



# Financial Report Fiscal Year-to-Date As of March 2010

Report to the City Council and Budget Review Commission  
Prepared by Finance and Accounting Division  
April 27, 2010



## FINANCIAL REPORT FOR YEAR-TO-DATE MARCH 2010

The following is a financial summary of the City's YTD March 2010 General Fund, Transportation Fund and the Fleet Fund. The focus of the report is on the General Fund, which is the primary operating fund of the City. The General Fund 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.

The report includes a summary for revenues and expenditures by major categories. Significant budget to actual variances are highlighted. The report also includes Appendix 1 which details the City's Privilege (Sales) Tax by major category as well as bed tax activity.

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

| <b>Operating Results</b><br><b>YTD March 2010</b><br><b>(\$ in millions)</b> |                   |                   |        |             |
|------------------------------------------------------------------------------|-------------------|-------------------|--------|-------------|
|                                                                              | Revised<br>Budget | 2009/10<br>Actual | Change | %<br>Change |
| Sources                                                                      | \$208.7           | \$209.3           | \$0.6  | 0%          |
| Uses                                                                         | \$196.2           | \$187.4           | \$8.8  | 4%          |
| Change in Fund Balance                                                       | \$12.5            | \$21.9            | \$9.4  |             |

| <b>Operating Results</b><br><b>March 2010</b><br><b>(\$ in millions)</b> |                   |                   |        |             |
|--------------------------------------------------------------------------|-------------------|-------------------|--------|-------------|
|                                                                          | Revised<br>Budget | 2009/10<br>Actual | Change | %<br>Change |
| Sources                                                                  | \$21.4            | \$21.2            | -\$0.2 | -1%         |
| Uses                                                                     | \$21.6            | \$20.3            | \$1.4  | 6%          |
| Change in Fund Balance                                                   | -\$0.2            | \$0.9             | \$1.2  |             |

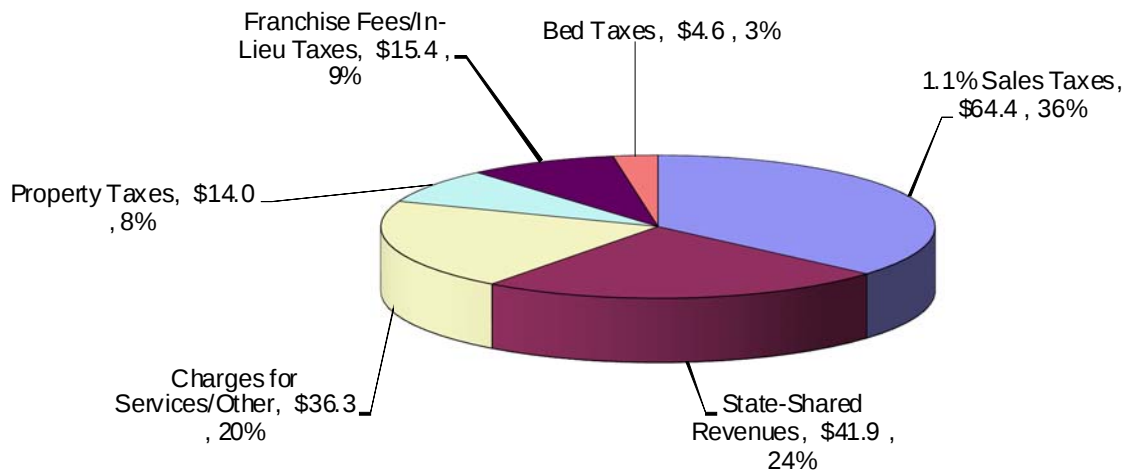
## GENERAL FUND

| FY 2009/10<br>(\$ in millions) |                   |                   |         |             |
|--------------------------------|-------------------|-------------------|---------|-------------|
|                                | Adopted<br>Budget | Revised<br>Budget | Change  | %<br>Change |
| Sources                        | \$254.4           | \$253.4           | (\$1.0) | 0%          |
| Uses                           | \$257.0           | \$256.6           | \$0.4   | 0%          |
| Change in Fund Balance         | (\$2.6)           | (\$3.2)           | (\$0.6) |             |
| Beginning Fund Balance         | \$34.7            | \$41.6            | \$6.9   |             |
| Ending Fund Balance            | \$32.1            | \$38.6            | \$6.5   |             |
| Reserved                       | \$26.1            | \$26.3            | \$0.2   |             |
| Contingency                    | \$5.0             | \$4.9             | (\$0.1) |             |
| Unreserved                     | \$1.0             | \$7.4             | \$6.4   |             |

### Sources

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 such as 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.

