only replenished by future year resources in excess of expenditures.

The city's budget planning, bond indenture and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before allocated or spent as budgeted expenditures. The specific make-up of the city's Solid Waste Fund balance and reserves are noted in the following:

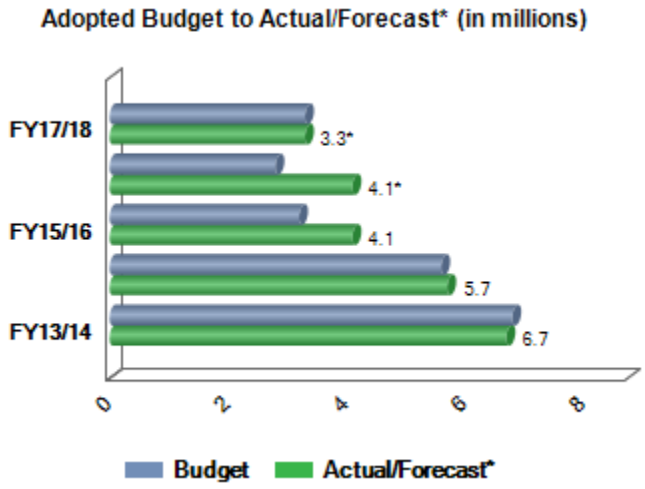
Operating Reserve

The FY 2017/18 ending fund balance includes an Operating Reserve of $5.2 million. This reserve is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days. Operating reserves shall be maintained to provide funding and expenditure flexibility in the event of unexpected declines in revenue or increases in costs.



Undesignated, Unreserved Fund Balance

The FY 2017/18 undesignated, unreserved fund balance is $3.3 million. This balance represents an accumulation of one-time sources and it is most appropriately used for one-time uses. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.



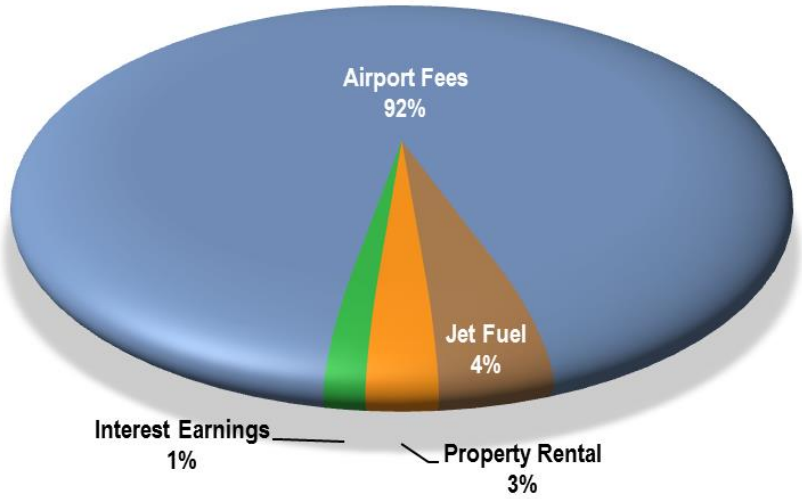
BUDGET BY FUND | Aviation Fund Overview

Fund Purpose

This fund accounts for the transactions related to the city's aviation business activity at the Scottsdale Airport, which includes operating sources and uses. Capital expenditures are accounted for in a separate Aviation Capital Fund.

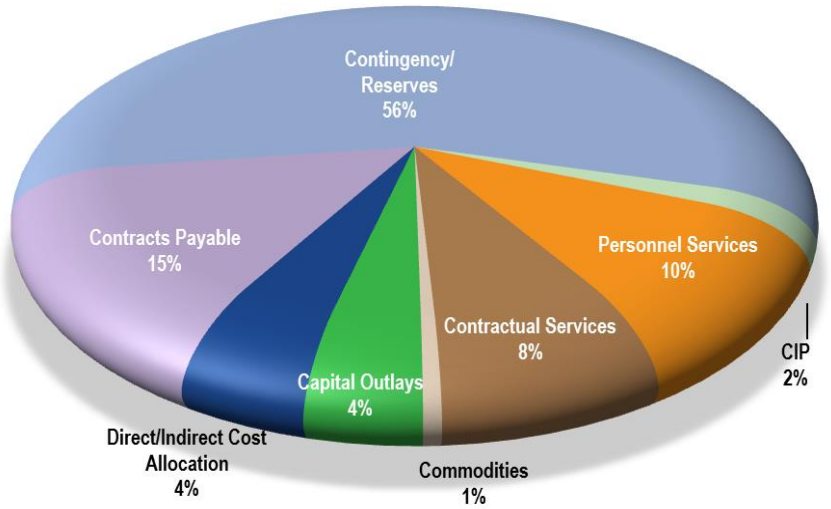
Aviation Fund Sources (in millions)

Airport Fees	3.6
Jet Fuel	0.2
Property Rental	0.1
Interest Earnings	0.1
Total Revenue	4.0
Transfers In	-
Total Sources	4.0



Aviation Fund Uses (in millions)

Personnel Services	1.3
Contractual Services	1.0
Commodities	0.1
Capital Outlays	0.5
Direct/Indirect Cost Allocation	0.6
Contracts Payable	1.8
Contingency/ Reserves	7.1
Adopted Budget	12.3
Transfers Out	
CIP	0.2
Total Uses	12.5



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Aviation Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Fleet Replacement Reserve	1,026,588	1,642,200	1,642,200	1,642,200	1,020,000
Operating Reserve	397,722	727,970	727,970	727,970	452,500
Repair/Replacement Reserve	2,188,222	1,065,155	1,065,115	1,065,115	1,100,000
Undesignated, Unreserved Fund Balance	2,182,573	3,779,590	4,712,805	4,712,805	5,950,908
Total Beginning Fund Balance	**5,795,105**	**7,214,915**	**8,148,090**	**8,148,090**	**8,523,408**
Revenues					
Airport Fees	4,254,064	3,594,800	3,594,800	3,594,800	3,644,423
Jet Fuel	144,863	165,090	165,090	165,090	166,889
Property Rental	100,029	102,039	102,039	102,039	103,059
Interest Earnings	50,469	48,771	48,771	48,771	59,251
Miscellaneous	29,150	-	-	-	-
Subtotal	***4,578,575***	***3,910,700***	***3,910,700***	***3,910,700***	***3,973,622***
Transfers In					
Transfers In - CIP	418,884	-	-	-	-
Subtotal	***418,884***	***-***	***-***	***-***	***-***
Total Sources	**4,997,459**	**3,910,700**	**3,910,700**	**3,910,700**	**3,973,622**
Expenditures					
Community and Economic Development	1,899,471	3,099,840	3,116,613	2,124,651	2,663,163
Citywide Direct Cost Allocation	313,896	314,869	314,869	314,869	350,000
Citywide Indirect Cost Allocation	163,928	182,139	182,139	182,139	215,575
Citywide Pay Program	-	30,264	806	-	30,459
Savings from Vacant Positions	-	(30,000)	(5,523)	(5,997)	(30,000)
Leave Accrual Payments	-	16,500	4,668	4,668	16,500
Utilities	-	-	-	91,962	145,420
Subtotal	***2,377,295***	***3,613,612***	***3,613,572***	***2,712,292***	***3,391,117***
Debt Service					
Contracts Payable [(a)]	-	1,014,936	1,014,936	-	1,821,000
Subtotal	***-***	***1,014,936***	***1,014,936***	***-***	***1,821,000***
TOTAL OPERATING BUDGET	2,377,295	4,628,548	4,628,508	2,712,292	5,212,117
Transfers Out					
Operating Transfer Out	3,500	-	-	-	-
Transfer Out - CIP	263,680	823,090	823,090	823,090	212,170
Transfers Out-CIP Technlgy Citywide	-	-	-	-	3,400
Subtotal	***267,180***	***823,090***	***823,090***	***823,090***	***215,570***
Total Uses	**2,644,475**	**5,451,638**	**5,451,598**	**3,535,382**	**5,427,687**
Sources Over/(Under) Uses	**2,352,985**	**(1,540,938)**	**(1,540,898)**	**375,318**	**(1,454,065)**
Ending Fund Balance					
Fleet Replacement Reserve	1,642,200	1,020,000	1,020,000	1,020,000	1,380,055
Operating Reserve	727,970	1,141,000	1,141,000	452,500	1,286,018
Repair/Replacement Reserve	1,065,115	1,100,000	1,100,000	1,100,000	1,306,257
Undesignated, Unreserved Fund Balance	4,712,805	2,412,977	3,346,192	5,950,908	3,097,013
Total Ending Fund Balance	**8,148,090**	**5,673,977**	**6,607,192**	**8,523,408**	**7,069,343**

[(a)] Issuance of MPC Bonds to be used for the Airport Terminal Building and Aviation Business Center redevelopment project was originally planned in FY 2016/17. However, due to delays was carried forward into FY 2017/18.

BUDGET BY FUND | Aviation Fund Five Year Financial Forecast

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Fleet Replacement Reserve	1,020,000	1,380,055	1,700,055	1,900,055	2,230,055
Operating Reserve	452,500	1,286,018	1,237,044	1,269,099	1,244,984
Repair/Replacement Reserve	1,100,000	1,306,257	1,230,949	1,407,894	1,405,064
Undesignated, Unreserved Fund Balance	5,950,908	3,097,013	3,091,895	3,255,695	3,687,040
Total Beginning Fund Balance	**8,523,408**	**7,069,343**	**7,259,943**	**7,832,743**	**8,567,143**
Revenues					
Airport Fees [(a)]	3,644,423	5,291,600	5,334,700	5,378,500	5,449,800
Jet Fuel	166,889	168,600	170,200	171,900	173,700
Property Rental	103,059	104,100	105,100	106,200	107,200
Interest Earnings	59,251	87,200	119,800	133,500	142,700
Miscellaneous	-	-	-	-	-
Subtotal	***3,973,622***	***5,651,500***	***5,729,800***	***5,790,100***	***5,873,400***
Transfers In					
Transfers In - CIP	-	-	-	-	-
Subtotal	***-***	***-***	***-***	***-***	***-***
Total Sources	**3,973,622**	**5,651,500**	**5,729,800**	**5,790,100**	**5,873,400**
Expenditures					
Community and Economic Development	2,663,163	2,225,700	2,352,500	2,249,800	2,238,000
Citywide Direct Cost Allocation	350,000	357,000	364,100	371,400	378,900
Citywide Indirect Cost Allocation	215,575	226,400	237,700	249,600	262,000
Citywide Pay Program	30,459	59,200	82,100	102,000	120,300
Savings from Vacant Positions	(30,000)	(30,400)	(30,900)	(31,400)	(31,900)
Leave Accrual Payments	16,500	16,700	17,000	17,200	17,600
Utilities	145,420	196,300	199,100	202,300	205,900
Subtotal	***3,391,117***	***3,050,900***	***3,221,600***	***3,160,900***	***3,190,800***
Debt Service					
Contracts Payable	1,821,000	1,955,000	1,919,000	1,883,000	1,847,000
Subtotal	***1,821,000***	***1,955,000***	***1,919,000***	***1,883,000***	***1,847,000***
TOTAL OPERATING BUDGET	5,212,117	5,005,900	5,140,600	5,043,900	5,037,800
Transfers Out					
Operating Transfer Out	-	-	-	-	-
Transfer Out - CIP	212,170	444,000	10,100	6,600	424,700
Transfers Out-CIP Technlgy Citywide	3,400	11,000	6,300	5,200	8,900
Subtotal	***215,570***	***455,000***	***16,400***	***11,800***	***433,600***
Total Uses	**5,427,687**	**5,460,900**	**5,157,000**	**5,055,700**	**5,471,400**
Sources Over/(Under) Uses	**(1,454,065)**	**190,600**	**572,800**	**734,400**	**402,000**
Ending Fund Balance					
Fleet Replacement Reserve	1,380,055	1,700,055	1,900,055	2,230,055	2,447,055
Operating Reserve	1,286,018	1,237,044	1,269,099	1,244,984	1,244,392
Repair/Replacement Reserve	1,306,257	1,230,949	1,407,894	1,405,064	1,674,290
Undesignated, Unreserved Fund Balance	3,097,013	3,091,895	3,255,695	3,687,040	3,603,406
Total Ending Fund Balance	**7,069,343**	**7,259,943**	**7,832,743**	**8,567,143**	**8,969,143**

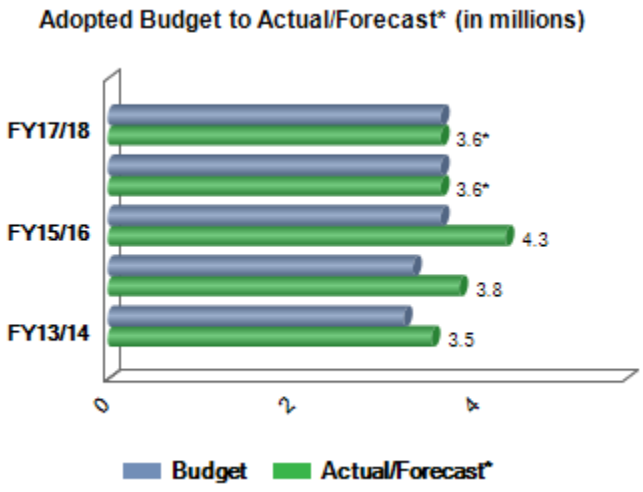
[(a)] The Airport Terminal Building and Aviation Business Center redevelopment project will be completed towards the end of FY 2017/18; therefore, the increase in revenue associated to the project is budgeted starting in FY 2018/19.

Aviation Fund Sources

Aviation Fund sources for FY 2017/18 are $4.0 million, most of which is received from Airport Fees. Other sources include Jet Fuel, Property Rental, Interest Earnings, Miscellaneous and Transfers In.

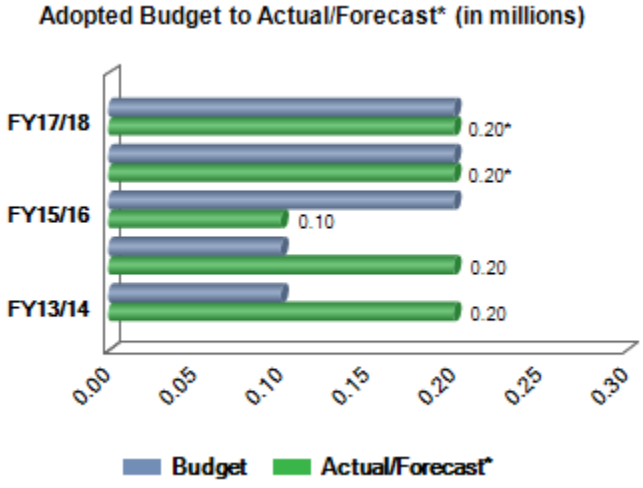
Airport Fees

Fees imposed for the aeronautical use of airport facilities, including aircraft overnight tie-down fees, transient parking fees, fuel flowage and transient landing fees. The Airport Fees are reviewed annually to determine if they cover the costs of the services provided. The FY 2017/18 adopted budget is $3.6 million which remains relatively flat compared to the FY 2016/17 year-end forecast and assumes no fee increases in FY 2017/18.



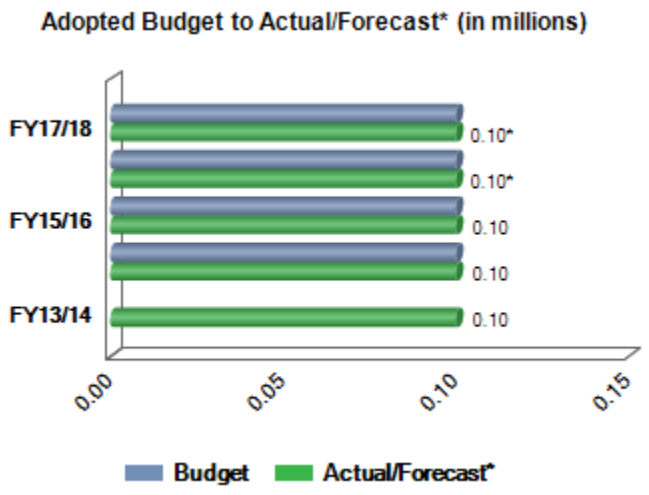
Jet Fuel

A jet fuel tax of 0.18 cents is charged to every gallon of fuel purchased at the airport. The adopted FY 2017/18 budget is $0.2 million, which remains relatively flat from the FY 2016/17 year-end forecast.



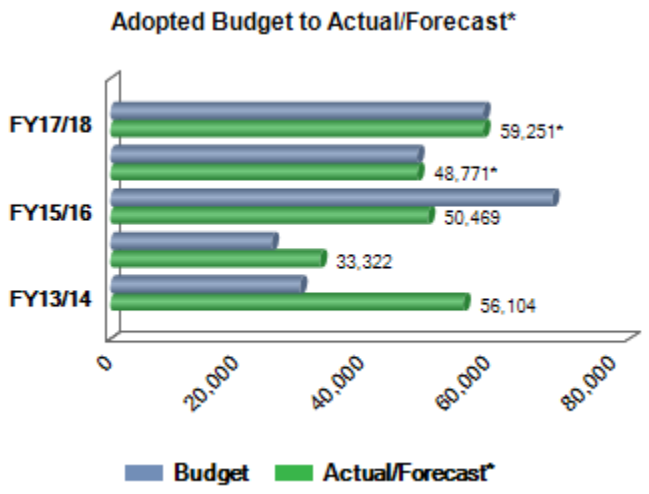
Property Rental

Property Rental includes private hangar/T-shade and office rentals, fixed tenant rents, and land leases. The FY 2017/18 budget of $0.1 million is flat compared to the FY 2016/17 year-end forecast.



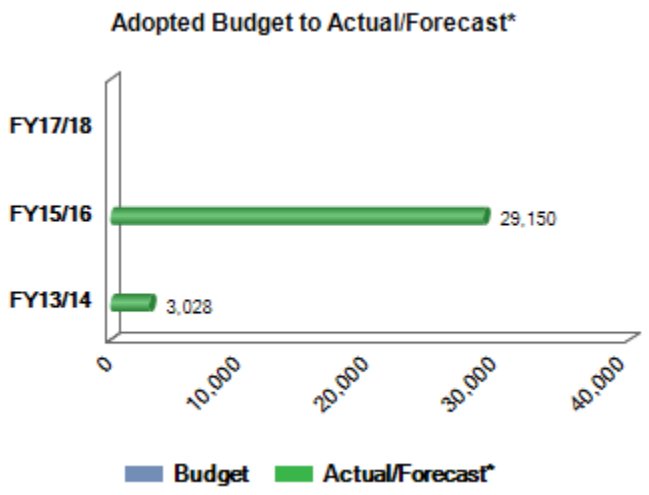
Interest Earnings

Interest earnings are generated on idle Aviation Fund cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield.



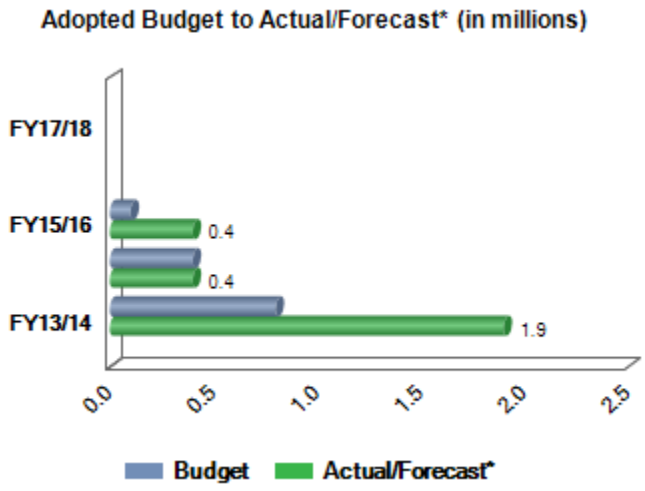
Miscellaneous

Miscellaneous includes other types of revenue such as the FY 2015/16 insurance settlement proceeds from an aviation incident.



Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. There are no anticipated Transfers In for FY 2017/18. FY 2013/14 includes $1.1 million of transfers from CIP due to closed, inactive or over funded projects.

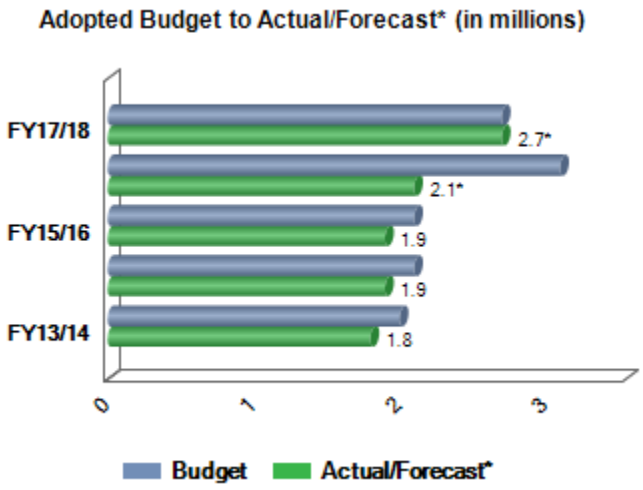


Aviation Fund Uses

The Aviation Fund uses are presented as a portion of the Community & Economic Development division's operating budget. Additionally, there are uses related to debt service, citywide pay program, indirect and direct cost allocation, savings from vacant positions, leave accrual payments, utilities and transfers out to other funds.

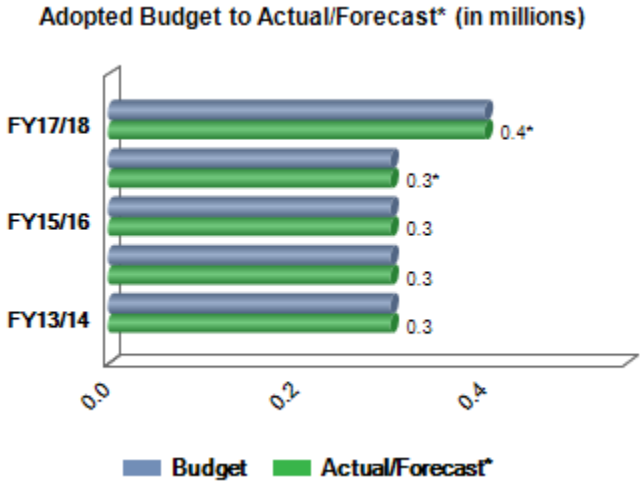
Community & Economic Development – Aviation

Includes costs related to the operation and maintenance of the city's airport. The FY 2017/18 adopted budget of $2.7 million is $0.5 million higher than the FY 2016/17 year-end forecast, mostly due to the purchase of an airport dedicated fire truck originally budgeted in FY 2016/17. Due to delays occurred with the purchase, the budget has been carried forward to FY 2017/18.



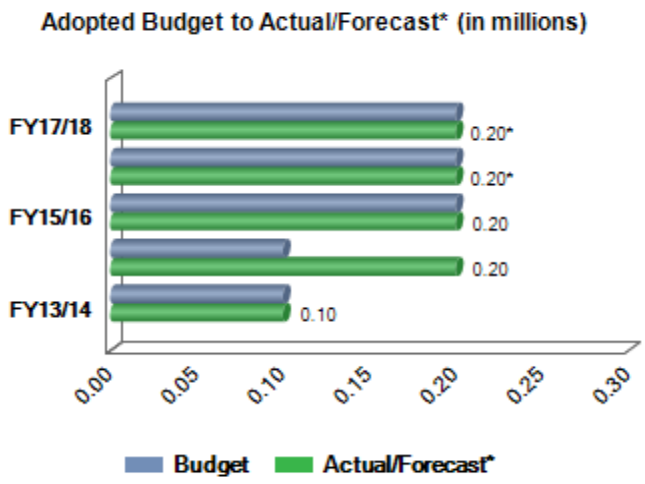
Citywide Direct Cost Allocation

Citywide Direct Cost Allocation represents Aviation Fund charges for the direct cost of fire service at the airport performed by General Fund personnel. The FY 2017/18 budget for this allocation is $0.4 million, which is slightly higher than the FY 2016/17 year-end forecast.