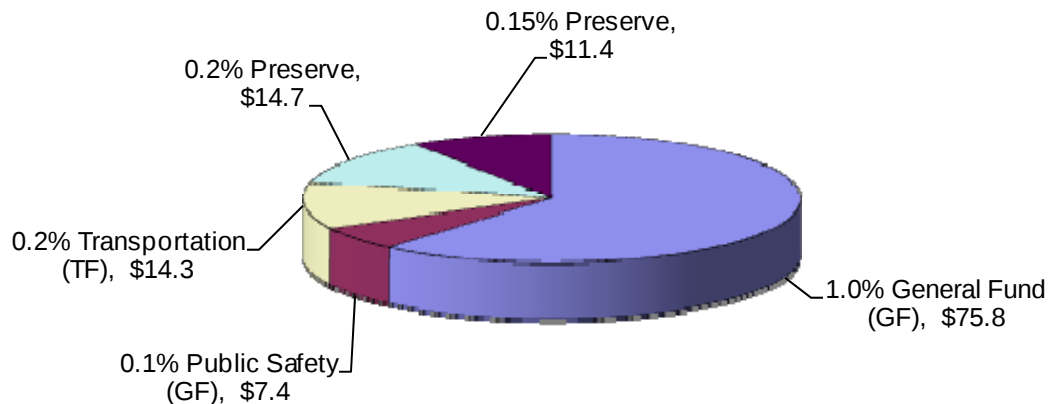
### General Fund Revenues \$176.6 Million Fiscal Year-to-Date March 2010



| Fiscal Year (Twelve Months)  |               |               |                       |                       |                             |
|------------------------------|---------------|---------------|-----------------------|-----------------------|-----------------------------|
|                              | 2007/08       | 2008/09       | 2009/10               | 2009/10               | 2009/10                     |
|                              | <u>Actual</u> | <u>Actual</u> | <u>Adopted Budget</u> | <u>Revised Budget</u> | <u>Approved Adjustments</u> |
| 1.1% Sales Taxes             | \$115.5       | \$95.7        | \$83.3                | \$83.3                | \$0.0                       |
| State-Shared Revenues        | 64.7          | 62.2          | 56.3                  | 56.2                  | (0.1)                       |
| Charges for Services/Other   | 59.1          | 50.2          | 52.1                  | 50.8                  | (1.3)                       |
| Property Taxes               | 20.4          | 22.6          | 23.7                  | 23.7                  | -                           |
| Franchise Fees/In-Lieu Taxes | 20.8          | 20.4          | 21.5                  | 21.5                  | -                           |
| Bed Taxes                    | 2.3           | 1.5           | 8.2                   | 8.2                   | -                           |
| Total Revenue                | \$282.8       | \$252.6       | \$245.1               | \$243.7               | (\$1.4)                     |
| Transfers In                 | 0.8           | 19.5          | 9.4                   | 9.9                   | 0.5                         |
| Total Sources                | \$283.6       | \$272.1       | \$254.5               | \$253.6               | (\$0.9)                     |
| % Change vs. Prior Year      |               | -4%           | -6%                   |                       |                             |

| Fiscal Year-to-Date March    |               |               |               |                       |                         |                |
|------------------------------|---------------|---------------|---------------|-----------------------|-------------------------|----------------|
|                              | 2007/08       | 2008/09       | 2009/10       | 2009/10               | Actual vs. Budget       |                |
|                              | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Revised Budget</u> | Favorable/(Unfavorable) |                |
|                              |               |               |               |                       | <u>Amount</u>           | <u>Percent</u> |
| 1.1% Sales Taxes             | \$86.4        | \$72.8        | \$64.4        | \$62.1                | \$2.3                   | 4%             |
| State-Shared Revenues        | 45.4          | 46.9          | 41.9          | 42.2                  | (0.3)                   | -1%            |
| Charges for Services/Other   | 41.9          | 37.3          | 36.3          | 36.2                  | 0.1                     | 0%             |
| Property Taxes               | 12.9          | 13.9          | 14.0          | 13.7                  | 0.3                     | 2%             |
| Franchise Fees/In-Lieu Taxes | 13.0          | 14.9          | 15.4          | 15.6                  | (0.2)                   | -1%            |
| Bed Taxes                    | 1.3           | 1.1           | 4.6           | 5.3                   | (0.7)                   | -13%           |
| Total Revenue                | \$200.9       | \$186.9       | \$176.6       | \$175.1               | \$1.5                   | 1%             |
| Transfers In                 | -             | 15.1          | 9.7           | 9.7                   | -                       | 0%             |
| Total Sources                | \$200.9       | \$202.0       | \$186.3       | \$184.8               | \$1.5                   | 1%             |
| % Change vs. Prior Year      |               | 1%            | -8%           |                       |                         |                |

**1.65% Sales Tax \$123.6 Million  
2009/10 Adopted Budget**



### Sales Taxes

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) 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. Revenues from two of the sales taxes categories (automotive and construction) have seen dramatic decreases and may never resume "normal" levels. Several automotive dealerships left the City to relocate elsewhere or have permanently closed. Construction is down due to the economy and due to the City approaching build-out. The sales tax category results can be found in Appendix 1.

|                                 | Fiscal Year (Twelve Months) |                   |                              |                              |                                    |
|---------------------------------|-----------------------------|-------------------|------------------------------|------------------------------|------------------------------------|
|                                 | 2007/08<br>Actual           | 2008/09<br>Actual | 2009/10<br>Adopted<br>Budget | 2009/10<br>Revised<br>Budget | 2009/10<br>Approved<br>Adjustments |
| 1.00% General Purpose Sales Tax | \$105.3                     | \$87.3            | \$75.8                       | \$75.8                       | \$0.0                              |
| 0.10% Public Safety Sales Tax   | 10.2                        | 8.4               | 7.4                          | 7.4                          | 0.0                                |
| Total General Fund Sales Taxes  | \$115.5                     | \$95.7            | \$83.2                       | \$83.2                       | \$0.0                              |
| % Change vs. Prior Year         |                             | -17%              | -13%                         |                              |                                    |

|                                 | Fiscal Year-to-Date March |                   |                   |                              |                                              |         |
|---------------------------------|---------------------------|-------------------|-------------------|------------------------------|----------------------------------------------|---------|
|                                 | 2007/08<br>Actual         | 2008/09<br>Actual | 2009/10<br>Actual | 2009/10<br>Revised<br>Budget | Actual vs. Budget<br>Favorable/(Unfavorable) |         |
|                                 |                           |                   |                   |                              | Amount                                       | Percent |
| 1.00% General Purpose Sales Tax | \$78.8                    | \$66.4            | \$58.8            | \$56.6                       | \$2.2                                        | 4%      |
| 0.10% Public Safety Sales Tax   | 7.6                       | 6.4               | 5.6               | 5.5                          | 0.1                                          | 2%      |
| Total General Fund Sales Taxes  | \$86.4                    | \$72.8            | \$64.4            | \$62.1                       | \$2.3                                        | 4%      |
| % Change vs. Prior Year         |                           | -16%              | -12%              |                              |                                              |         |

**Actual to Revised Budget variance of \$2.3 million or 4%:** Better than expected construction activity as well as retail and department store sales. Additionally, several large audit payments were received that affected utilities, major department stores, automotive and other taxable categories. See Appendix 1 for further information about results by sales tax categories.