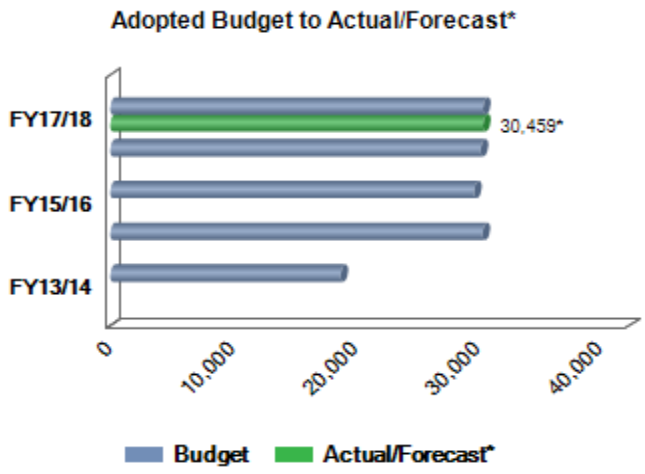
Citywide Indirect Cost Allocation

Citywide Indirect Cost Allocation represents charges to the Aviation Fund for specific General Fund central administrative functions, which benefit the Enterprise operations (e.g., City Manager, Information Technology, Human Resources, Legal, etc.). The city's indirect costs are allocated to the Enterprise Funds based on relative benefits received. The indirect cost allocation for the FY 2017/18 adopted budget is $0.2 million.



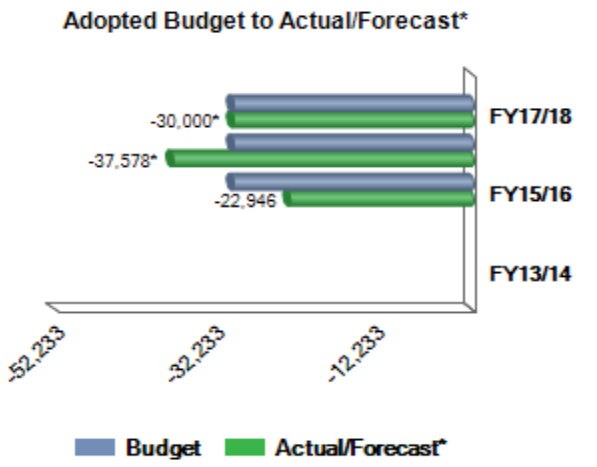
Citywide Pay Program

A citywide pay program, through which employees may receive increases within their established salary ranges based on performance totaling $30,459 for the Aviation Fund. Additionally, the FY 2016/17 forecast and FY 2013/14 - FY 2015/16 actuals at $0 are due to the actuals being allocated into the division. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



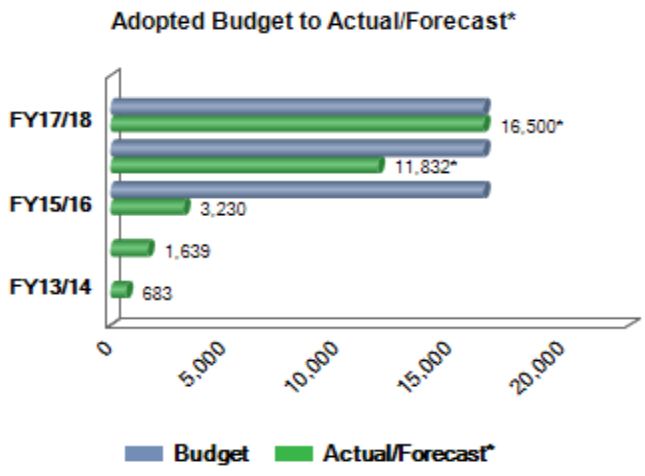
Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings resulted from vacant positions. The FY 2017/18 Aviation Fund estimate for vacancy savings is ($30,000). Additionally, the FY 2016/17 forecast number of ($37,758) reflects that there was a larger number of positions vacant through-out the year than anticipated. Savings from Vacant Positions was first budgeted for the Aviation Fund in FY 2015/16.



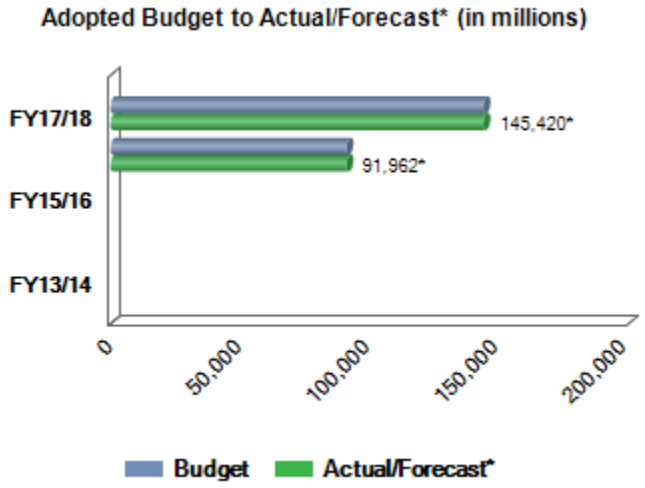
Leave Accrual Payments

Leave Accrual Payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. The FY 2017/18 leave accrual payments include $7,500 budgeted for medical leave accrual payouts and $9,000 budgeted for vacation leave accrual payouts. Leave accrual payments were first budgeted for the Aviation Fund in FY 2015/16.



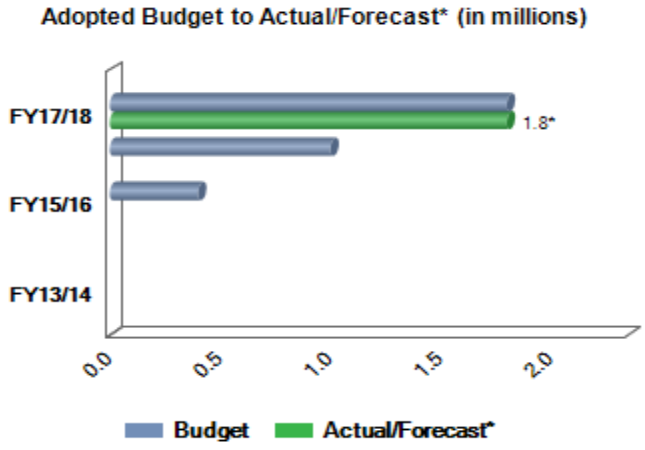
Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions.



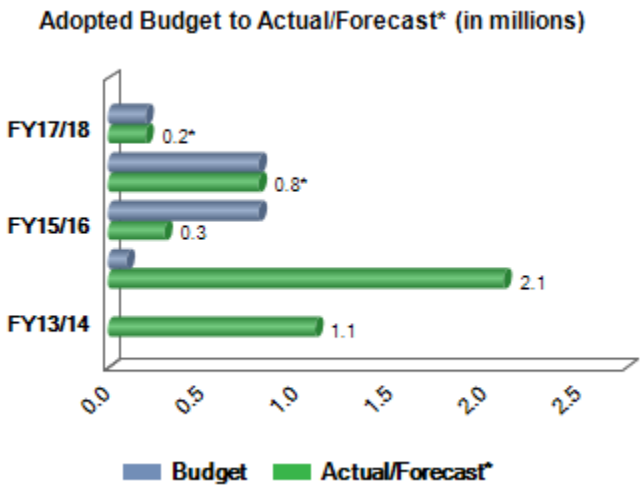
Contracts Payable

Contracts Payable represents the repayment of Municipal Property Corporation (MPC) bonds, along with the applicable annual fiscal agent fees. The adopted FY 2017/18 budget is $1.8 million. The bonds will be used for the airport terminal redevelopment project (see Volume Three for project details). The FY 2015/16 and FY 2016/17 budgets of $0.4 million and $1.0 million respectively, were adopted pending Council approval of the bond issuance, which happened in late FY 2016/17.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The FY 2017/18 transfer out of $0.2 million is to fund General and Enterprise Capital Projects that will benefit the city's airport. The FY 2013/14 and FY 2014/15 transfers out to CIP updated the funding for the Council approved design and construction of the new operations and maintenance building at the airport.

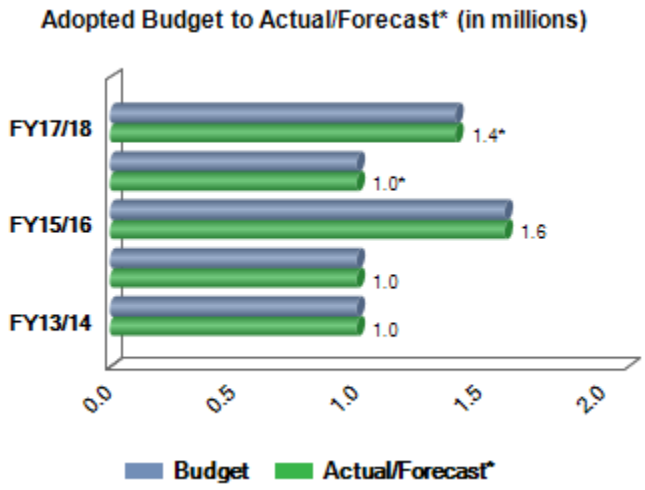


Aviation Fund Balance

Fund balance protect the city's financial condition and provide for unexpected economic challenges. The city's budget planning, and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before allocated or spent as budgeted expenditures. The specific make-up of the city's Aviation Fund balance and reserves are noted in the following:

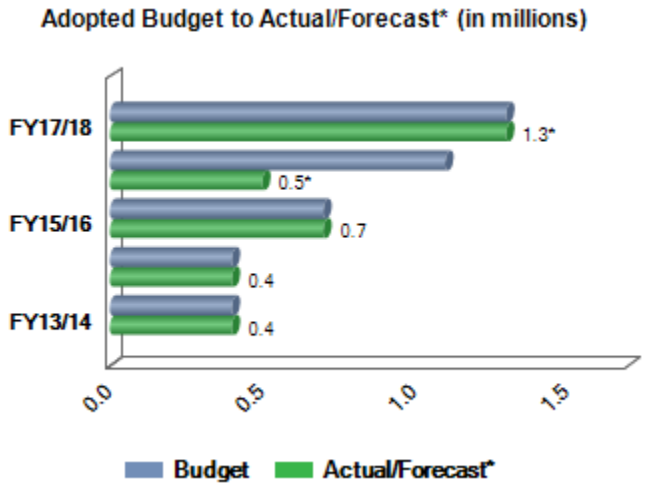
Fleet Replacement Reserve

The Fleet Replacement Reserve is intended to ensure adequate funding for the replacement of fire equipment specific to fire operations dedicated to the Airport. The FY 2017/18 ending fund balance is $1.4 million.



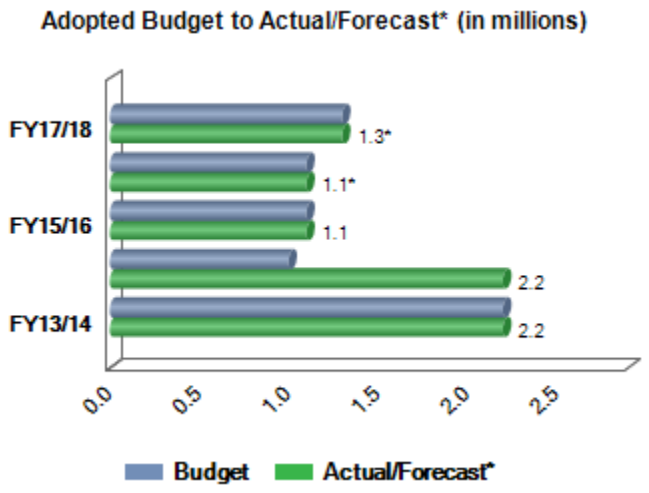
Operating Reserve

The FY 2017/18 ending fund balance includes an Operating Reserve of $1.3 million. This reserve, per financial policy No.40, is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days. The purpose of the reserve is to provide for emergencies and potential grant matches, and to ensure that General Fund subsidies are avoided.



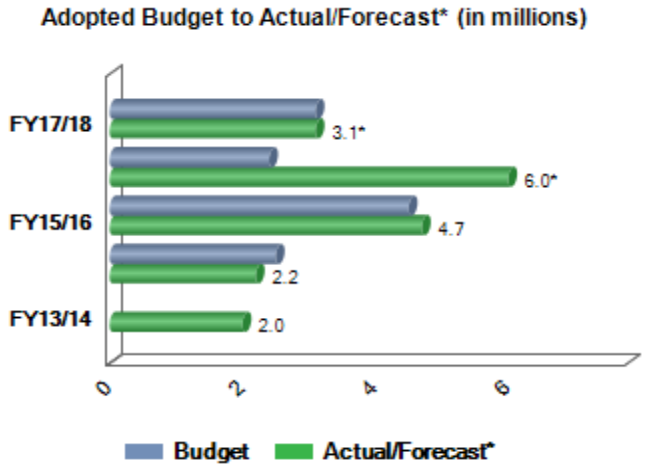
Repair/Replacement Reserve

The Repair/Replacement Reserve ensures adequate funding for emergency repair and replacement needs at the airport. The FY 2017/18 ending fund balance is $1.3 million.



Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance accounts for any remaining funds after the designation of all other reserves/uses. The FY 2017/18 ending undesignated, unreserved fund balance is $3.1 million. Under prudent fiscal management practices, this balance should most appropriately be used for one-time uses, not to fund new or to expand programs with ongoing operating expenses.



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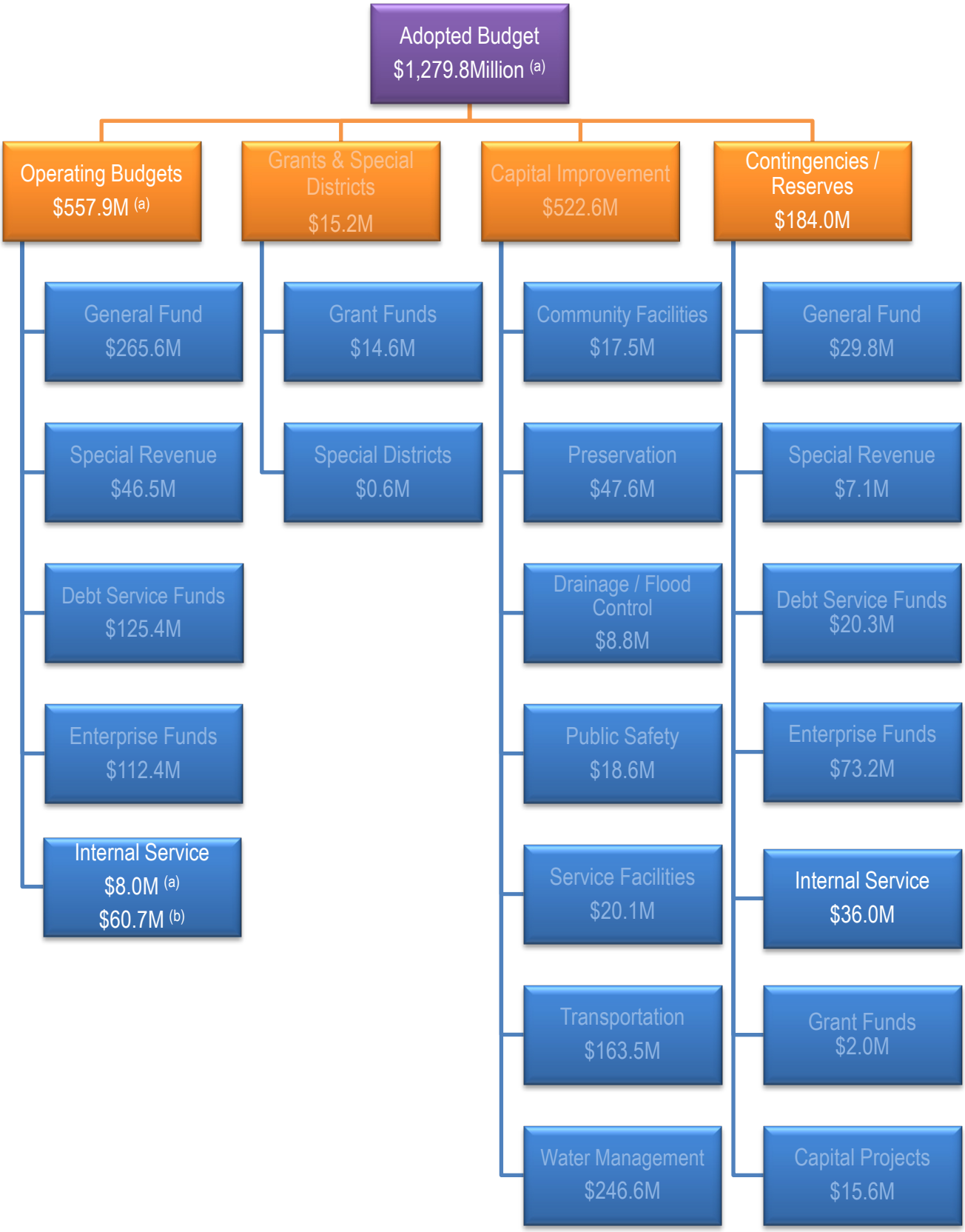
BUDGET BY FUND | Internal Service Funds Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

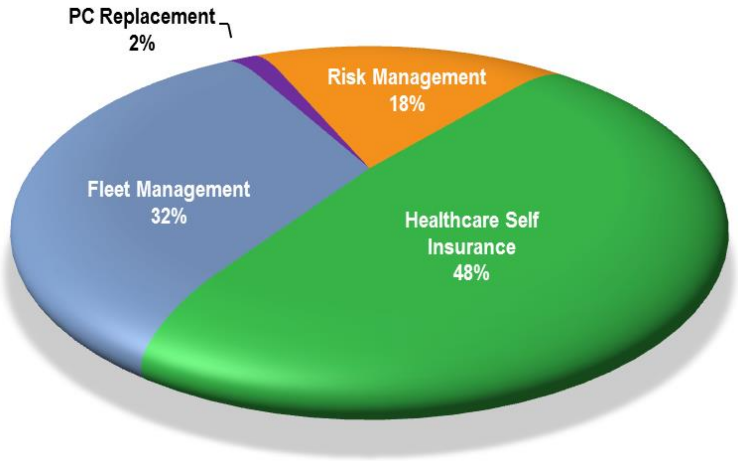
Note: Amounts are rounded in millions; therefore, differences may occur.

Fund Purpose

Internal Service Funds account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the city. This allows the internal users of services to be charged for those services based on their use. The concept is the same as for Enterprise Funds, except the customers are internal. Scottsdale has four separate Internal Service Funds to account for the activity of this fund type. The individual funds are Fleet Management, PC Replacement, Risk Management and Healthcare Self Insurance. In the adopted budget, Internal Service Offsets are included to eliminate the "double" budget, since the charges for these services are already included in the Divisions' budgets.

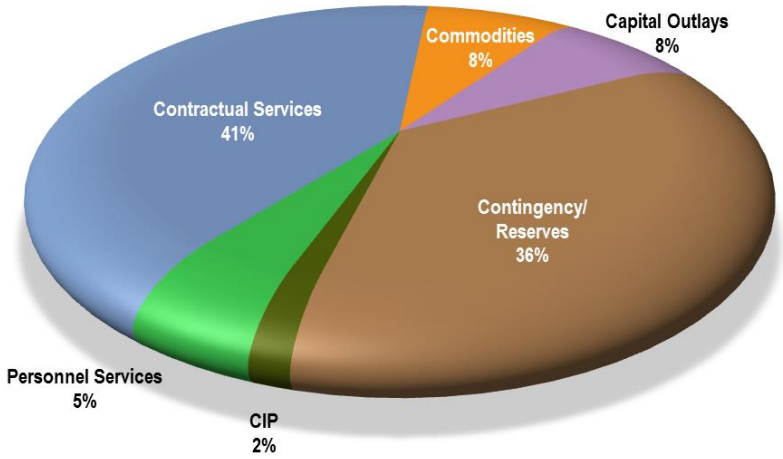
Internal Service Funds Sources by Fund (in millions)

Fleet Management	20.8
PC Replacement	1.0
Risk Management	11.3
Healthcare Self Insurance	30.9
Total Sources	64.0



Internal Service Funds Uses (in millions)

Personnel Services	5.0
Contractual Services	40.3
Commodities	8.0
Capital Outlays	7.5
Contingency/ Reserves	35.9
Internal Service Offsets	(52.7)
Adopted Budget	43.6
Transfers Out	
CIP	1.6
Total Uses	45.2



Graph excludes the Internal Service Offset of ($52.7) million

Note: Amounts are rounded in millions; therefore, differences may occur.

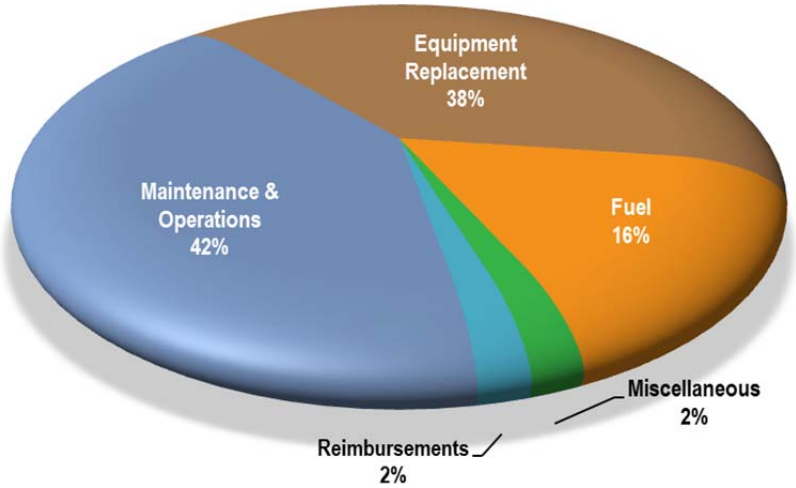
BUDGET BY FUND | Fleet Management Fund Overview

Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the city's vehicles. Replacement and operation of vehicles are charged to the city departments as internal operating costs based on the quantity and type of vehicle used. The department charges become revenue to the Fleet Management Fund.

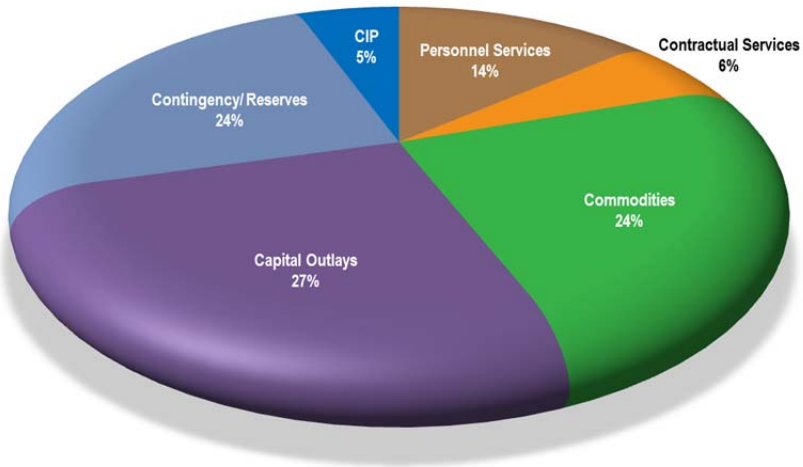
Fleet Management Fund Sources (in millions)

Maintenance & Operations	8.6
Equipment Replacement	8.0
Fuel	3.3
Miscellaneous	0.4
Reimbursements	0.4
Total Revenue	20.8
Tranfers In	-
Total Sources	20.8



Fleet Management Fund Uses (in millions)

Personnel Services	3.9
Contractual Services	1.7
Commodities	6.9
Capital Outlays	7.5
Contingency/ Reserves	6.7
Internal Service Offset	(20.0)
Adopted Budget	6.7
Transfers Out	
CIP	1.6
Total Uses	8.3



*Graph excludes the Internal Service Offset of ($20.0) million

Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Fleet Management Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Designated For Future Acquisition	5,588,493	5,594,200	5,768,884	5,768,884	5,642,706
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	3,615,844	2,486,267	2,523,623	2,523,623	2,213,211
Total Beginning Fund Balance	**9,954,337**	**8,830,467**	**9,042,507**	**9,042,507**	**8,605,917**
Revenues					
Maintenance & Operations	7,657,323	7,001,520	7,001,520	7,001,520	8,648,620
Vehicle Acquisitions	7,532,676	7,527,456	7,527,456	7,527,456	7,975,422
Fuel	2,880,858	3,963,612	3,963,612	3,102,526	3,330,896
Miscellaneous	449,763	389,800	389,800	389,800	420,653
Reimbursements from Outside Sources	369,168	-	-	-	416,000
Subtotal	***18,889,789***	***18,882,388***	***18,882,388***	***18,021,302***	***20,791,591***
Total Sources	**18,889,789**	**18,882,388**	**18,882,388**	**18,021,302**	**20,791,591**
Expenditures					
Fleet Management Administration	420,419	475,170	484,680	484,680	465,108
Fleet Management Operations	7,083,202	6,979,893	6,888,726	6,888,726	8,021,633
Fleet Management Parts Supply	489,217	509,802	522,483	522,483	517,453
Fuel	3,004,293	4,006,288	4,006,288	2,791,766	3,415,917
Motorpool	49,328	45,336	45,336	45,336	45,552
Vehicle Acquisitions	7,352,285	7,653,634	7,653,634	7,653,634	7,652,782
Citywide Pay Program/Citywide Pay Program Tail	-	80,551	7,060	-	84,856
Estimated Personnel Savings from Vacant Positions	-	(199,500)	(55,003)	(55,003)	(225,000)
Leave Accrual Payments	-	33,200	31,170	31,170	50,000
Subtotal	***18,398,744***	***19,584,374***	***19,584,374***	***18,362,792***	***20,028,301***
TOTAL OPERATING BUDGET	18,398,744	19,584,374	19,584,374	18,362,792	20,028,301
Transfers Out					
CIP	1,354,600	80,700	80,700	80,700	1,563,744
CIP Technology	29,900	14,400	14,400	14,400	7,800
Other	18,375	-	-	-	-
Subtotal	***1,402,875***	***95,100***	***95,100***	***95,100***	***1,571,544***
Total Uses	**19,801,619**	**19,679,474**	**19,679,474**	**18,457,892**	**21,599,845**
Sources Over/(Under) Uses	**(911,830)**	**(797,086)**	**(797,086)**	**(436,590)**	**(808,254)**
Ending Fund Balance					
Designated For Future Acquisition	5,768,884	5,594,656	5,642,706	5,642,706	5,965,346
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	2,523,623	1,688,725	1,852,715	2,213,211	1,082,317
Total Ending Fund Balance	**9,042,507**	**8,033,381**	**8,245,421**	**8,605,917**	**7,797,663**

BUDGET BY FUND | Fleet Management Fund Five Year Financial Forecast

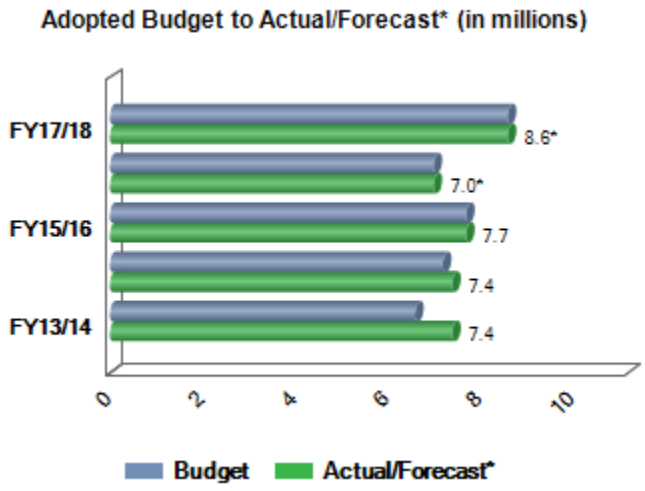
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Designated For Future Acquisition	5,642,706	5,965,346	6,233,046	6,427,046	6,540,146
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	2,213,211	1,082,317	227,417	927,417	1,940,217
Total Beginning Fund Balance	**8,605,917**	**7,797,663**	**7,210,463**	**8,104,463**	**9,230,363**
Revenues					
Maintenance & Operations	8,648,620	8,994,500	9,354,300	9,728,500	10,117,700
Vehicle Acquisitions	7,975,422	8,286,500	8,609,600	8,945,400	9,294,300
Fuel	3,330,896	3,379,900	3,430,800	3,483,300	3,536,900
Miscellaneous	420,653	433,300	446,300	459,700	473,400
Reimbursements from Outside Sources	416,000	416,000	416,000	416,000	416,000
Subtotal	***20,791,591***	***21,510,200***	***22,257,000***	***23,032,900***	***23,838,300***
Total Sources	**20,791,591**	**21,510,200**	**22,257,000**	**23,032,900**	**23,838,300**
Expenditures					
Fleet Management Administration	465,108	468,000	472,700	477,400	482,200
Fleet Management Operations	8,021,633	8,117,500	8,220,900	8,326,600	8,437,500
Fleet Management Parts Supply	517,453	521,500	525,900	530,800	535,500
Fuel	3,415,917	3,460,700	3,512,500	3,566,000	3,621,400
Motorpool	45,552	46,300	47,000	47,700	48,400
Vehicle Acquisitions	7,652,782	8,018,800	8,415,600	8,832,300	9,269,900
Citywide Pay Program/Citywide Pay Program Tail	84,856	160,500	234,400	305,500	376,200
Estimated Personnel Savings from Vacant Positions	(225,000)	(231,800)	(238,700)	(245,900)	(253,200)
Leave Accrual Payments	50,000	51,600	53,000	54,600	56,200
Subtotal	***20,028,301***	***20,613,100***	***21,243,300***	***21,895,000***	***22,574,100***
TOTAL OPERATING BUDGET	20,028,301	20,613,100	21,243,300	21,895,000	22,574,100
Transfers Out					
CIP	1,563,744	1,458,700	105,000	-	-
CIP Technology	7,800	25,600	14,700	12,000	20,600
Other	-	-	-	-	-
Subtotal	***1,571,544***	***1,484,300***	***119,700***	***12,000***	***20,600***
Total Uses	**21,599,845**	**22,097,400**	**21,363,000**	**21,907,000**	**22,594,700**
Sources Over/(Under) Uses	**(808,254)**	**(587,200)**	**894,000**	**1,125,900**	**1,243,600**
Ending Fund Balance					
Designated For Future Acquisition	5,965,346	6,233,046	6,427,046	6,540,146	6,564,546
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	1,082,317	227,417	927,417	1,940,217	3,159,417
Total Ending Fund Balance	**7,797,663**	**7,210,463**	**8,104,463**	**9,230,363**	**10,473,963**

Fleet Management Sources

Fleet Management Fund sources for FY 2017/18 equal $20.8 million which is an increase of $2.8 million from the FY 2016/17 year-end forecast mainly due to the increase in rates associated with the Fleet Department taking over the trolley monthly maintenance and repair responsibilities from a previously outsourced contract and the reevaluations of some budgets to be more realistic and accountable. It includes Maintenance & Operations, Equipment Replacement, Fuel, Miscellaneous and Reimbursements from Outside Sources.

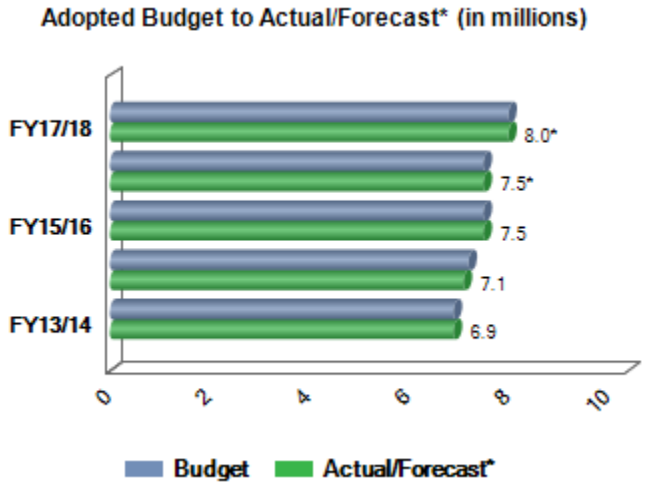
Maintenance & Operations

Maintenance & Operations revenue originates from charges to other city programs based on the usage of city vehicles. For FY 2017/18, 42 percent of the Fleet Management Fund's operating revenues are derived from rates related to vehicle maintenance and operation. The FY 2017/18 hourly rate is billed at $89.00 per hour and parts are marked up 22 percent. The maintenance and operations rates revenue for FY 2017/18 totals $8.6 million, which is an increase of $1.6 million from the FY 2016/17 year-end revenue forecast due to the increase in rates associated with Fleet taking over the trolley monthly maintenance and repair responsibilities from a previously outsourced contract and increased revenue related to more Fire and Police vehicles needing repairs than expected.



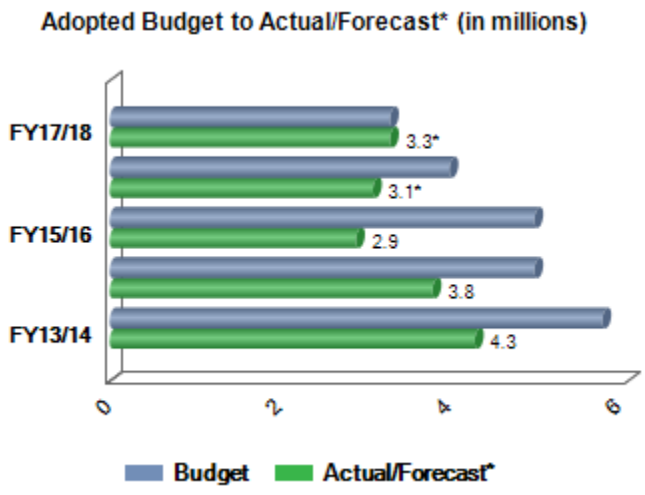
Equipment Replacement

Equipment Replacement represents the "rental" rate charged to other city funds and programs sufficient for the acquisition and replacement of city vehicles. For FY 2017/18, 38 percent of the Fleet Management Fund's operating revenues come from rates related to vehicle acquisition. The vehicle acquisition rates for FY 2017/18 total $8.0 million, increasing about $0.5 million from the FY 2016/17 year-end forecast. The increase is to ensure a more realistic and sustainable funding source for future acquisition and replacement.



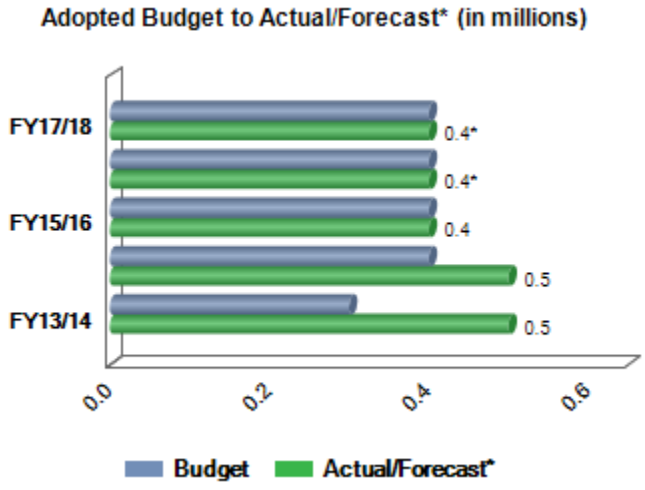
Fuel

Fuel represents the charges to other city programs based on the fuel consumption of city vehicles. Rates are determined based on historical as well as forecasted future consumption. Included in this methodology are local and national fuel cost trends. The FY 2017/18 adopted budget is $3.3 million, which is a $0.2 million increase from the FY 2016/17 year-end forecast.



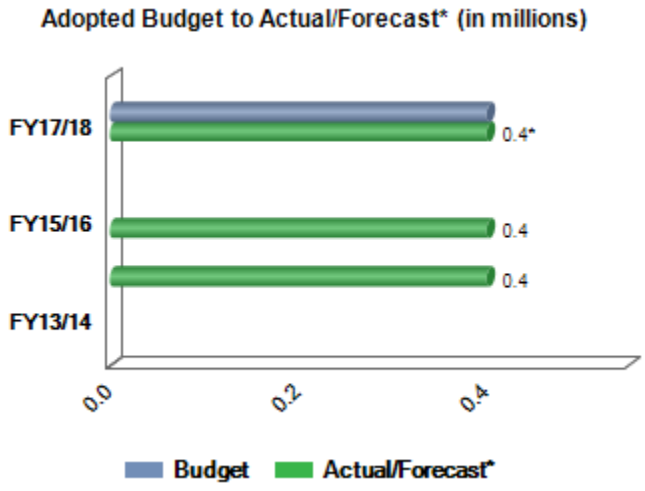
Miscellaneous

Miscellaneous Revenue is generated from the liquidation of surplus property. The FY 2017/18 budget is $0.4 million, which is relatively flat with the FY 2016/17 year-end forecast.



Reimbursement from Outside Sources

Reimbursement from Outside Sources revenue is generated from any insurance recoveries received and reimbursements for fuel taxes and vehicle parts. Historically, these reimbursements did not always occur every year and were in turn not budgeted for. This revenue item was budgeted for the first time in FY 2017/18 and will going forward to account for the potential that reimbursements might occur.

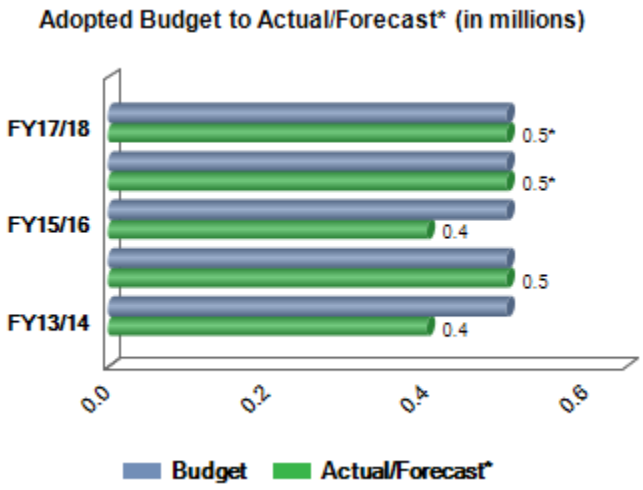


Fleet Management Fund Expenditures

The direct operating expenditures of the Fleet Management Fund are reflected in the following expenditure areas. Additionally, there is the Citywide Pay Program/Citywide Pay Program Tail, the Estimated Personnel Savings from Vacant Positions, Leave Accrual Payments and Transfers Out to other funds.

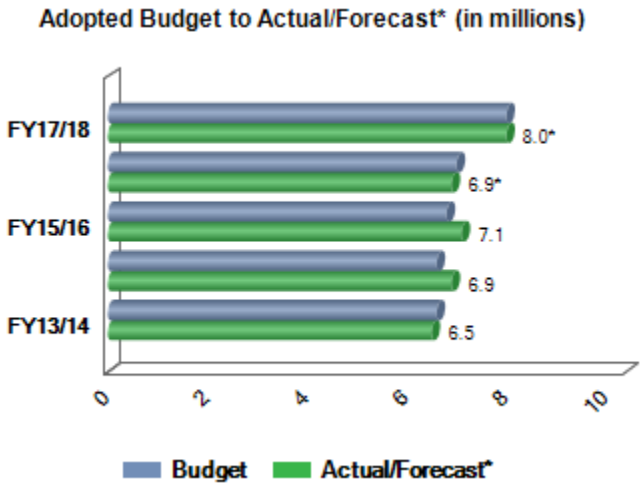
Fleet Management Administration

Includes all costs related to supporting the management and administrative personnel that are dedicated to directing and overseeing the fleet operation of the city. The FY 2017/18 adopted budget of $0.5 million remains relatively close to the FY 2016/17 year-end forecast.



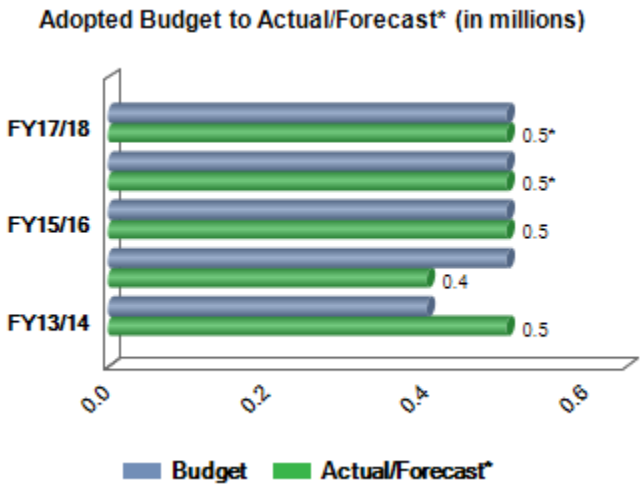
Fleet Management Operations

Includes costs related to supporting technical personnel that perform the maintenance and repair functions of the city's fleet operation, the funding for replacement parts and the use of outside vendors when necessary. The FY 2017/18 adopted budget of $8.0 million is a $1.1 million increase over the FY 2016/17 year-end forecast. This is primarily due to Fleet taking over the trolley monthly maintenance and repair responsibilities from a previously outsourced contract. It is partially offset by lower than expected fuel costs.



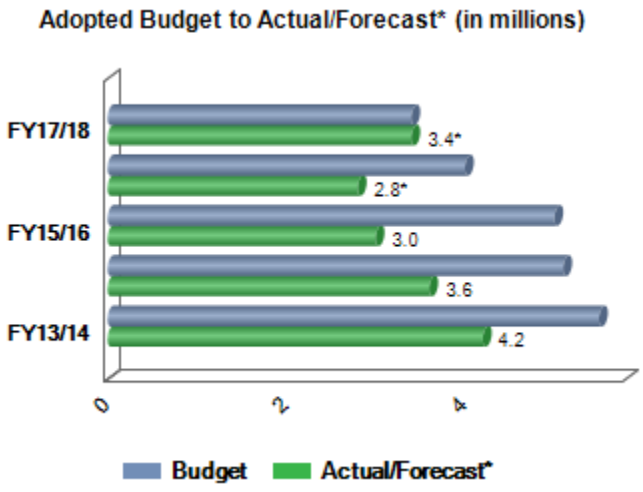
Fleet Management Parts Supply

Includes all costs related to supporting the specialized personnel that are dedicated to maintaining the parts segment of the city's fleet operation, as well as the costs of all required supplies and tools. The FY 2017/18 adopted budget of $0.5 million is relatively close to the FY 2016/17 year-end forecast.



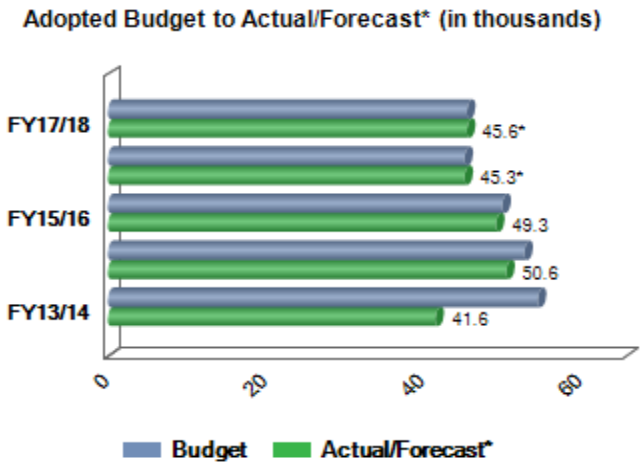
Fuel

Includes all costs related to the purchase of fuel, as well as costs for equipment, maintenance and services necessary to maintain fuel provision in the city's fleet operation. The FY 2017/18 adopted budget of $3.4 million is $0.6 million higher than the FY 2016/17 year-end forecast. The year-end forecast for FY 2016/17 is $1.2 million less than budgeted due to lower fuel prices than anticipated. In order to cover the possibility of more expensive fuel prices in the upcoming fiscal year, the FY 2017/18 budget is higher than the year-end forecast. However, it is substantially less than the FY 2016/17 adopted budget.



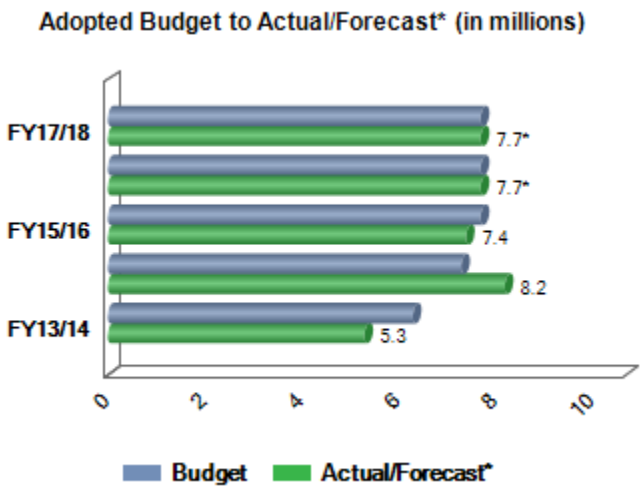
Motorpool

This expenditure area includes all costs related to the care of the city's motorpool vehicles including fuel and maintenance. The FY 2017/18 adopted budget of $45,552 is relatively flat when compared to the FY 2016/17 year-end forecast.



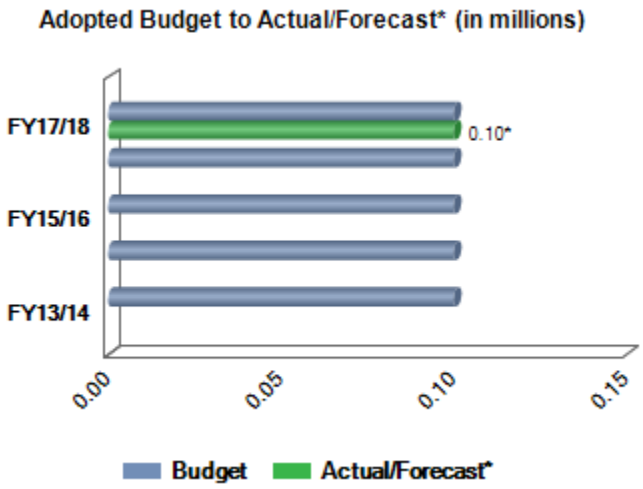
Vehicle Acquisitions

This expenditure area includes all costs related to the purchase or replacement of vehicles within the city's fleet. The FY 2017/18 adopted budget of $7.7 million is unchanged from the FY 2016/17 year-end forecast.



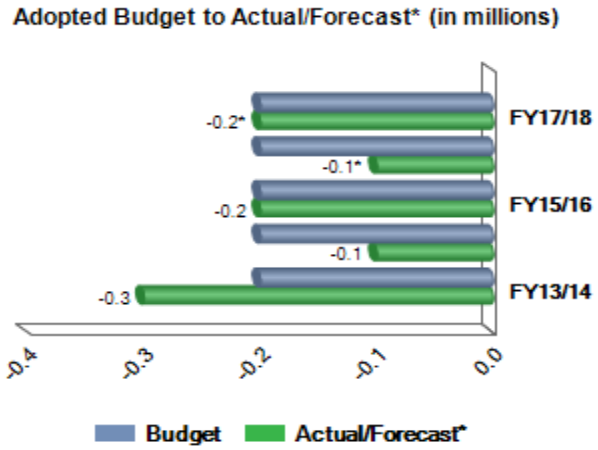
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance. The FY 2017/18 adopted budget total is $0.1 million. Additionally, the FY 2016/17 forecast and the FY 2013/14-2015/16 actuals are at $0 due to the actuals being allocated into the department. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases within the department. The actual amount spent each year was at or below the adopted budget.



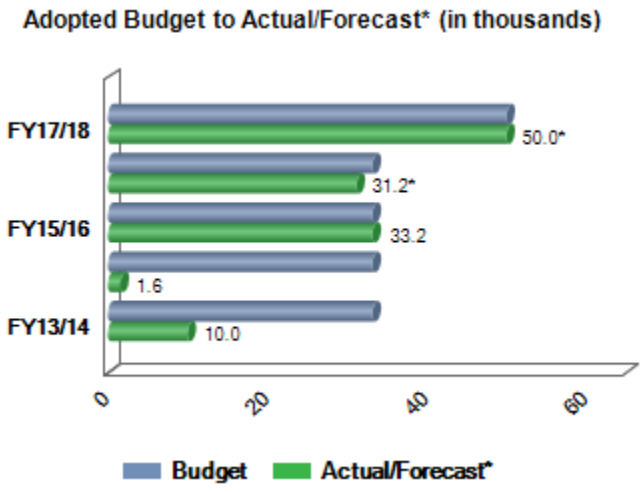
Estimated Personnel Savings from Vacant Positions

Personnel Savings is the amount of savings achieved from vacant positions. The FY 2017/18 estimate for vacancy savings is ($0.2) million. Additionally, the FY 2016/17 forecasted number of ($0.1) million, while accurate, has increased as the year has progressed and is forecasted to end the year at approximately ($0.2) million.



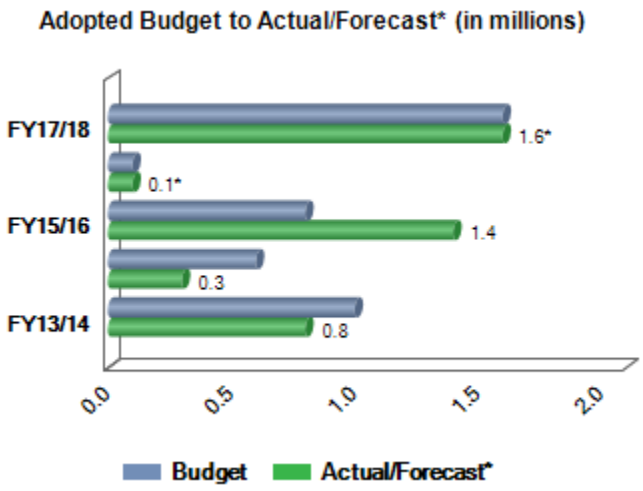
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2017/18 leave accrual payments of $50,000 include $25,000 budgeted for medical leave accrual payouts and $25,000 budgeted for vacation leave accrual payouts. The budget is higher than the FY 2016/17 year-end forecast because more retirements are expected to occur in FY 2017/18 when compared to FY 2016/17.



Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. Transfer amounts vary greatly each year. Transfers Out for FY 2017/18 are much higher than the FY 2016/17 year-end forecast and include $1.6 million to the CIP fund for a fuel site upgrade and $7,800 for CIP technology improvements.



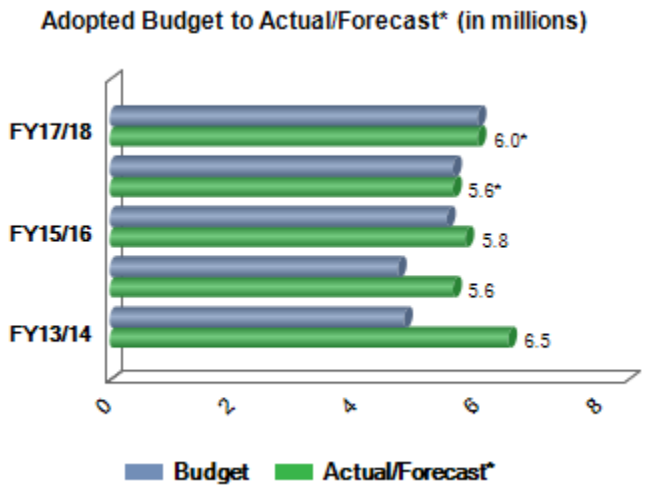
BUDGET BY FUND | Fleet Management Fund Ending Fund Balance

Fleet Management Fund Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. The city's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to "set aside savings" before allocated or spent as budgeted expenditures. The specific make-up of the city's Fleet Management Fund balance and reserves are noted in the following:

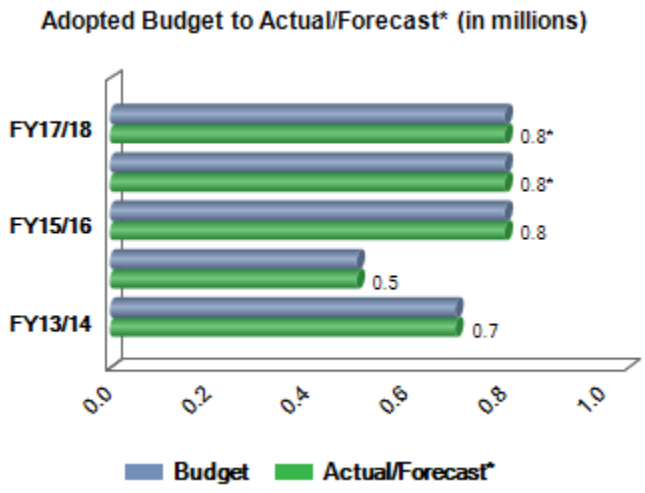
Designated for Future Acquisition

The Designated for Future Acquisition reserve varies primarily due to the vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles represents the "rental" rate for those vehicles. This charge becomes revenue to the Fleet Management Fund and applies to many vehicles with differing useful lives. Therefore, this revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases. The anticipated FY 2017/18 ending Designated for Future Acquisition fund balance is $6.0 million, which is a $0.4 million increase from the FY 2016/17 forecast.



Operating Contingency

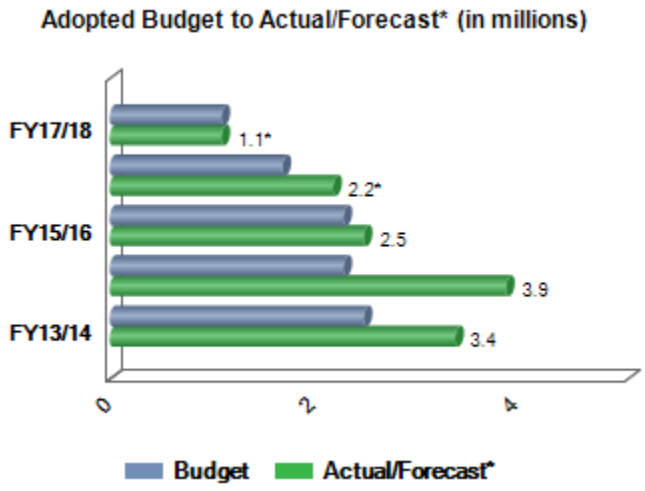
Operating Contingency includes $0.8 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval.



BUDGET BY FUND | Fleet Management Fund Ending Fund Balance

Undesignated, Unreserved Fund Balance

The FY 2017/18 ending fund balance includes an Undesignated, Unreserved Fund Balance of $1.1 million, which represents an accumulation of one-time revenues and it is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.



FY 2017/18 Adopted Budget

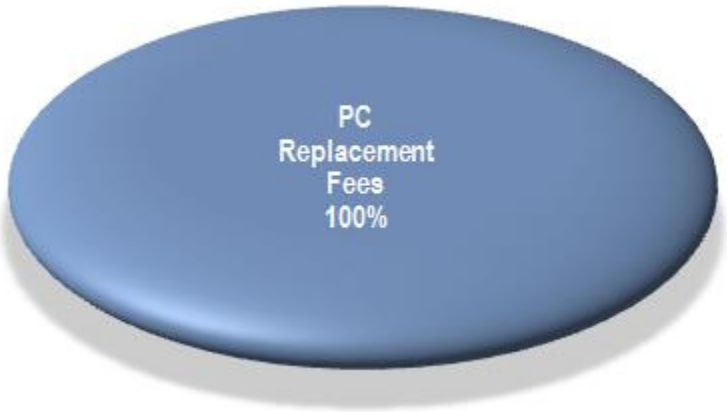
BUDGET BY FUND | PC Replacement Fund Overview

Fund Purpose

This fund is used to account for the expenditures associated with purchasing the city's computers, monitors and printers. Replacement of computers, monitors and printers (hardware) is charged to the city divisions as internal operating costs to each program based on the quantity and type of hardware used. The division charges become revenue to the PC Replacement Fund.

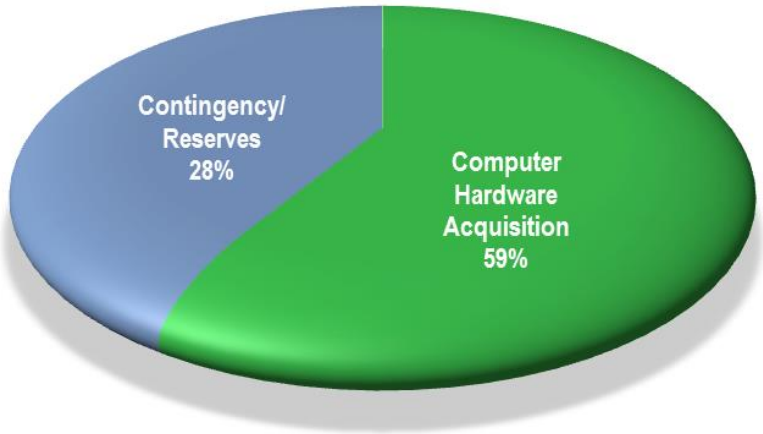
PC Replacement Fund Sources (in millions)

PC Replacement Fees	1.0
Total Revenue	1.0
Transfers In	-
Total Sources	1.0



PC Replacement Fund Uses (in millions)

Computer Hardware Acquisition	0.7
Contingency/Reserves	0.5
Internal Service Offset	(1.0)
Adopted Budget	0.2
Transfers Out	-
Total Uses	0.2



Graph excludes the Internal Service Offset of ($1.0) million

Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | PC Replacement Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	909,938	1,103,832	1,217,604	1,217,604	922,810
Total Beginning Fund Balance	**1,409,938**	**1,603,832**	**1,717,604**	**1,717,604**	**1,422,810**
Revenues					
PC Replacement Fees	1,012,127	986,606	986,606	986,606	1,021,072
Subtotal	***1,012,127***	***986,606***	***986,606***	***986,606***	***1,021,072***
Total Sources	**1,012,127**	**986,606**	**986,606**	**986,606**	**1,021,072**
Expenditures					
Computer Hardware Acquisition	704,461	1,281,400	1,281,400	1,281,400	709,200
Subtotal	***704,461***	***1,281,400***	***1,281,400***	***1,281,400***	***709,200***
TOTAL OPERATING BUDGET	704,461	1,281,400	1,281,400	1,281,400	709,200
Total Uses	**704,461**	**1,281,400**	**1,281,400**	**1,281,400**	**709,200**
Sources Over/(Under) Uses	**307,666**	**(294,794)**	**(294,794)**	**(294,794)**	**311,872**
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,217,604	809,038	922,810	922,810	1,234,682
Total Ending Fund Balance	**1,717,604**	**1,309,038**	**1,422,810**	**1,422,810**	**1,734,682**

BUDGET BY FUND | PC Replacement Fund Five Year Financial Forecast

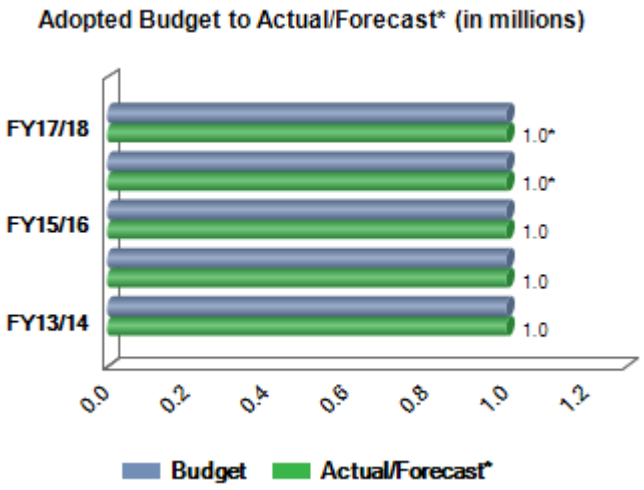
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	922,810	1,234,682	1,235,982	1,067,782	1,301,582
Total Beginning Fund Balance	**1,422,810**	**1,734,682**	**1,735,982**	**1,567,782**	**1,801,582**
Revenues					
PC Replacement Fees	1,021,072	1,035,600	1,053,200	1,069,100	1,084,700
Subtotal	***1,021,072***	***1,035,600***	***1,053,200***	***1,069,100***	***1,084,700***
Total Sources	**1,021,072**	**1,035,600**	**1,053,200**	**1,069,100**	**1,084,700**
Expenditures					
Computer Hardware Acquisition	709,200	1,034,300	1,221,400	835,300	1,238,500
Subtotal	***709,200***	***1,034,300***	***1,221,400***	***835,300***	***1,238,500***
TOTAL OPERATING BUDGET	709,200	1,034,300	1,221,400	835,300	1,238,500
Total Uses	**709,200**	**1,034,300**	**1,221,400**	**835,300**	**1,238,500**
Sources Over/(Under) Uses	**311,872**	**1,300**	**(168,200)**	**233,800**	**(153,800)**
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,234,682	1,235,982	1,067,782	1,301,582	1,147,782
Total Ending Fund Balance	**1,734,682**	**1,735,982**	**1,567,782**	**1,801,582**	**1,647,782**

PC Replacement Fund Sources

The PC Replacement Fund includes revenue from rates charged to the city divisions as internal operating costs to each program based on the quantity and type of hardware used. The only source of revenue to this fund is the PC Replacement Fees, detailed below.

PC Replacement Fees

PC Replacement Fees represents the rates charged to other city funds and programs sufficient for the acquisition and replacement of city computer hardware. The revenue for FY 2017/18 is $1.0 million, which remains approximately flat from the FY 2016/17 year-end forecast.

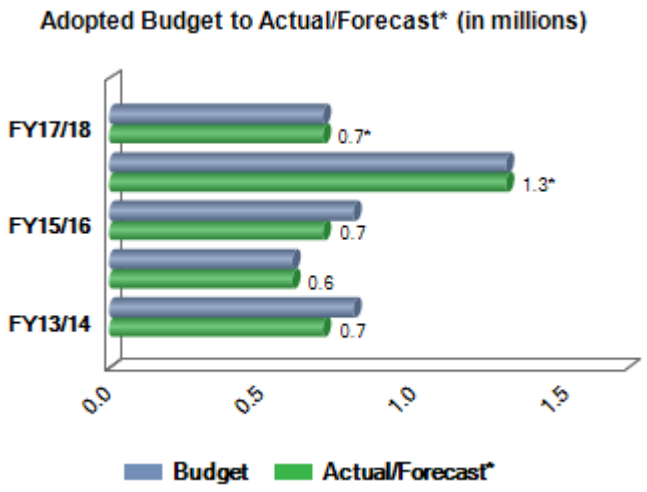


PC Replacement Fund Expenditures

The direct operating expenditures of the PC Replacement Fund are budgeted in the capital outlay category.

Computer Hardware Acquisition

Computer Hardware Acquisition includes the purchase of desktop computers, laptops, ruggedized laptops, monitors, and printers. The computer hardware inventory for the entire city is aggregated as one asset and is thus classified as a capital asset on the city's balance sheet. The adopted FY 2017/18 Computer Hardware Acquisition budget is $0.7 million, which is $0.6 million lower than the FY 2016/17 year-end forecast primarily due to changes to the scheduling of the replacement of ruggedized laptops.

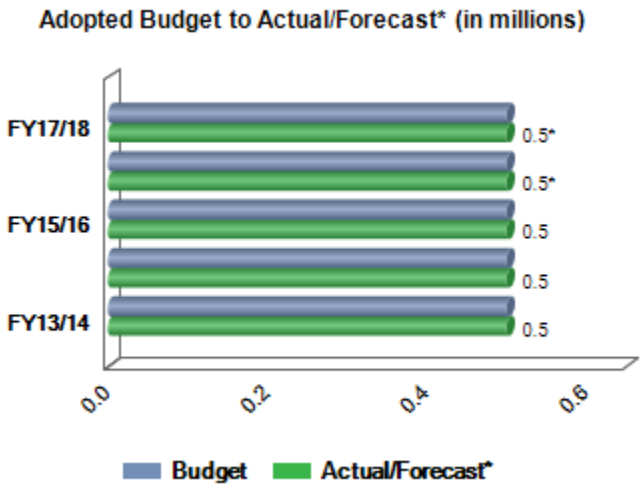


PC Replacement Fund Balance

The PC Replacement Fund balance varies primarily due to the hardware replacement schedule. The fund balance at the end of each year includes the accumulated balance to be used for future year hardware purchases. The PC Replacement Fund reserves include two reserve types: Operating Contingency and Undesignated, Unreserved Fund Balance.

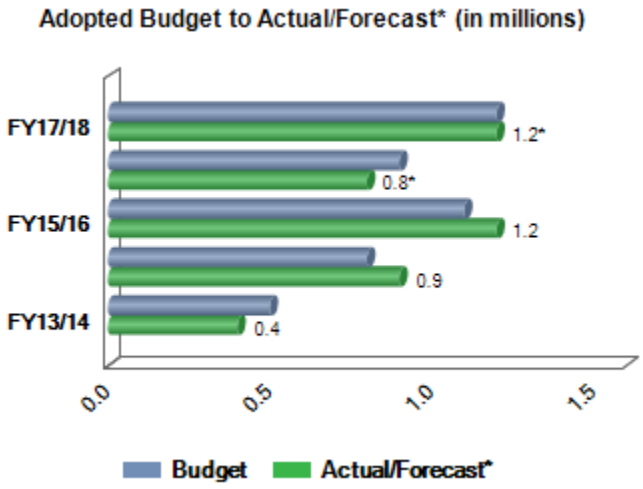
Operating Contingency

Operating Contingency includes $0.5 million of budget authorization to offset unforeseen expenses that occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval.



Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2017/18 ending unreserved fund balance is $1.2 million. This balance represents an accumulation of one-time revenues and is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.



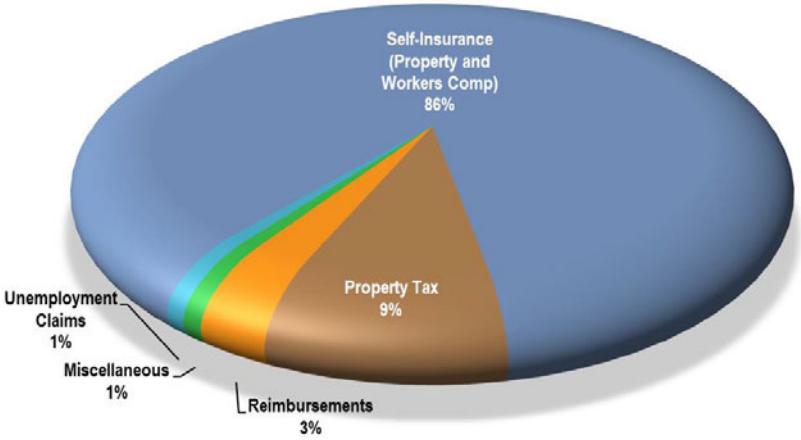
BUDGET BY FUND | Risk Management Fund Overview

Fund Purpose

The Risk Management Fund is used to account for the city's self-insurance, safety and risk management functions. Revenue to this fund is derived from internal charges to programs and is captured as internal rates. Payments for unemployment, workers' compensation, and property and liability claims are made from this fund.

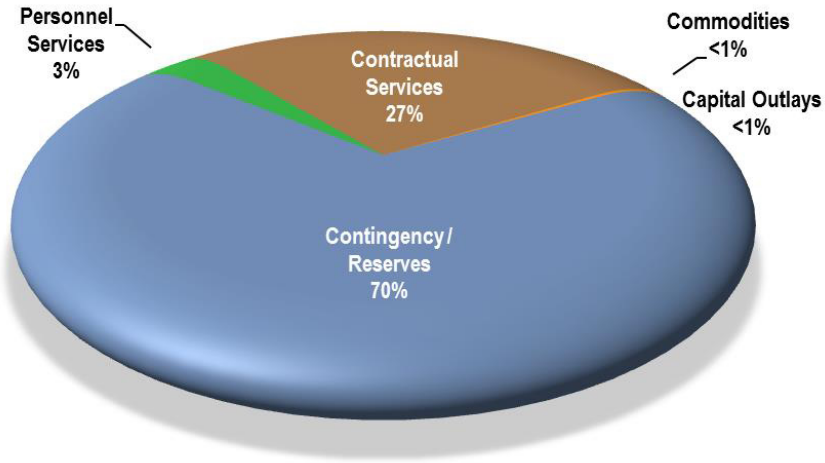
Risk Management Fund Sources (in millions)

Self-Insurance (Property and Workers Comp)	9.7
Property Tax	1.0
Reimbursements	0.3
Miscellaneous	0.1
Unemployment Claims	0.1
Total Revenue	11.3
Transfers In	-
Total Sources	11.3



Risk Management Fund Uses (in millions)

Personnel Services	0.9
Contractual Services	8.1
Commodities	0.1
Capital Outlays	-
Contingency / Reserves	20.8
Internal Service Offset	(9.8)
Adopted Budget	20.0
Transfers Out	0.0
Total Uses	20.0



Graph excludes the Internal Service Offset of ($9.8) million

Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Risk Management Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Operating Contingency	1,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	12,569,635	14,155,778	13,567,493	13,567,493	16,047,371
Total Beginning Fund Balance	**14,069,635**	**16,655,778**	**16,067,493**	**16,067,493**	**18,547,371**
Revenues					
Self-Insurance (Property and Workers Comp)	9,600,002	9,500,000	9,500,000	9,500,000	9,700,000
Property Tax	1,312,809	982,000	982,000	982,000	1,046,624
Reimbursements from Outside Sources	603,488	325,000	325,000	325,000	325,000
Miscellaneous	118,813	100,000	100,000	100,000	100,000
Unemployment Claims	105,522	100,000	100,000	100,000	100,000
Subtotal	***11,740,633***	***11,007,000***	***11,007,000***	***11,007,000***	***11,271,624***
Total Sources	**11,740,633**	**11,007,000**	**11,007,000**	**11,007,000**	**11,271,624**
Expenditures					
Insurance & Bond Premiums	2,321,739	2,727,280	2,727,280	2,277,280	2,527,280
Liability	1,765,125	2,150,191	2,150,191	2,150,191	2,205,360
Physical Damage	412,601	331,038	331,038	331,038	342,442
Risk Management	977,428	875,428	1,056,497	1,056,497	1,071,988
Safety Grants Program	145,551	50,500	50,500	50,500	50,500
Unemployment	19,983	75,000	75,000	35,000	35,000
Workers' Compensation	4,093,998	2,779,116	2,623,116	2,623,116	2,803,116
Citywide Pay Program	-	21,020	-	-	21,327
Subtotal	***9,736,426***	***9,009,573***	***9,013,622***	***8,523,622***	***9,057,013***
TOTAL OPERATING BUDGET	9,736,426	9,009,573	9,013,622	8,523,622	9,057,013
Transfers Out					
Operating Transfer Out	1,750	-	-	-	-
Transfers Out - CIP Technlgy Citywide	4,600	3,500	3,500	3,500	2,300
Subtotal	***6,350***	***3,500***	***3,500***	***3,500***	***2,300***
Total Uses	**9,742,776**	**9,013,073**	**9,017,122**	**8,527,122**	**9,059,313**
Sources Over/(Under) Uses	**1,997,858**	**1,993,927**	**1,989,878**	**2,479,878**	**2,212,311**
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	13,567,493	16,149,705	15,557,371	16,047,371	18,259,682
Total Ending Fund Balance	**16,067,493**	**18,649,705**	**18,057,371**	**18,547,371**	**20,759,682**

BUDGET BY FUND | Risk Management Fund Five Year Financial Forecast

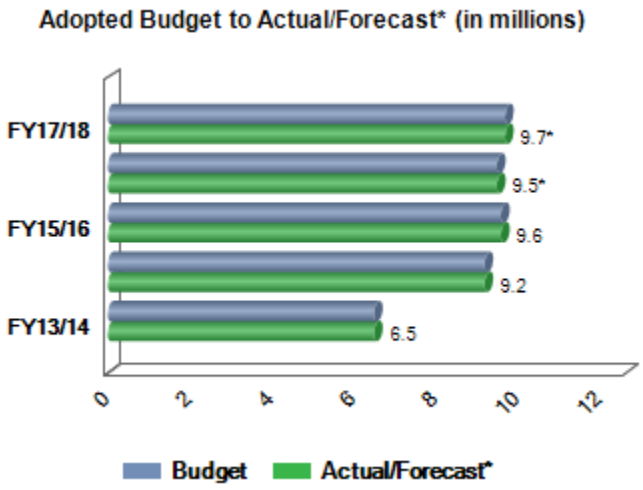
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	16,047,371	18,259,682	19,440,082	20,383,282	21,079,882
Total Beginning Fund Balance	**18,547,371**	**20,759,682**	**21,940,082**	**22,883,282**	**23,579,882**
Revenues					
Self-Insurance (Property and Workers Comp)	9,700,000	9,700,200	9,700,200	9,700,200	9,700,200
Property Tax	1,046,624	250,000	250,000	250,000	250,000
Reimbursements from Outside Sources	325,000	325,000	325,000	325,000	325,000
Miscellaneous	100,000	100,000	100,000	100,000	100,000
Unemployment Claims	100,000	100,000	100,000	100,000	100,000
Subtotal	***11,271,624***	***10,475,200***	***10,475,200***	***10,475,200***	***10,475,200***
	11,271,624	**10,475,200**	**10,475,200**	**10,475,200**	**10,475,200**
Expenditures					
Insurance & Bond Premiums	2,527,280	2,648,200	2,775,000	2,908,100	3,048,000
Liability	2,205,360	2,238,100	2,271,600	2,306,300	2,342,100
Physical Damage	342,442	347,400	352,800	358,100	363,600
Risk Management	1,071,988	1,080,400	1,090,200	1,099,600	1,110,000
Safety Grants Program	50,500	51,200	52,200	52,700	53,600
Unemployment	35,000	35,500	36,100	36,600	37,200
Workers' Compensation	2,803,116	2,844,600	2,887,200	2,931,300	2,976,800
Citywide Pay Program	21,327	41,800	62,500	82,300	101,500
Subtotal	***9,057,013***	***9,287,200***	***9,527,600***	***9,775,000***	***10,032,800***
TOTAL OPERATING BUDGET	9,057,013	9,287,200	9,527,600	9,775,000	10,032,800
Transfers Out					
Operating Transfer Out	-	-	-	-	-
Transfers Out - CIP Technlgy Citywide	2,300	7,600	4,400	3,600	6,100
Subtotal	***2,300***	***7,600***	***4,400***	***3,600***	***6,100***
Total Uses	**9,059,313**	**9,294,800**	**9,532,000**	**9,778,600**	**10,038,900**
Sources Over/(Under) Uses	**2,212,311**	**1,180,400**	**943,200**	**696,600**	**436,300**
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	18,259,682	19,440,082	20,383,282	21,079,882	21,516,182
Total Ending Fund Balance	**20,759,682**	**21,940,082**	**22,883,282**	**23,579,882**	**24,016,182**

Risk Management Fund Sources

Sources received in the Risk Management Fund consist of Self-Insurance (Property and Workers Comp), Property Tax, Reimbursements from Outside Sources, Miscellaneous, and Unemployment Claims. More specific information on these sources is detailed below.

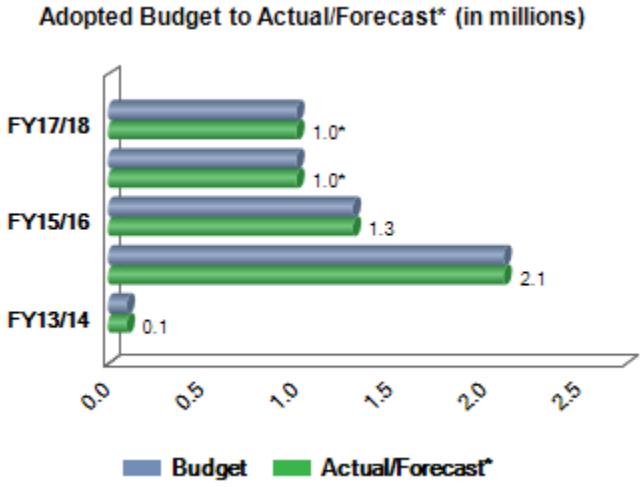
Self-Insurance (Property and Workers Comp)

Self-Insurance (Property and Workers Comp) represent this fund's operating resources, which are derived from internal charges for services to other city funds. The fund covers excess insurance premiums, administrative charges and claim payments for general and auto liability/physical damages, workers' compensation, and property damage. The FY 2017/18 revenue budget for property, liability, and worker compensation rates is $9.7 million. The large increase in FY 2014/15 compared to FY 2013/14 was due to year two of the city's Loss Trust fund board's preference to maintain an 85 percent confidence level of the most recent actuarial assessment in the fund balance, which required a two year phase in of increased rates.



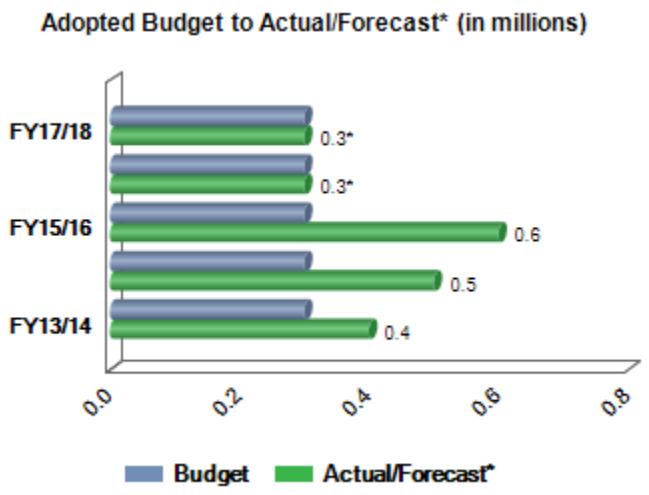
Property Tax

This revenue represents a reimbursement to the city's Risk Management Fund for the liability tort settlements and judgments approved by City Council and paid during the most recently completed calendar year. The inclusion of the tort claim reimbursements in the city's primary tax levy is allowed per a March 20, 1986 Arizona Attorney General opinion. The tort expenses are paid from the Risk Management Fund therefore the reimbursement becomes revenue to this fund. The budgeted tort claims for FY 2017/18 total $1.0 million.



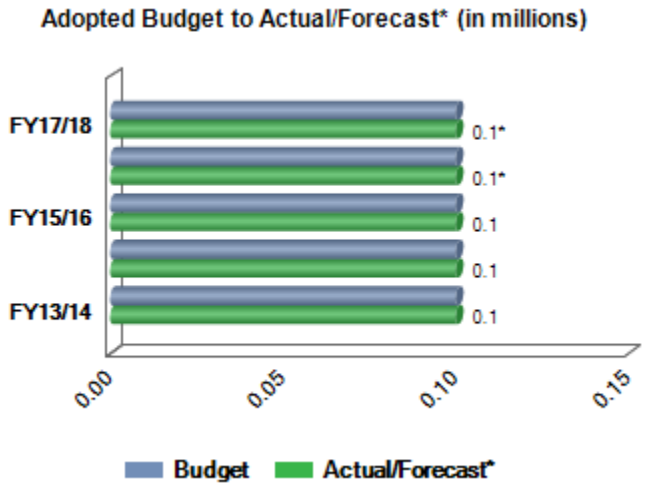
Reimbursements from Outside Sources

Reimbursements from Outside Sources represent revenue received from an insurance claim. The primary component of this revenue source is subrogation where the city seeks reimbursement from third party insurance companies for damage occurring on or to city property. Reimbursements from outside sources for FY 2017/18 are $0.3 million, which remains consistent with FY 2016/17 year-end forecast.



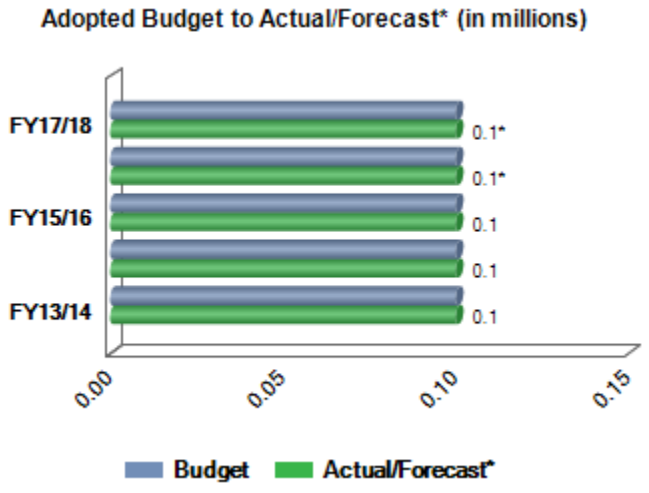
Miscellaneous

Miscellaneous revenue represents special event reimbursement related to services provided by off-duty police officers. When an off-duty police officer is contracted for services certain insurance requirements must be met. If the event producer does not meet the specified insurance thresholds, additional costs are billed to cover potential city liability. When Police receive these reimbursements they are then reimbursed to the city's Risk Management Fund. This revenue for FY 2017/18 is budgeted at $0.1 million which is consistent with FY 2016/17 year-end forecast.



Unemployment Claims

Unemployment Claims revenue represents reimbursement for administrative charges and claim payments. The budgeted revenue from unemployment claims for FY 2017/18 is $0.1 million, which remains consistent with FY 2016/17 year-end forecast.

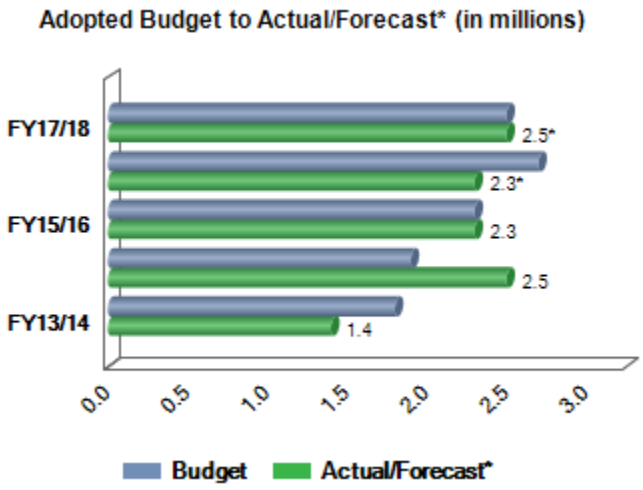


Risk Management Fund Uses

The direct operating expenditures of the Risk Management Fund are divided into the following major expenditure categories: Insurance & Bond Premiums, Liability, Physical Damage, Risk Management, Safety Grants Program, Unemployment, Workers' Compensation, and Citywide Pay Program. There are also cash transfers out to the CIP Fund.

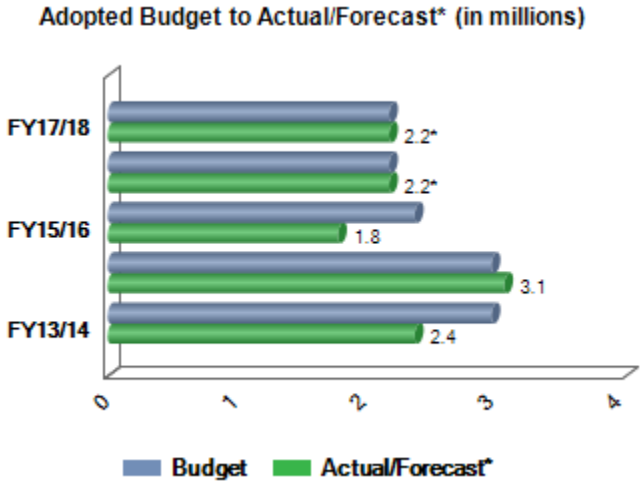
Insurance & Bond Premiums

Insurance & Bond Premiums include various citywide insurance policies for umbrella type coverage offering protection against large or ongoing claims. The adopted budget for FY 2017/18 is $2.5 million, which is $0.2 million more than the FY 2016/17 year-end forecast of $2.3 million. This increase continues to be attributed to the increase in insurance and bond premiums.



Liability

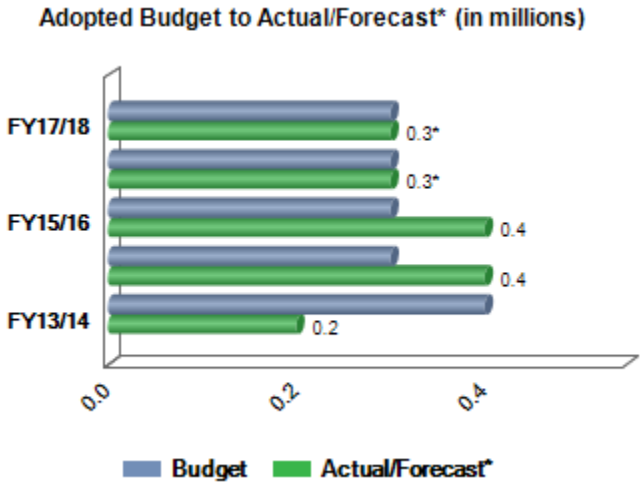
Liability primarily includes claim payments and legal costs for all activity not related to physical damage or workers' compensation claims. The adopted budget for FY 2017/18 is $2.2 million, which is consistent with FY 2016/17 year-end forecast.



BUDGET BY FUND | Risk Management Fund Uses

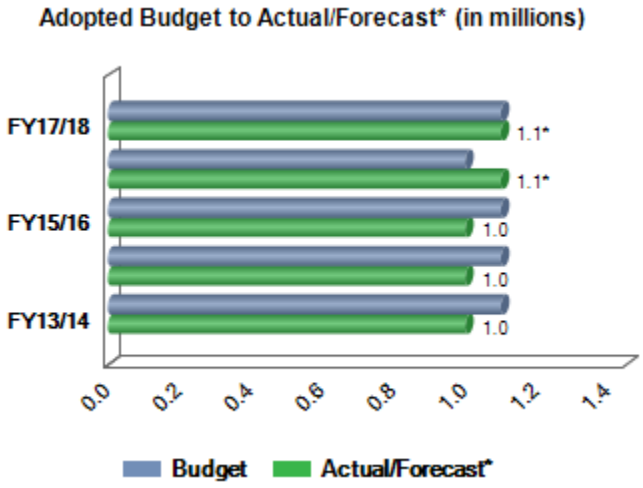
Physical Damage

Physical Damage is a claim used to pay for physical damage to city property or city vehicles. The budgeted expenditures for FY 2017/18 is $0.3 million, which remains consistent with FY 2016/17 year-end forecast.



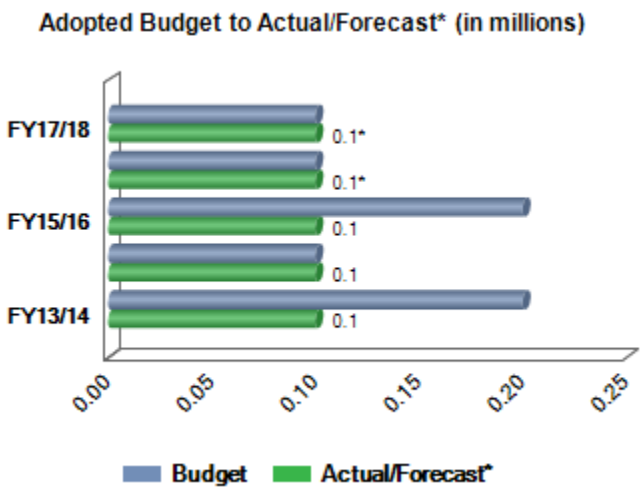
Risk Management

Risk Management operating budget is for day to day operations of the department. The operating budget for FY 2017/18 is $1.1 million, which remains consistent with FY 2016/17 year-end forecast.



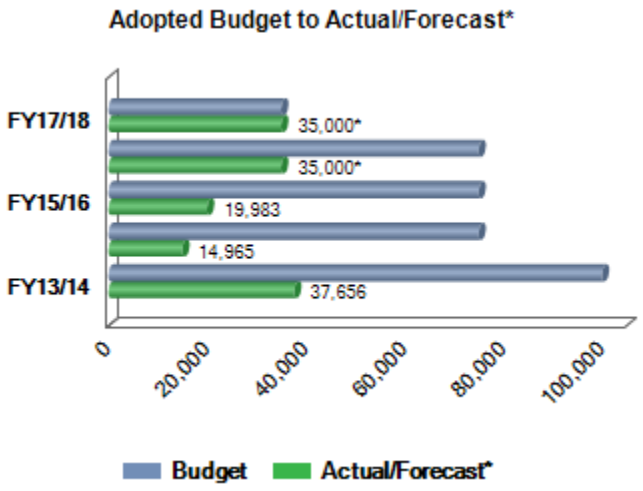
Safety Grants Program

Safety Grants Program is for city departments to request funds to pay for office furniture/equipment, office operating supplies, and protective clothing that would enhance safety or reduce a known loss in the workplace. In order to receive these funds a certain criteria must be met and no other funding source available. The budgeted expenditure for FY 2017/18 is $0.1 million, which is consistent with FY 2016/17 year-end forecast.



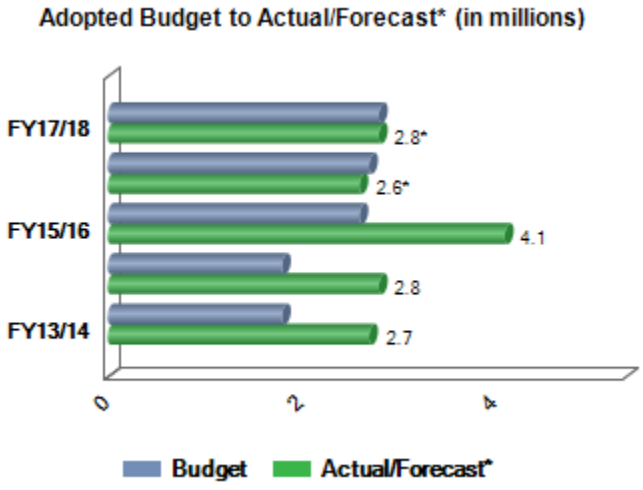
Unemployment

Unemployment represents claims which can be paid to terminated city employees who qualify. The budgeted expenditure for FY 2017/18 is $35,000, which remains consistent with FY 2016/17 year-end forecast. The budgeted amount was reduced in FY 2017/18 based on historical use.



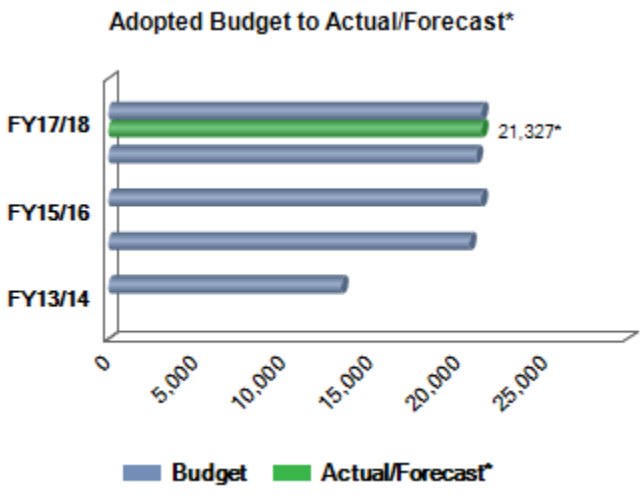
Workers' Compensation

Workers' Compensation represents claims paid to current city employees in the event there is an injury, illness, or disease occurring in the course of city employment. The budgeted expenditure for FY 2017/18 is $2.8 million, which is an increase of $0.2 million from the FY 2016/17 year-end forecast. FY 2015/16 actual amount shows an increase in medical claims, which caused medical bill review services expense to increase. This resulted in $4.1 million in medical claim expenses, which was $1.5 million above the FY 2015/16 budgeted amount.



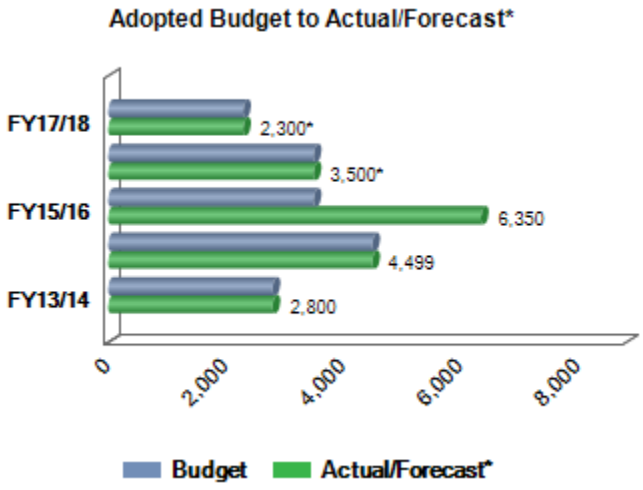
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaled $21,327 for FY 2017/18. Additionally, the FY 2016/17 forecast and the FY 2013/14 - FY 2015/16 actuals are at $0 due to the actuals being allocated to the department. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases within the department.



Transfers Out

Transfers Out is the authorized movement of cash to other funds and capital projects. Transfers out of $2,300 are planned to help cover the Risk Management's portion of citywide technology maintenance/replacement capital projects during FY 2017/18. Additionally, in FY 2015/16 there was a City Council approved one-time transfer to the non-disabled retiree healthcare fund to help absorb the accumulated deficit.



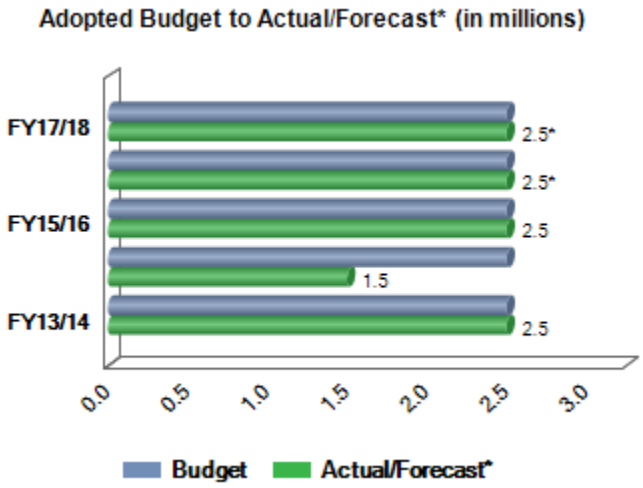
BUDGET BY FUND | Risk Management Fund Ending Fund Balance

Risk Management Fund Reserve

Fund balance/reserve protects the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's Risk Management Fund balance and reserves are noted in the following:

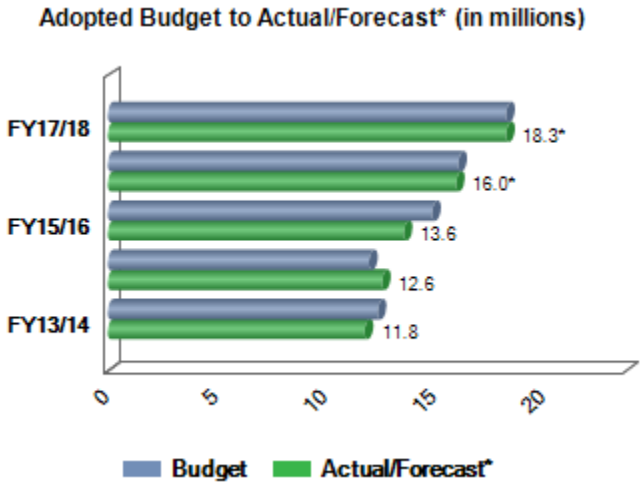
Operating Contingency

Operating Contingency includes $2.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget sources have been examined for available funds, and requires City Council approval. In FY 2014/15 City Council approved a one-time contingency transfer of $1.5 million to cover increased insurance premiums and settlement activity.



Operating Reserve

Risk Management's operating reserve is maintained to provide coverage for unforeseen expenses. The required operating reserve is set by the Loss Trust Fund Board and has been determined to be an 85 percent confidence level of the most recent actuarial assessment. Each year the projected balance are actuarially determined based on current actual losses and potential outstanding claims. The projected FY 2017/18 operating reserve is approximately $18.3 million, which is an increase of $2.3 million from the FY 2016/17 year-end forecast and meets the 85 percent confidence level.



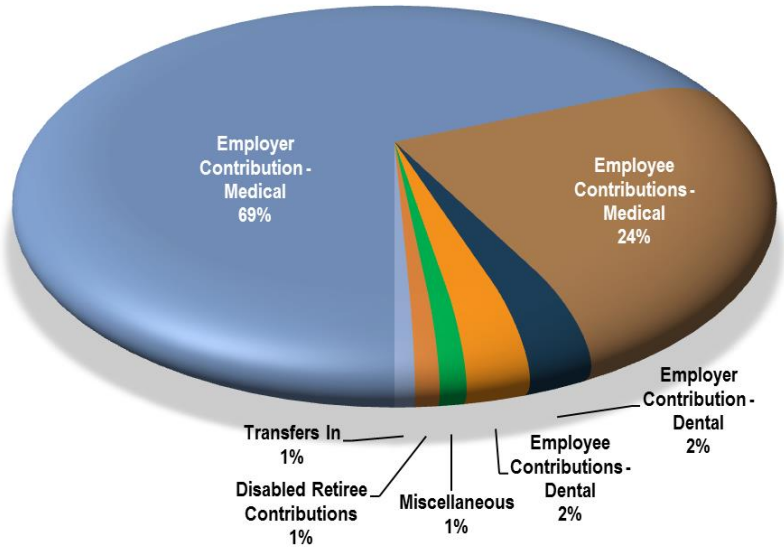
BUDGET BY FUND | Healthcare Self-Insurance Fund Overview

Fund Purpose

The Healthcare Self-Insurance Fund is used to account for the city's self-insured medical and dental benefits. Revenue to this fund is derived from premiums charged to both the city and employees. The premiums are collected for the city's portion by charging the divisions and through payroll deductions for the employee's portion. Revenue is also collected through premium charges to public safety disabled retirees (including per City Council direction, a subsidy form the General Fund to cover Public Safety disabled retirees costs that exceed the premium charges) as well as pharmacy rebates, COBRA, and stop loss insurance recoveries. This fund provides payment of actual healthcare expenses (medical, behavioral, prescription and dental claims) as well as claims administration and other benefit plan expenses.

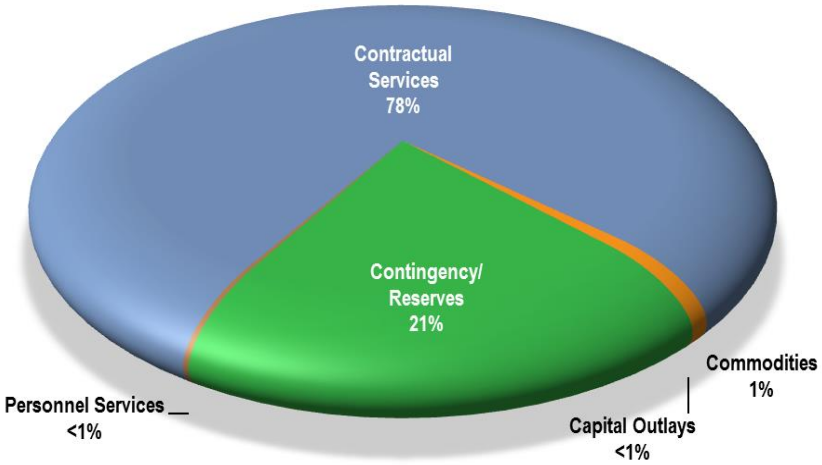
Healthcare Self-Insurance Fund Sources (in millions)

Employer Contribution - Medical	21.2
Employee Contributions - Medical	7.4
Employer Contribution - Dental	0.8
Employee Contributions - Dental	0.7
Miscellaneous	0.3
Disabled Retiree Contributions	0.3
Total Revenue	30.7
Transfers In	0.2
Total Sources	30.9



Healthcare Self-Insurance Fund Uses (in millions)

Personnel Services	0.1
Contractual Services	30.5
Commodities	0.3
Capital Outlays	-
Contingency/ Reserves	8.0
Internal Service Offset	(22.0)
Adopted Budget	17.0
Transfers Out	-
Total Uses	17.0



Graph excludes the Internal Service Offset of ($22.0) million

Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Healthcare Self-Insurance Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Healthcare Claims Reserve	4,289,716	5,314,988	4,954,074	4,954,074	5,492,248
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Beginning Fund Balance	**6,789,716**	**7,814,988**	**7,454,074**	**7,454,074**	**7,992,248**
Revenues					
Employer Contribution - Medical	20,143,166	20,494,125	20,494,125	20,494,125	21,195,321
Employee Contributions - Medical	6,038,228	7,286,542	7,286,542	7,243,142	7,402,203
Employer Contribution - Dental	755,467	806,569	806,569	774,569	774,600
Employee Contributions - Dental	723,973	777,424	777,424	743,424	743,500
Miscellaneous [a]	462,765	810,000	810,000	315,500	305,500
Disabled Retiree Contributions	179,295	263,820	263,820	263,820	279,984
Subtotal	***28,302,894***	***30,438,480***	***30,438,480***	***29,834,580***	***30,701,108***
Transfers In					
Operating Transfer In	1,198,166	400,000	400,000	214,633	230,000
Subtotal	***1,198,166***	***400,000***	***400,000***	***214,633***	***230,000***
Total Sources	**29,501,060**	**30,838,480**	**30,838,480**	**30,049,213**	**30,931,108**
Expenditures					
Medical Claims	25,690,045	27,435,155	27,435,155	26,195,155	27,649,064
Dental Claims	1,390,176	1,526,993	1,526,993	1,297,674	1,412,876
Insurance & Bond Premiums	552,965	682,250	682,250	682,250	687,250
Administrative Fees	712,790	502,336	502,336	502,336	506,215
Live Life Well Program [b]	253,067	210,000	210,000	360,000	360,000
City Administration	168,207	376,498	378,715	386,375	215,775
Behavioral Health Insurance Claims	69,451	95,249	95,249	87,249	87,242
Citywide Pay Program/Citywide Pay Program Tail	-	2,829	-	-	2,487
Subtotal	***28,836,701***	***30,831,310***	***30,830,698***	***29,511,039***	***30,920,909***
TOTAL OPERATING BUDGET	28,836,701	30,831,310	30,830,698	29,511,039	30,920,909
Total Uses	**28,836,701**	**30,831,310**	**30,830,698**	**29,511,039**	**30,920,909**
Sources Over/(Under) Uses	**664,358**	**7,170**	**7,782**	**538,174**	**10,199**
Ending Fund Balance					
Healthcare Claims Reserve	4,954,074	5,322,158	4,961,856	5,492,248	5,502,447
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Ending Fund Balance	**7,454,074**	**7,822,158**	**7,461,856**	**7,992,248**	**8,002,447**

[a] FY 2016/17 adopted and approved budget included $0.6 million in pharmacy rebates that are actually received and recorded as a credit to medical claims expenditures.

[b] FY 2017/18 budget includes Cigna's healthcare incentive, which had not been budgeted in prior years.

BUDGET BY FUND | Healthcare Self-Insurance Fund Five Year Financial Forecast

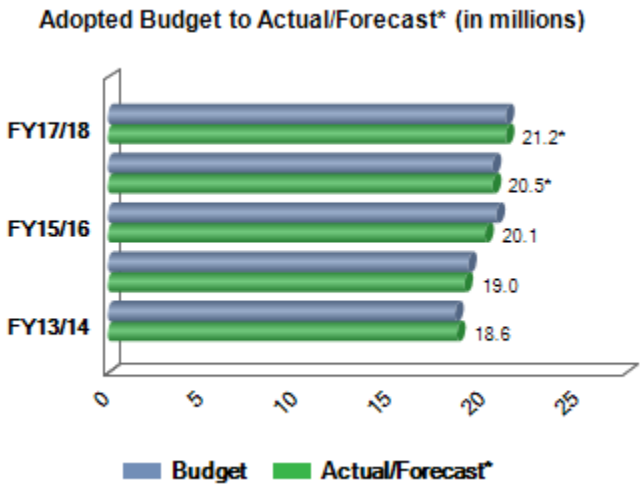
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Healthcare Claims Reserve	5,492,248	5,502,447	5,753,047	6,012,147	6,293,447
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Beginning Fund Balance	**7,992,248**	**8,002,447**	**8,253,047**	**8,512,147**	**8,793,447**
Revenues					
Employer Contribution - Medical	21,195,321	22,471,600	23,595,100	24,787,700	26,040,700
Employee Contributions - Medical	7,402,203	7,830,900	8,255,600	8,703,600	9,235,300
Employer Contribution - Dental	774,600	797,800	821,800	846,400	871,800
Employee Contributions - Dental	743,500	765,800	788,700	812,500	836,900
Miscellaneous	305,500	305,500	305,500	305,500	305,500
Disabled Retiree Contributions	279,984	295,800	312,700	330,500	349,300
Subtotal	***30,701,108***	***32,467,400***	***34,079,400***	***35,786,200***	***37,639,500***
Transfers In					
Operating Transfer In	230,000	240,000	250,000	260,000	270,000
Subtotal	***230,000***	***240,000***	***250,000***	***260,000***	***270,000***
Total Sources	**30,931,108**	**32,707,400**	**34,329,400**	**36,046,200**	**37,909,500**
Expenditures					
Medical Claims	27,649,064	29,058,700	30,539,200	32,093,500	33,949,700
Dental Claims	1,412,876	1,455,300	1,498,900	1,543,900	1,590,200
Insurance & Bond Premiums	687,250	742,300	801,700	865,700	935,000
Administrative Fees	506,215	521,600	537,300	553,700	570,300
Live Life Well Program	360,000	359,800	359,600	359,500	359,300
City Administration	215,775	219,800	224,200	228,200	232,800
Behavioral Health Insurance Claims	87,242	94,200	101,700	109,900	118,700
Citywide Pay Program/Citywide Pay Program Tail	2,487	5,100	7,700	10,500	13,300
Subtotal	***30,920,909***	***32,456,800***	***34,070,300***	***35,764,900***	***37,769,300***
TOTAL OPERATING BUDGET	30,920,909	32,456,800	34,070,300	35,764,900	37,769,300
Total Uses	**30,920,909**	**32,456,800**	**34,070,300**	**35,764,900**	**37,769,300**
Sources Over/(Under) Uses	**10,199**	**250,600**	**259,100**	**281,300**	**140,200**
Ending Fund Balance					
Healthcare Claims Reserve	5,502,447	5,753,047	6,012,147	6,293,447	6,433,647
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Ending Fund Balance	**8,002,447**	**8,253,047**	**8,512,147**	**8,793,447**	**8,933,647**

Healthcare Self-Insurance Fund Sources

Healthcare Self-Insurance Fund sources for FY 2017/18 equal $30.9 million, which is an increase of $0.9 million from the FY 2016/17 forecast, mostly due to higher medical premiums. Sources include city and employees contributions for medical and dental premiums, miscellaneous revenues and Public Safety disable retirees contributions.

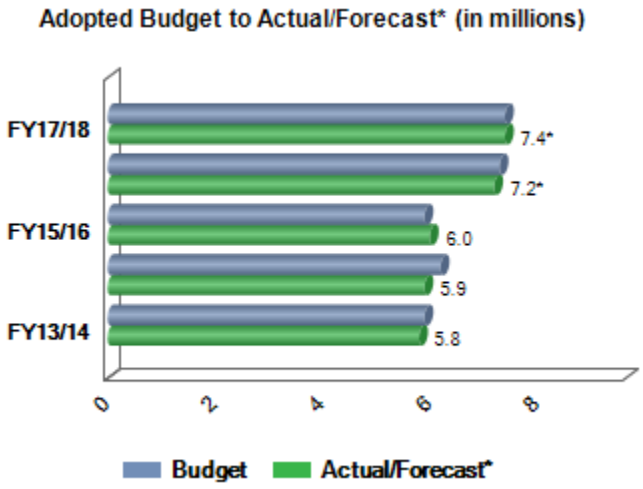
Employer Contribution – Medical

This revenue represents the city's contribution towards employee healthcare premiums. The city's premium cost sharing varies for the four healthcare plans offered. The city contributes 77 percent of the employee only premium for the costliest plan; and 90 percent of the lowest cost plan. The FY 2017/18 adopted budget of $21.2 million represents an increase of $0.7 million from the FY 2016/17 year-end forecast.



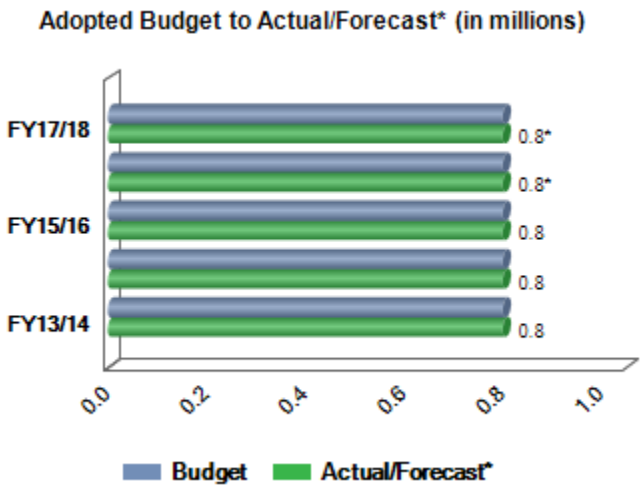
Employee Contributions – Medical

This revenue captures the employee portion of healthcare premiums collected through payroll deductions, and COBRA. Historically, the premium cost sharing has shifted a larger share of total cost to the employees. The FY 2017/18 adopted budget of $7.4 million, represents an increase of $0.2 million from the FY 2016/17 year-end forecast.



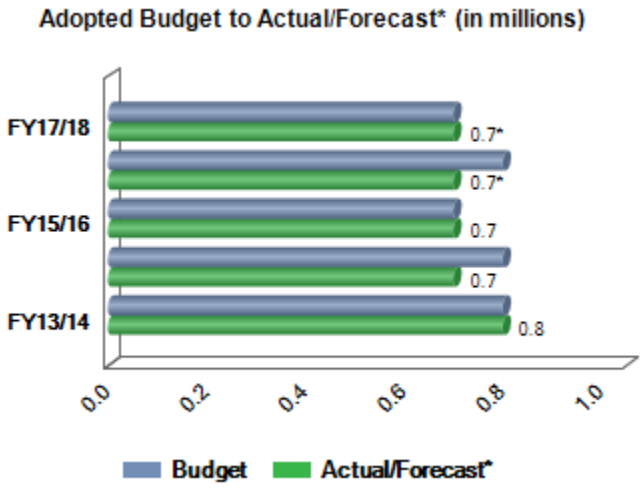
Employer Contribution – Dental

This revenue is comprised of the city's contribution to the dental premiums. The city contributes 100 percent of the employee only premium cost for the HMO dental plan and 87 percent of the employee only portion of the premium cost for the PPO dental plan. The FY 2017/18 adopted budget of $0.8 million remains flat from the FY 2016/17 year-end forecast.



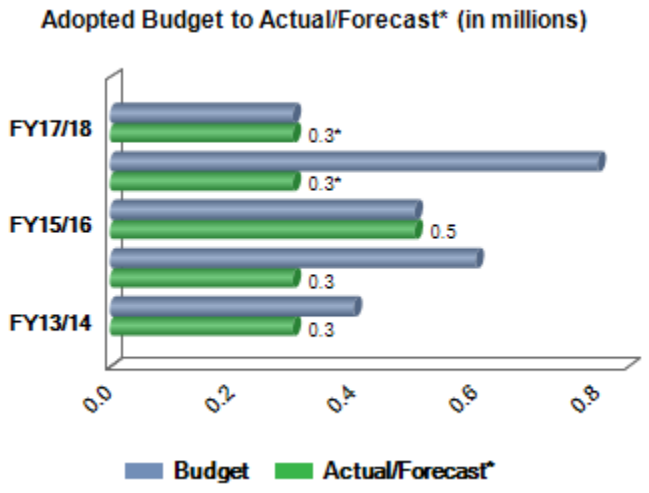
Employee Contributions – Dental

This revenue captures the employee portion of dental premiums collected through payroll deductions, as well as COBRA elections. FY 2017/18 is estimated at $0.7 million, which remains relatively flat from the FY 2016/17 year-end forecast.



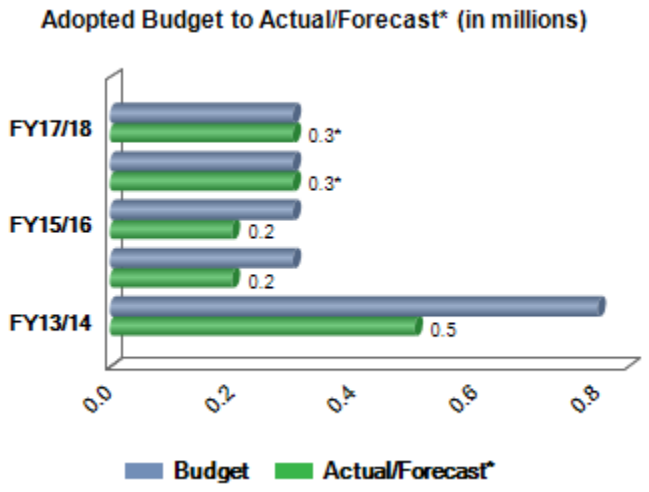
Miscellaneous

Miscellaneous revenues include state subsidy contributions for qualifying employees as well as reimbursements on medical claims over the city's stop loss limit. The FY 201718 adopted budget of $0.3 million is relatively flat compared to the FY 2016/17 year-end forecast. In prior years, the pharmacy rebates received under the agreement with Cigna were included as a part of this budget. However, pharmacy rebates are received and recorded as credits to medical claims expenditures.



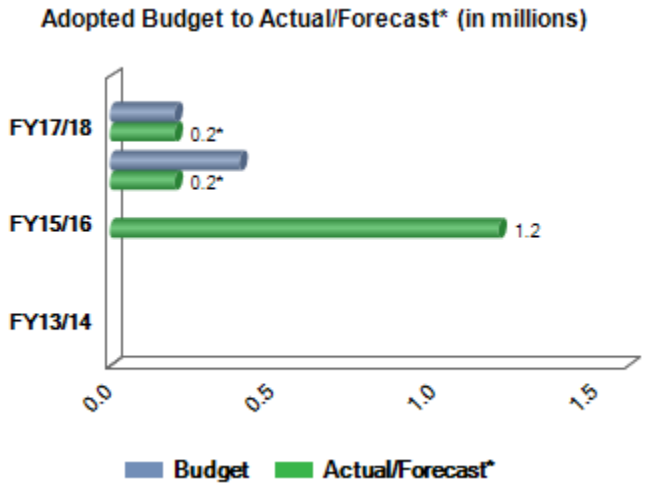
Disabled Retiree Contributions

This revenue captures the disabled retiree healthcare premiums collected through direct collections. Beginning in FY 2014/15 retiree healthcare was no longer available through the city's Healthcare Self-Insurance Fund. The city continues to provide healthcare benefits to public safety disabled retirees at the same rate as an active employee.



Operating Transfers In

Operating Transfers In includes the subsidy received from the General Fund per City Council direction to cover the annual costs that exceeded premium collections for Public Safety disabled retirees. Total Transfers In for FY 2017/18 is $0.3 million, which is slightly higher than the FY 2016/17 year-end forecast. In FY 2015/16 a transfer from various funds was approved by Council to absorb the accumulated deficit for costs associated with non-disabled retirees that were previously on the city's healthcare plan.

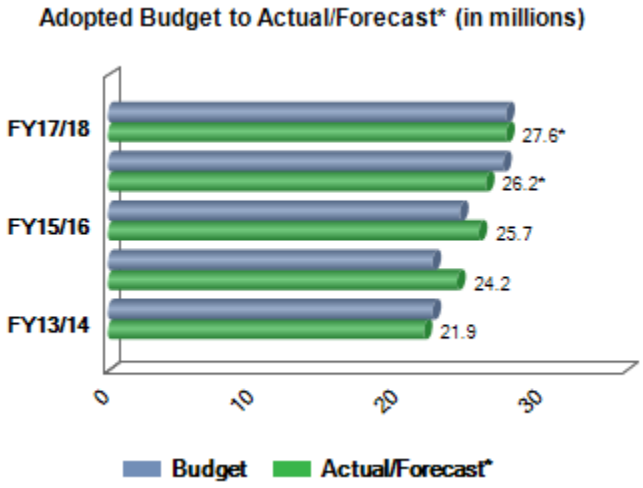


Healthcare Self-Insurance Fund Uses

The direct operating expenditures of the Healthcare Self-Insurance Fund include: medical and dental claims, insurance and bond premiums, administrative expenses and health related programs.

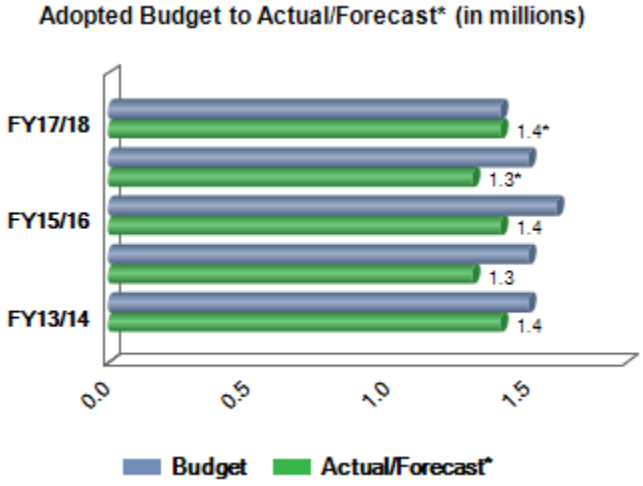
Medical Claims

Includes all medical claims expenses for members of the plans, including employees, Public Safety disabled retirees and their families. The FY 2017/18 adopted budget of $27.6 million represents an increase of $1.5 million from the FY 2016/17 year-end forecast due to the increasing costs of healthcare.



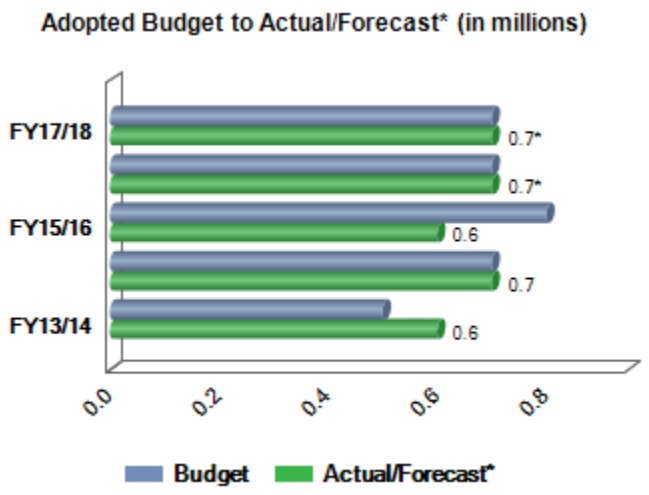
Dental Claims

Includes all dental claims. The adopted FY 2017/18 budget is $1.4 million, which is $0.1 million higher than the FY 2016/17 year-end forecast.



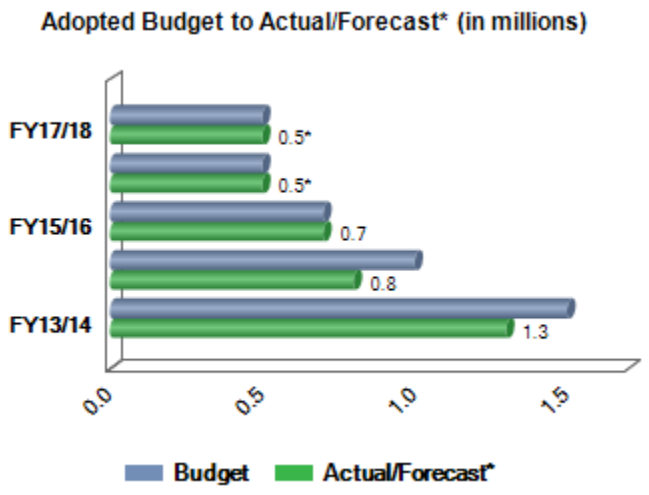
Insurance & Bond Premiums

Insurance & Bond Premiums includes the stop-loss insurance purchased to limit the city's exposure to large dollar claims. This type of coverage is used to ensure catastrophic claims do not upset the financial reserves of the self-funded plan. The adopted FY 2017/18 budget of $0.7 million is relatively flat with the FY 2016/17 year-end forecast.



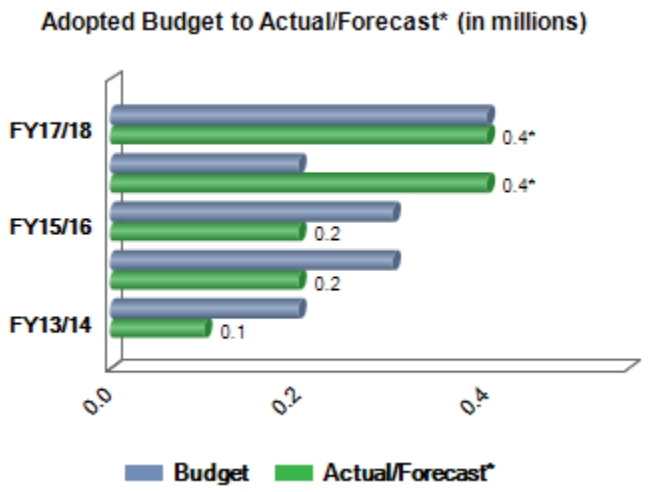
Administrative Fees

Administrative Fees are the cost incurred for administering the healthcare and dental plans. The significant decrease from prior years is related to changing providers and to receiving more favorable terms. The FY 2017/18 adopted budget of $0.5 million is flat with the FY 2016/17 year-end forecast.



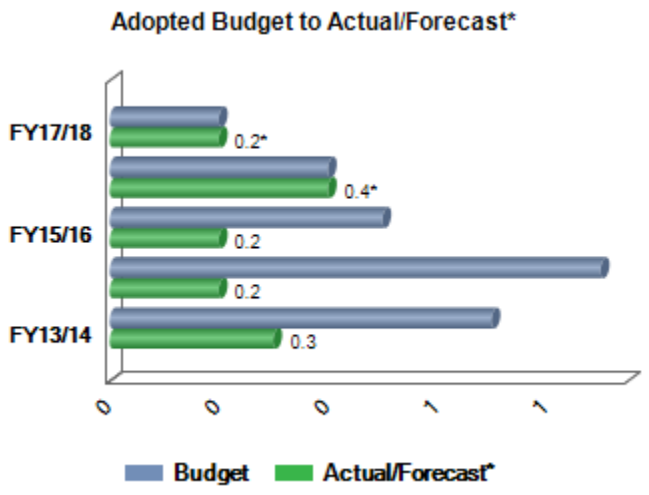
Live Life Well Program

Incentives to employees to encourage participation in various health and wellness events, challenges, activities and classes. The FY 2017/18 adopted budget of $0.4 million includes $0.2 million for a wellness incentive to employees enrolled in a medical plan that complete an annual wellness exam and health assessment. This incentive is reimbursed by the provider and had not been included in the FY 2016/17 adopted budget.



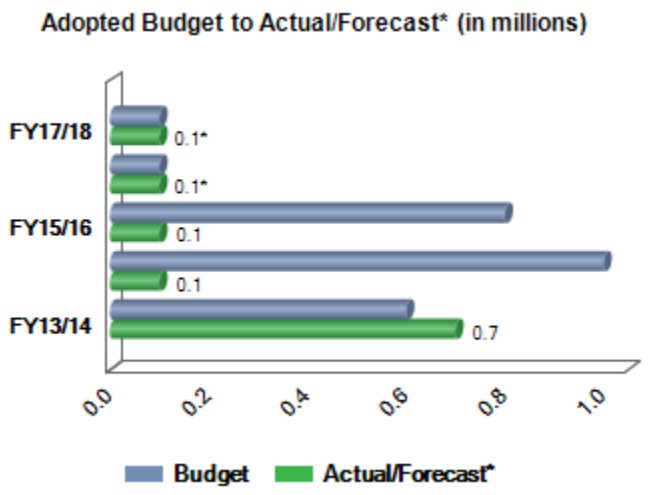
City Administration

The city's administrative expenses incurred to coordinate healthcare, behavioral, dental and wellness plans. The adopted FY 2017/18 budget is $0.2 million lower than the FY 2016/17 year-end forecast due to the elimination of the Affordable Care Act (ACA) fee. FY 2013/14 - FY 2014/15 the City Administration budget included reinsurance fees and stop loss insurance; however, the expenditures were recorded in Insurance & Bond Premiums.



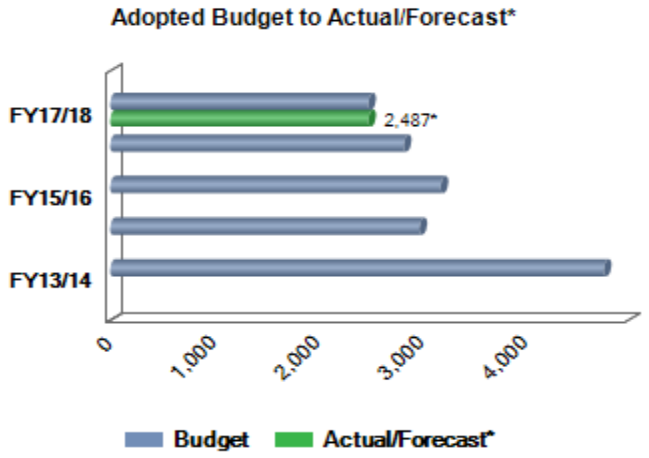
Behavioral Health Insurance Claims

Includes all behavioral claims expenses. The FY 2017/18 adopted budget of $0.1 million remains flat compared to the FY 2016/17 year-end forecast. FY 2013/14 was a previous provider that charged more for behavioral health claims. A new provider was in effect beginning in FY 2014/15 where the cost of behavior health claims decreased significantly; however, the budget was not properly adjusted until FY 2016/17.



Citywide Pay Program / Citywide Pay Program Tail

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaled $2,487 for FY 2017/18. Additionally, the FY 2016/17 forecast and FY 2013/14 - FY 2015/16 actuals are at $0 due to the actuals being allocated to the department. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at the macro level and then paid based on actual increases within the department. The actual amount spent each year was at or below the adopted budget.



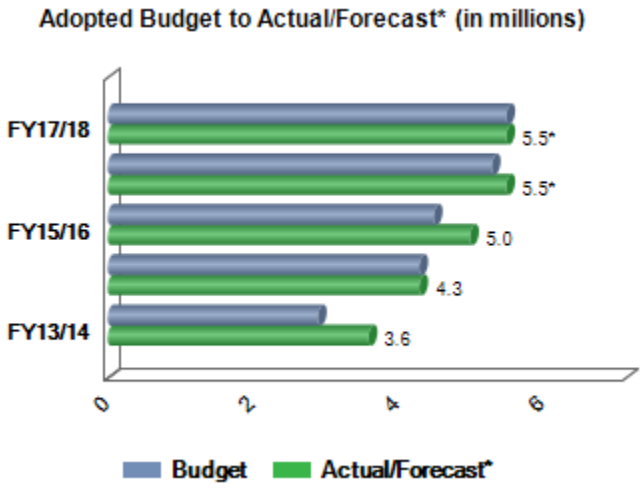
BUDGET BY FUND | Healthcare Self-Insurance Fund Ending Fund Balance

Healthcare Self-Insurance Fund Balance

The Healthcare Self-Insurance Fund balance is maintained to provide for coverage of self-insured benefits.

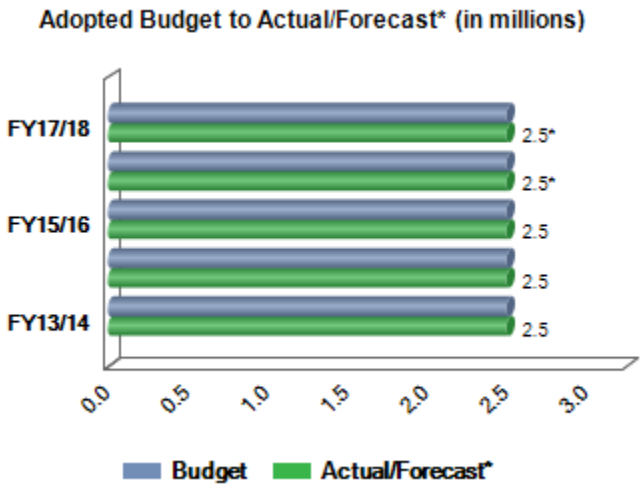
Healthcare Claims Reserve

The projected FY 2017/18 Healthcare Claims Reserve is $5.5 million, which remains relatively flat from the FY 2016/17 year-end forecast. The reserve is for large claims beyond what was anticipated and for incurred but not reported claims.



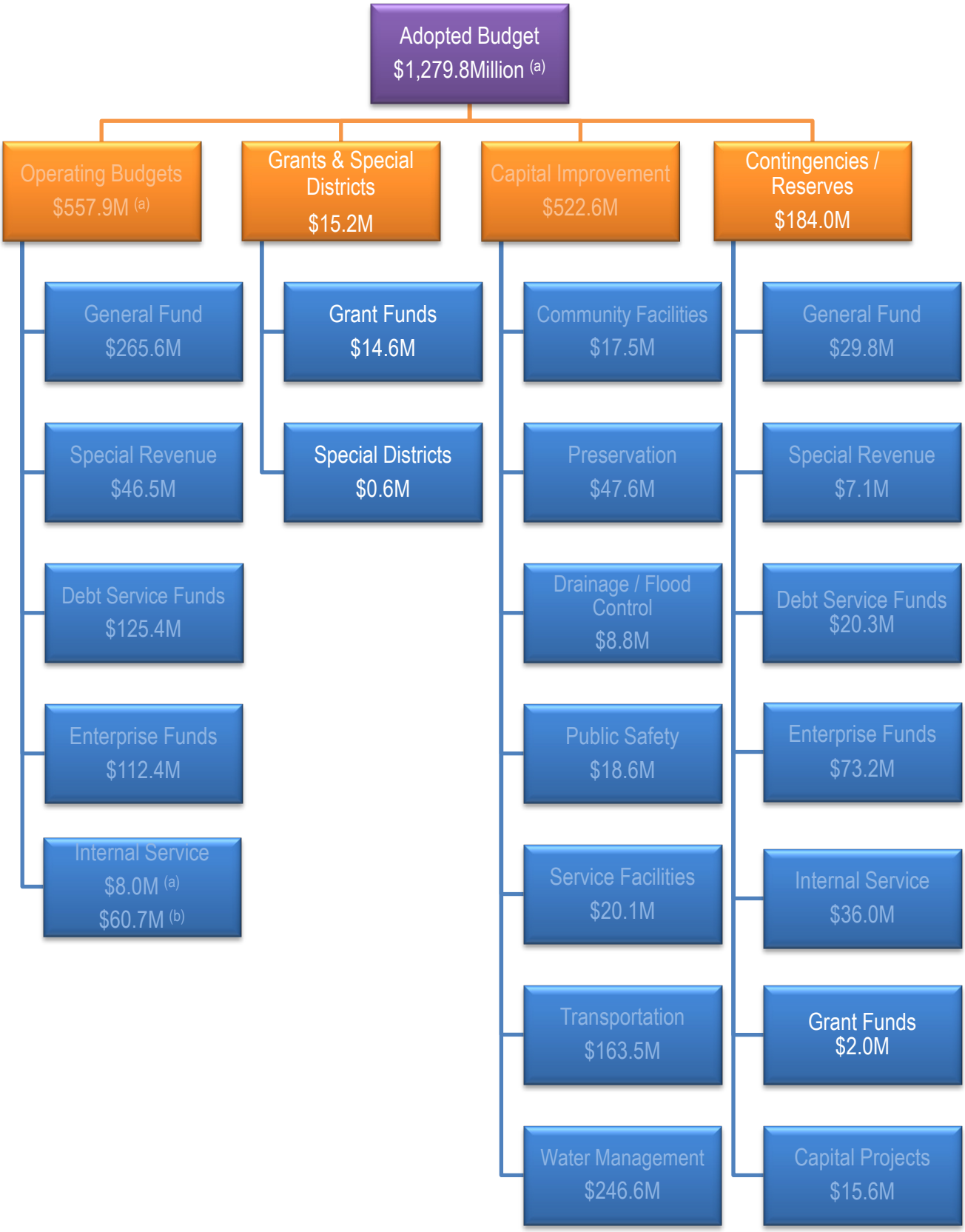
Operating Contingency

Contingency funds are utilized only after all other budget sources have been examined for available funds and require City Council approval. The FY 2017/18 adopted budget is $2.5 million.



Phoenix
downtown
Drive Guide

BUDGET BY FUND | Grants & Special Districts Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

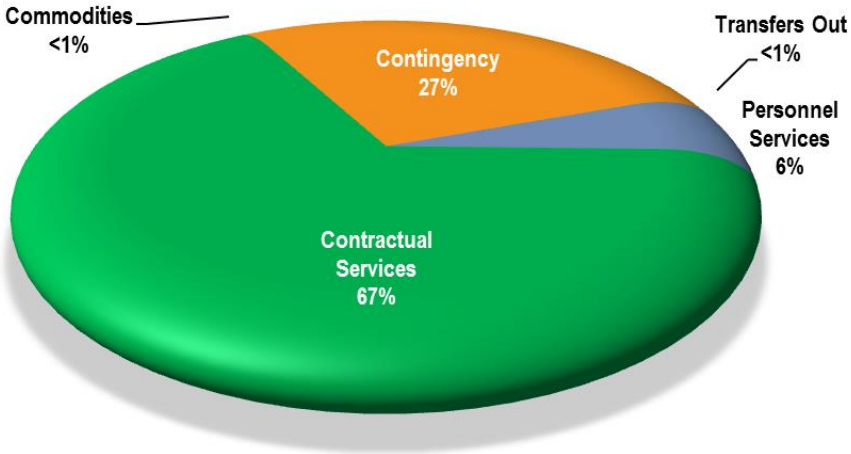
Note: Amounts are rounded in millions; therefore, differences may occur.

Grant Funds

The Grant Funds receive and expend the city's federal, state, and local grants. The amount of grants received is generally based upon application to granting agencies by the city and through entitlement grants and are contingent upon availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines and audits. The city will only expend grant funds that have been appropriately awarded by the granting agency and accepted in accordance with the city's grant policy.

Grant Fund Uses (in millions)

Personnel Services	1.0
Contractual Services	11.1
Commodities	0.1
Contingency	4.5
Adopted Budget	16.6
Transfers Out	0.0
Total Uses	16.6



Note: Amounts are rounded in millions; therefore, differences may occur.

GRANT FUND SUMMARY

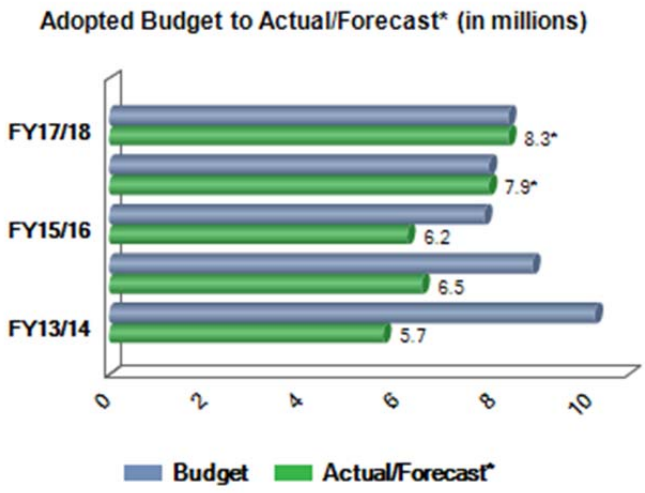
Grant Description	Adopted FY 2017/18
COMMUNITY DEVELOPMENT BLOCK GRANT	2,172,529
HOME	666,869
SECTION 8	6,110,457
BELLEVIEW RENTAL OPERATIONS	39,000
CAN-DO-FUND	40,285
FAMILY RESOURCE CENTER	196,052
FORT MCDOWELL	105,000
ARIZONA CRIMINAL JUSTICE COMMISSION NATIONAL CRIMINAL HISTORY	129,900
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	31,640
GILA RIVER	231,052
PASCUA YAQUI	100,000
SALT RIVER PIMA - MARICOPA INDIAN COMMUNITY	2,250,472
STATE GRANT-IN-AID	12,000
Subtotal: Grants	**12,085,256**
GRANTS ANTICIPATED	2,526,101
GRANT CONTINGENCY	2,023,299
Subtotal: Grants Anticipated/ Contingency	**4,549,400**
Total Grants	**16,634,656**

Grant Fund Sources By Grant

The city pursues grant funding to leverage city funds to address priority program and service needs. The major areas of grant revenue consist of Community Development Block Grant (CDBG), Housing Choice Voucher (Section 8), HOME Funds, and miscellaneous federal, state, and local grants. The revenues by grant are detailed in the following sections below:

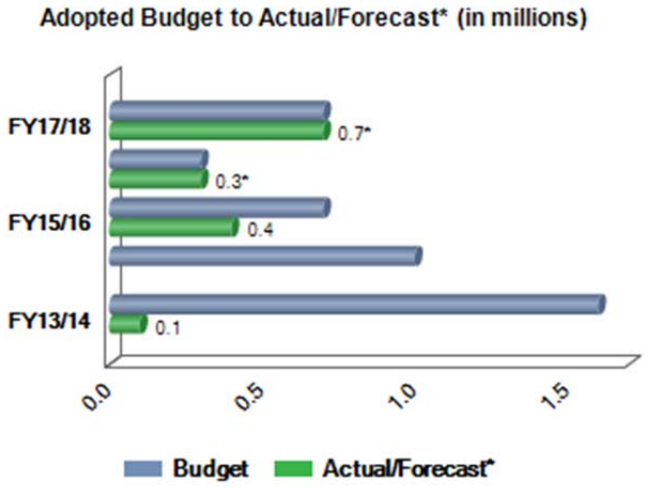
Community Development Block Grant (CDBG) and Housing Choice Voucher (Section 8)

CDBG and Section 8 funds are awarded annually by the U.S. Department of Housing and Urban Development (HUD) through entitlement grants, based on formula allocations. These grant revenues may only be used for those projects specifically approved in the funding agreement meeting applicable federal regulations and are subject to agency expenditure guidelines and audits. Staff estimates the CDBG and Section 8 Housing Choice Voucher allocations and prior year's carryover for FY 2017/18 to total $8.3 million. CDBG and Section 8 funds actual amounts will vary depending on when the funds were received during the fiscal year.



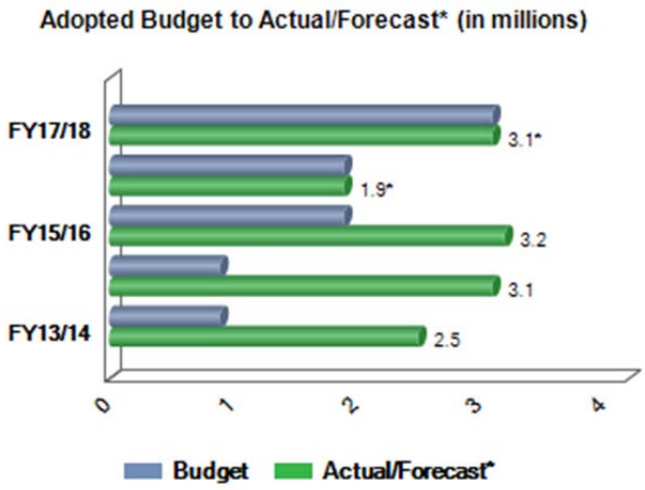
HOME

HOME funds are received through the Maricopa County Home Consortium. Staff estimates the HOME allocation and prior year's carryover for FY 2017/18 to total $0.7 million. HOME funds actual amounts will vary depending on when the funds were received during the fiscal year.



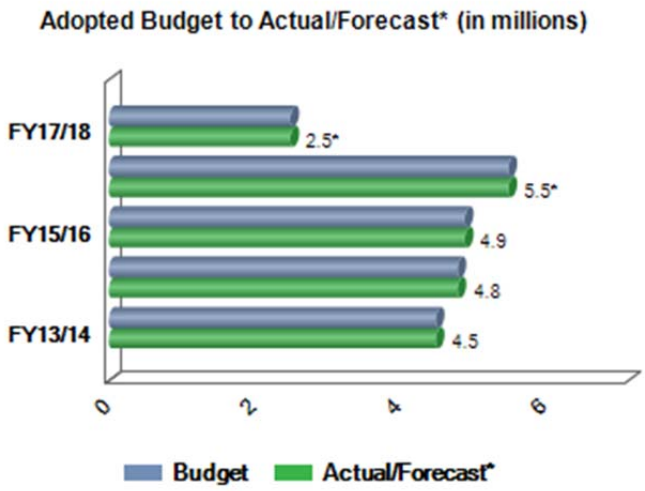
Miscellaneous Federal, State and Local Grants

Miscellaneous Federal, State and Local Grants include grants for law enforcement, fire services, community services, transportation, and preservation projects. The adopted budget for these grants is estimated to total $3.1 million for FY 2017/18, which is an increase of $1.2 million from FY 2016/17 year-end forecast. Actual amounts will vary depending on when the funds were received during the fiscal year.



Grants Anticipated

Grants Anticipated for FY 2017/18 totals $2.5 million. These are anticipated grants that may be received throughout the fiscal year to aid in the support of a specified function or general purposes.

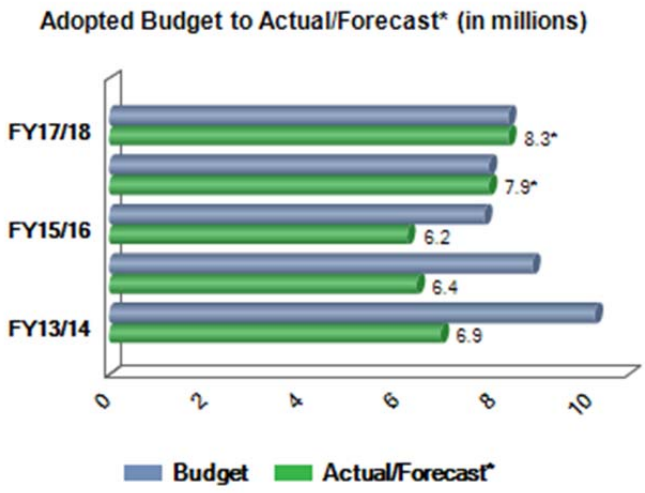


Grant Fund Uses By Grant

The city determinedly seeks grant funding to leverage city funds to address priority program and service needs. The major areas grant expenditures consist of Community Development Block Grant (CDBG), Housing Choice Voucher (Section 8), HOME Funds, and miscellaneous federal, state, and local grants. The expenditures by grant are detailed in the following sections below:

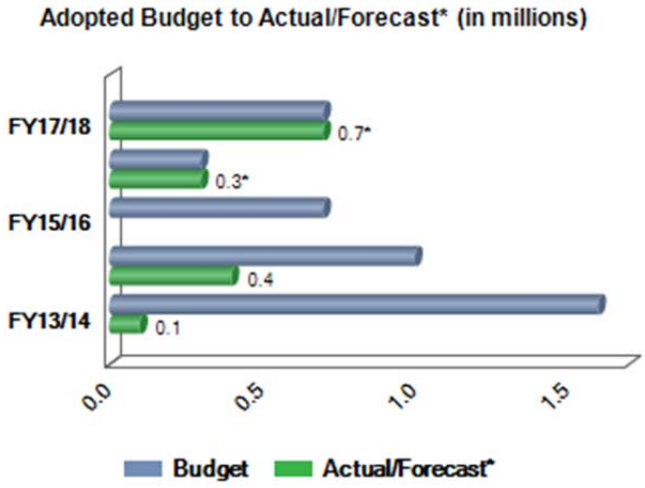
Community Development Block Grant (CDBG) and Housing Choice Voucher (Section 8)

CDBG and Section 8 funds are used for social and housing services for the elderly, disabled and low-income families. The adopted budget for these grants is estimated to total $8.3 million for FY 2017/18, which is an increase of $0.4 million from FY 2016/17 year-end forecast. CDBG and Section 8 expenditure actual amounts will vary depending on the timing of disbursement during the fiscal year.



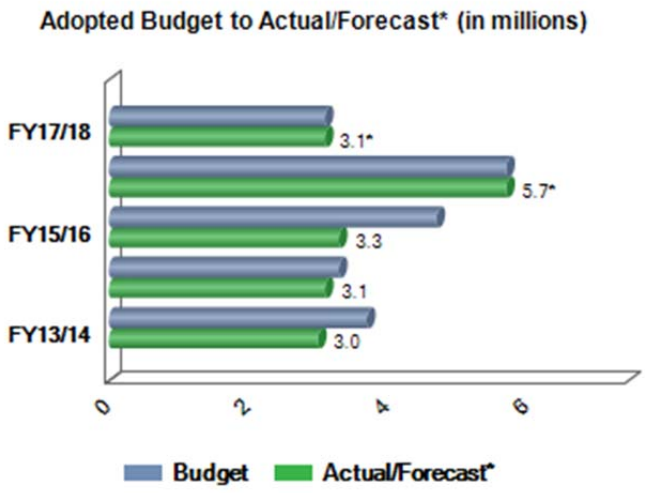
HOME

HOME funds are used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing. The FY 2017/18 adopted budget is $0.7 million, reflecting a increase of $0.4 million from FY 2016/17 year-end forecast. HOME funds expenditure actual amounts will vary depending on the timing of disbursement during the fiscal year.



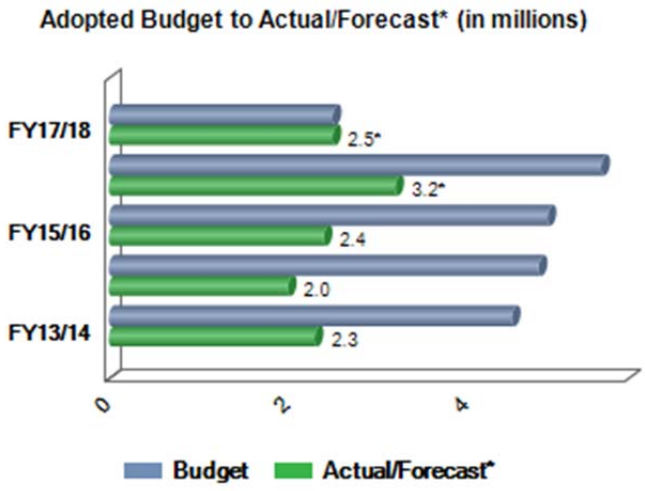
Miscellaneous Federal, State & Local Grants

Miscellaneous Federal, State & Local Grants are typically used for the purchase of equipment and services related to the law enforcement, fire services, community services, transportation and preservation projects. The FY 2017/18 adopted budget is $3.1 million, which is $2.6 million higher than FY 2016/17 approved budget. Actual amounts will vary depending on the timing of disbursement during the fiscal year.



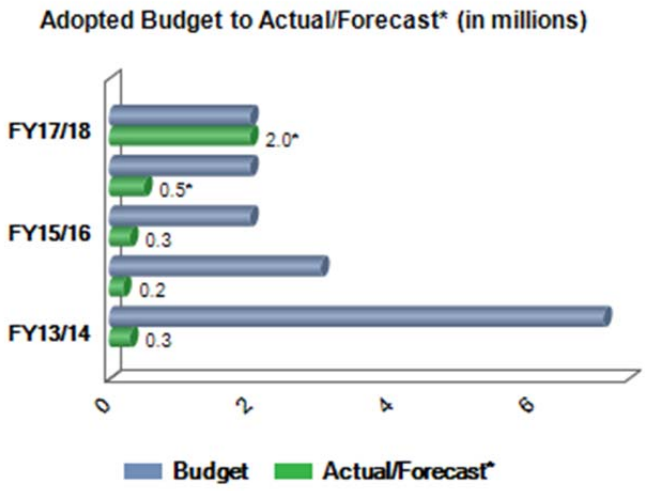
Grants Anticipated

Grants Anticipated for FY 2017/18 totals $2.5 million. These are anticipated grants that may be received throughout the fiscal year to aid in the support of a specified function or general purposes.



Grant Fund Contingency

Grant Fund Contingency for FY 2017/18 totals $2.0 million, in the event that unforeseen expenses occur during the fiscal year while conducting operations. Contingency funds are utilized upon City Council approval. Additionally, in FY 2014/15 the annual budget for contingency was reduced from $7.0 million to $3.0 million to align more with historical, expected usage.

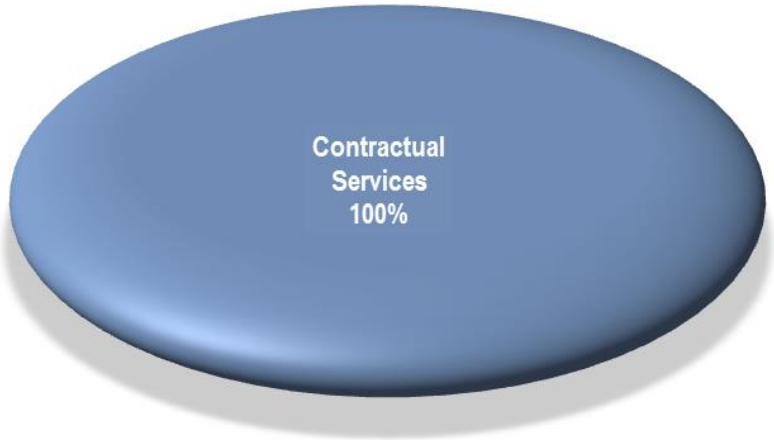


Special Districts Fund

This fund is used to account for proceeds received by property owners in return for the city providing agreed-upon increased levels of municipal services beyond the standard level of core city services as allowed by statute. More specifically, the fund is used to account for the city's streetlight districts.

Special Districts Fund Uses (in millions)

Contractual Services	0.6
Adopted Budget	0.6
Transfers Out	-
Total Uses	0.6



Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | Special Districts Fund Summary

	Actual 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance					
Streetlight Districts	23,697	13,827	12,190	12,190	25,469
Total Beginning Fund Balance	**23,697**	**13,827**	**12,190**	**12,190**	**25,469**
Revenues					
Streetlight Districts	577,702	609,739	609,739	601,736	598,296
Subtotal	***577,702***	***609,739***	***609,739***	***601,736***	***598,296***
Total Sources	**577,702**	**609,739**	**609,739**	**601,736**	**598,296**
Expenditures					
Streetlight Districts	589,209	623,566	621,929	588,457	623,765
Subtotal	***589,209***	***623,566***	***621,929***	***588,457***	***623,765***
TOTAL OPERATING BUDGET	589,209	623,566	621,929	588,457	623,765
Total Uses	**589,209**	**623,566**	**621,929**	**588,457**	**623,765**
Sources Over/(Under) Uses	**(11,507)**	**(13,827)**	**(12,190)**	**13,279**	**(25,469)**
Ending Fund Balance					
Streetlight Districts	12,190	-	-	25,469	-
Total Ending Fund Balance	**12,190**	**-**	**-**	**25,469**	**-**

BUDGET BY FUND | Special Districts Fund Five Year Financial Forecast

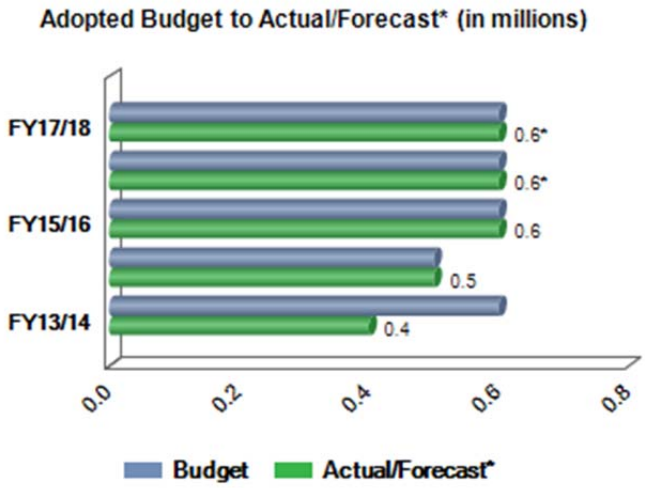
	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance					
Streetlight Districts	25,469	-	-	-	-
Total Beginning Fund Balance	**25,469**	**-**	**-**	**-**	**-**
Revenues					
Streetlight Districts	598,296	648,700	674,700	701,700	729,700
Subtotal	***598,296***	***648,700***	***674,700***	***701,700***	***729,700***
Total Sources	**598,296**	**648,700**	**674,700**	**701,700**	**729,700**
Expenditures					
Streetlight Districts	623,765	648,700	674,700	701,700	729,700
Subtotal	***623,765***	***648,700***	***674,700***	***701,700***	***729,700***
TOTAL OPERATING BUDGET	623,765	648,700	674,700	701,700	729,700
Total Uses	**623,765**	**648,700**	**674,700**	**701,700**	**729,700**
Sources Over/(Under) Uses	**(25,469)**	**-**	**-**	**-**	**-**
Ending Fund Balance					
Streetlight Districts	-	-	-	-	-
Total Ending Fund Balance	**-**	**-**	**-**	**-**	**-**

Special Districts Sources

Special Districts Sources for FY 2017/18 equal $0.6 million, which is flat from FY 2017/18. Sources include Streetlight Districts Revenue which is derived from the levy assessed on property owners within the city's streetlight districts.

Streetlight Districts Revenue

Streetlight Districts Revenue represents the levy assessed on property owners within each of the city's more than 355 streetlight districts. The levy is calculated based on the expected costs for the year less any reserve balance from the prior fiscal year. The adopted FY 2017/18 revenue budget is $0.6 million.

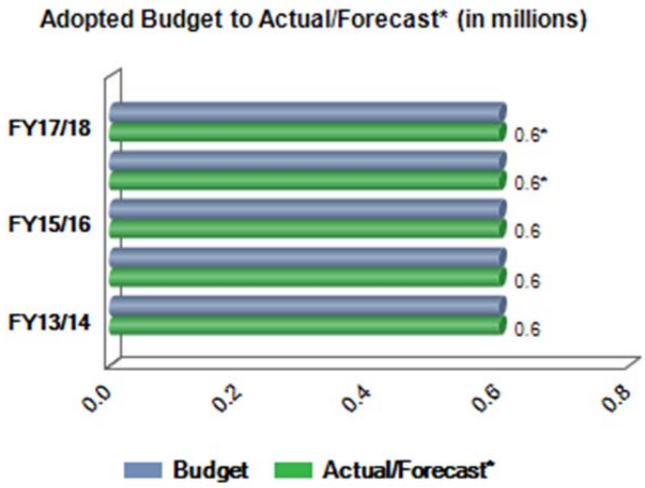


Special Districts Uses

Special Districts Uses consists of Streetlight Districts Expenditures. The cost of operating each district varies based on the cost of electricity usage and number of streetlights.

Streetlight Districts Expenditures

Streetlight Districts adopted FY 2017/18 expenditure budget is $0.6 million and will be used for electric costs of streetlights installed within certain areas throughout the community.



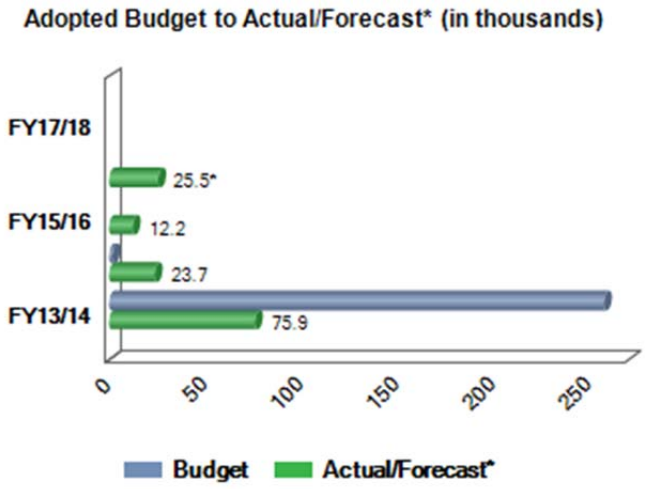
BUDGET BY FUND | Special Districts Fund Ending Fund Balance

Special Districts Fund Balance

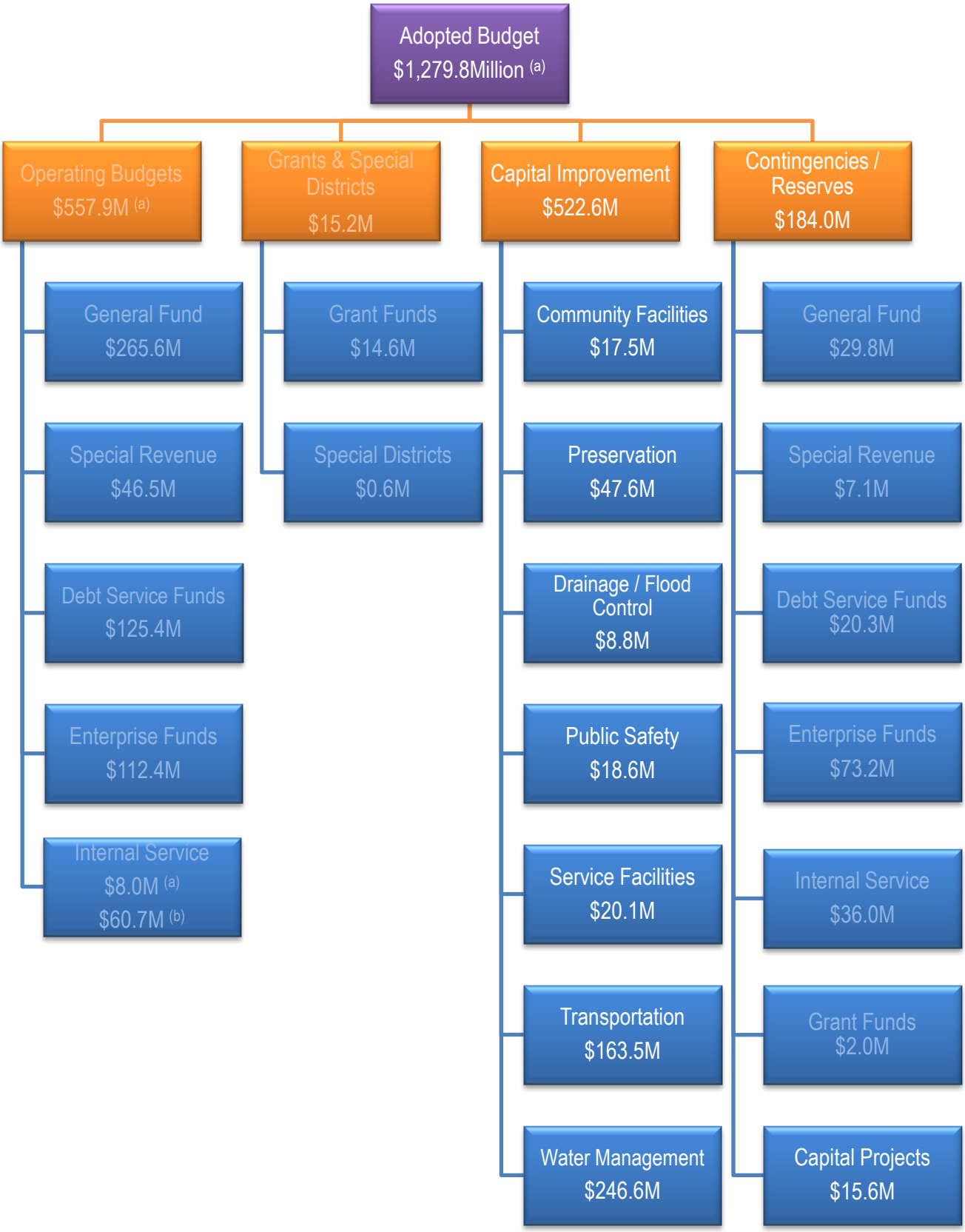
Fund balance protects the city's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when sources exceed uses. The specific make-up of the city's Special Districts Fund balance is as follows:

Streetlight Districts Fund Balance

The FY 2017/18 Streetlight Districts ending fund balance is projected to be $0.0 thousands. A reduction to fund balance was done in prior years to match current revenues with expenses and ultimately reduce the existing reserve to a $0.0 thousands balance.



BUDGET BY FUND | CIP Funds Overview



(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of $52.7M
(b) Internal Service Funds Budget prior to Internal Service Funds offsets of $52.7M

Note: Amounts are rounded in millions; therefore, differences may occur.

BUDGET BY FUND | CIP Funds Summary

(in thousands)

	Actual 2015/16	Adopted 2016/17	Forecast 2016/17	Adopted 2017/18
Beginning Fund Balance [(a)]	**205,480.0**	**152,472.5**	**231,775.4**	**216,973.7**
Revenues				
Bonds/Contracts				
General Obligation Bond 2015 Program	-	-	-	28,850.0
General Obligation Preserve	-	50,000.0	-	-
Municipal Properties Corporation-Water	0.0	-	-	42,100.0
Municipal Properties Corporation-Airport	-	28,000.0	28,000.0	-
Pay-As-You-Go				
Water & Water Reclamation Development Fees	5,156.0	3,300.0	3,300.0	3,300.0
Grants	7,882.6	37,176.1	38,830.8	14,035.3
Intergovernmental	1,187.2	17,505.5	3,659.8	11,132.0
In-Lieu Fees	74.2	120.0	84.0	50.0
Other Contributions	10,818.1	2,534.8	2,534.8	2,534.8
Interest Earnings	1,638.4	1,300.5	1,300.4	1,572.6
Miscellaneous	375.7	-	-	-
Subtotal	***27,132.3***	***139,937.0***	***77,709.8***	***103,574.7***
Transfers In				
General Fund	7,568.1	10,223.8	11,665.6	8,165.9
Transportation Fund	14,023.2	10,216.2	10,285.4	10,491.4
CIP Transportation Fund	2.2	-	-	-
Tourism Development Fund	1,846.9	-	119.4	-
Special Programs Fund	268.5	505.9	934.9	43.5
CIP Special Programs Fund	4.6	-	-	-
Aviation Fund	263.7	823.1	828.9	215.6
Water & Water Reclamation Funds	107,622.4	38,403.7	38,403.7	41,898.8
Solid Waste Fund	2,085.3	15.6	15.6	10.5
Fleet Fund	1,384.5	95.1	95.1	1,571.5
Grants	2.5	2.8	2.8	3.8
CIP In Lieu Transportation Fund	60.0	-	-	-
Stadium Improvement IGA	75.5	67.4	67.4	67.4
Preservation Privilege Tax Fund	741.3	3,880.0	15,176.0	3,880.0
Internal Service Funds	-	3.5	3.5	2.3
Subtotal	***135,948.5***	***64,237.0***	***77,598.3***	***66,350.7***
Total Sources	**163,080.8**	**204,174.0**	**155,308.1**	**169,925.4**
Total Fund Balance and New Sources	**368,560.7**	**356,646.5**	**387,083.5**	**386,899.1**

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

BUDGET BY FUND | CIP Funds Summary

(in thousands)

	Actual 2015/16	Adopted 2016/17	Forecast 2016/17	Adopted 2017/18
Use of Funds:				
Expenditures				
Program				
Community Facilities	2,466.1	14,712.4	12,878.3	17,459.9
Preservation	1,031.1	181,463.2	15,176.0	47,589.5
Drainage / Flood Control	1,606.6	18,794.0	6,205.9	8,751.1
Public Safety	2,045.6	20,231.3	10,989.7	18,632.2
Service Facilities	3,874.0	17,140.7	6,808.3	20,056.6
Transportation	27,002.7	156,385.4	61,873.2	163,549.4
Water Management	41,647.5	232,307.9	39,683.0	246,566.1
Prior Year Unexpended [a]	-	-	-	-
Subtotal	***79,673.5***	***641,035.1***	***153,614.5***	***522,604.7***
Less: Estimated Capital Improvement Expenditures		**(251,046.9)**		**(178,339.6)**
Subtotal: Unexpended at Year End		**389,988.1**		**344,265.0**
Transfers Out				
General Fund	38.2	-	-	-
CIP General Fund	33.1	-	-	-
CIP Transportation Fund	60.0	-	-	-
Special Program Fund	20.9	-	-	-
CIP Contributions Fund	2.2	-	-	-
CIP Water & Water Reclamation Funds	39,576.5	900.0	900.0	900.0
Debt Service	15,087.2	15,595.3	15,595.3	15,720.1
Aviation Fund	418.9	-	-	-
Solid Waste Fund	1,875.0	-	-	-
Subtotal	***57,111.8***	***16,495.3***	***16,495.3***	***16,620.1***
Total Uses	**136,785.4**	**267,542.2**	**170,109.8**	**194,959.8**
Ending Fund Balance				
Capital Grant Contingency [b]	-	5,000.0	-	5,000.0
Capital Aviation Contingency [b]	-	250.0	250.0	250.0
Capital Aviation Grant Contingency [b]	-	3,600.1	-	3,350.1
Capital Water Fund Contingency [b]	-	-	-	2,000.0
Capital General Contingency [b]	-	9,500.0	1,720.0	5,000.0
Reserved:				
Reserved Fund Balance	231,775.4	89,104.2	216,973.7	191,939.3
Total Ending Fund Balance	**231,775.4**	**89,104.2**	**216,973.7**	**191,939.3**

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.
(b) Unfunded contingencies that allow for the expenditure of unanticipated revenue are not included in the beginning or ending fund balance. City Council approval is required before use of capital contingencies.
(c) Provides budgetary appropriation set aside for capital projects that are to be identified by the CIP Subcommittee.

BUDGET BY FUND | CIP Funds Five-Year Financial Forecast

(in thousands)

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Beginning Fund Balance [(a)]	**216,973.7**	**191,939.3**	**101,604.4**	**74,148.4**	**73,597.6**
Revenues					
Bonds/Contracts					
General Obligation Bond 2015 Program	28,850.0	-	-	-	-
General Obligation Preserve	-	-	-	-	-
Municipal Properties Corporation-Water	42,100.0	-	-	-	-
Municipal Properties Corporation-Airport	-	-	-	-	-
Pay-As-You-Go					
Water & Water Reclamation Development Fees	3,300.0	3,300.0	3,300.0	3,300.0	3,300.0
Grants	14,035.3	567.0	867.0	-	-
Intergovernmental	11,132.0	19,725.6	7,097.1	15,828.4	15,828.3
In-Lieu Fees	50.0	50.0	50.0	50.0	50.0
Other Contributions	2,534.8	2,534.8	2,534.8	2,534.8	2,534.8
Interest Earnings	1,572.6	2,028.6	2,399.0	2,782.1	3,350.5
Miscellaneous	-	-	-	-	-
Subtotal	***103,574.7***	***28,206.0***	***16,247.9***	***24,495.3***	***25,063.6***
Transfers In					
General Fund	8,165.9	11,627.2	12,711.8	13,299.5	13,775.7
Transportation Fund	10,491.4	10,872.9	13,751.9	11,463.6	11,838.6
CIP Transportation Fund	-	-	-	-	-
Tourism Development Fund	-	-	-	-	-
Special Programs Fund	43.5	295.0	20.0	20.0	20.0
CIP Special Programs Fund	-	-	-	-	-
Aviation Fund	215.6	455.0	16.4	11.8	433.6
Water & Water Reclamation Funds	41,898.8	36,364.1	38,392.2	38,711.1	37,967.5
Solid Waste Fund	10.5	34.5	19.9	16.3	27.8
Fleet Fund	1,571.5	1,484.3	119.7	12.0	20.6
Grants	3.8	12.5	7.2	5.8	10.0
CIP In Lieu Transportation Fund	-	-	-	-	-
Stadium Improvement IGA	67.4	67.4	67.4	67.4	67.4
Preservation Privilege Tax Fund	3,880.0	1,380.0	380.0	380.0	-
Internal Service Funds	2.3	7.6	4.4	3.6	6.1
Subtotal	***66,350.7***	***62,600.5***	***65,490.9***	***63,991.1***	***64,167.3***
Total Sources	**169,925.4**	**90,806.4**	**81,738.8**	**88,486.4**	**89,230.9**
Total Fund Balance and New Sources	**386,899.1**	**282,745.7**	**183,343.1**	**162,634.8**	**162,828.5**

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

BUDGET BY FUND | CIP Funds Five-Year Financial Forecast

(in thousands)

	Adopted 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Use of Funds:					
Expenditures					
Program					
Community Facilities	17,459.9	7,837.7	5,239.8	5,239.8	9,529.1
Preservation	47,589.5	1,380.0	380.0	380.0	-
Drainage / Flood Control	8,751.1	-	2,854.0	6,345.0	29,879.8
Public Safety	18,632.2	1,875.9	1,527.6	6,671.2	2,443.9
Service Facilities	20,056.6	4,154.8	3,162.8	5,282.9	8,630.2
Transportation	163,549.4	18,000.0	29,451.9	9,648.7	18,800.1
Water Management	246,566.1	50,623.0	25,650.5	23,077.5	30,590.6
Prior Year Unexpended [a]	-	344,265.0	263,520.8	239,241.4	223,531.4
Subtotal	***522,604.7***	***428,136.4***	***331,787.4***	***295,886.5***	***323,405.1***
Less: Estimated Capital Improvement Expenditures	**(178,339.6)**	**(164,615.6)**	**(92,546.0)**	**(72,355.1)**	**(76,361.0)**
Subtotal: Unexpended at Year End	**344,265.0**	**263,520.8**	**239,241.4**	**223,531.4**	**247,044.1**
Transfers Out					
General Fund	-	-	-	-	-
CIP General Fund	-	-	-	-	-
CIP Transportation Fund	-	-	-	-	-
Special Program Fund	-	-	-	-	-
CIP Contributions Fund	-	-	-	-	-
CIP Water & Water Reclamation Funds	900.0	900.0	900.0	900.0	900.0
Debt Service	15,720.1	15,625.8	15,748.7	15,782.2	15,835.0
Aviation Fund	-	-	-	-	-
Solid Waste Fund	-	-	-	-	-
Subtotal	***16,620.1***	***16,525.8***	***16,648.7***	***16,682.2***	***16,735.0***
Total Uses	**194,959.8**	**181,141.4**	**109,194.7**	**89,037.2**	**93,095.9**
Ending Fund Balance					
Capital Grant Contingency [b]	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Capital Aviation Contingency [b]	250.0	-	-	-	-
Capital Aviation Grant Contingency [b]	3,350.1	-	-	-	-
Capital Water Fund Contingency [b]	2,000.0	-	-	-	-
Capital General Contingency [b]	5,000.0	4,500.0	4,500.0	4,500.0	4,500.0
Reserved:					
Reserved Fund Balance	191,939.3	101,604.4	74,148.4	73,597.6	69,732.6
Total Ending Fund Balance	**191,939.3**	**101,604.4**	**74,148.4**	**73,597.6**	**69,732.6**

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.
(b) Unfunded contingencies that allow for the expenditure of unanticipated revenue are not included in the beginning or ending fund balance. City Council approval is required before use of capital contingencies.
(c) Provides budgetary appropriation set aside for capital projects that are to be identified by the CIP Subcommittee.