### State-Shared Revenues

These revenues are derived from state shared sales taxes, income taxes (revenue sharing) and vehicle license taxes (auto lieu) based on a statutorily determined formula, primarily driven by population. On a per capita basis, sales taxes generated in Scottsdale tend to be higher than most other cities/towns due to higher wealth, consumer spending habits and larger amounts of visitor/tourist spending. As directed by statute, the State distributes the shared portion of State sales taxes back to local governments, based on population, not by the amount of sales taxes collected within the local jurisdiction.

|                             | Fiscal Year (Twelve Months) |                   |                              |                              |                                    |
|-----------------------------|-----------------------------|-------------------|------------------------------|------------------------------|------------------------------------|
|                             | 2007/08<br>Actual           | 2008/09<br>Actual | 2009/10<br>Adopted<br>Budget | 2009/10<br>Revised<br>Budget | 2009/10<br>Approved<br>Adjustments |
| State Revenue Sharing       | \$33.0                      | \$35.1            | \$30.3                       | \$30.3                       | \$0.0                              |
| State Shared Sales Tax      | 21.7                        | 18.9              | 18.0                         | 17.9                         | (0.1)                              |
| Auto Lieu Tax               | 10.0                        | 8.2               | 8.0                          | 8.0                          | 0.0                                |
| Total State Shared Revenues | \$64.7                      | \$62.2            | \$56.3                       | \$56.2                       | (\$0.1)                            |
| % Change vs. Prior Year     |                             | -4%               | -9%                          |                              |                                    |

|                             | Fiscal Year-to-Date March |         |         |                |                         |         |
|-----------------------------|---------------------------|---------|---------|----------------|-------------------------|---------|
|                             | 2007/08                   | 2008/09 | 2009/10 | 2009/10        | Actual vs. Budget       |         |
|                             | Actual                    | Actual  | Actual  | Revised Budget | Favorable/(Unfavorable) |         |
|                             |                           |         |         |                | Amount                  | Percent |
| State Revenue Sharing       | \$24.8                    | \$26.3  | \$22.7  | \$22.9         | (\$0.2)                 | -1%     |
| State Shared Sales Tax      | 14.4                      | 14.5    | 12.9    | 13.3           | (0.4)                   | -3%     |
| Auto Lieu Tax               | 6.2                       | 6.1     | 6.3     | 6.0            | 0.3                     | 5%      |
| Total State Shared Revenues | \$45.4                    | \$46.9  | \$41.9  | \$42.2         | (\$0.3)                 | -1%     |
| % Change vs. Prior Year     |                           | 3%      | -11%    |                |                         |         |

**Actual to Revised Budget variance of (\$0.3 million) or (1%):** State Shared Sales Taxes are less than expected because the recession is having a more dramatic impact than originally forecast by the State. In particular, the contracting category continues to show weakness.

#### **Charges for Services/Other**

Charges for Services include numerous revenues such as building permits, recreation fees, fire department fees, WestWorld fees, interest income, and property rentals. Also included are cost allocations from the General Fund to the enterprise funds. 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.

|                                          | Fiscal Year (Twelve Months) |         |                |                |                      |
|------------------------------------------|-----------------------------|---------|----------------|----------------|----------------------|
|                                          | 2007/08                     | 2008/09 | 2009/10        | 2009/10        | 2009/10              |
|                                          | Actual                      | Actual  | Adopted Budget | Revised Budget | Approved Adjustments |
| <i>Taxes - Local</i>                     |                             |         |                |                |                      |
| Stormwater Water Quality Charge          | \$0.9                       | \$0.8   | \$0.9          | \$0.9          | \$0.0                |
| <i>Licenses, Permits &amp; Fees</i>      |                             |         |                |                |                      |
| Building Permit Fees & Charges           | 12.5                        | 6.9     | 8.1            | 8.1            | -                    |
| Recreation Fees                          | 2.8                         | 3.2     | 3.0            | 3.0            | -                    |
| WestWorld                                | 2.8                         | 2.7     | 2.9            | 2.9            | -                    |
| Fire Service Charges                     | 1.1                         | 1.8     | 2.4            | 1.3            | (1.1)                |
| Business Licenses & Fees                 | 1.8                         | 1.7     | 1.7            | 1.7            | -                    |
| <i>Fines &amp; Forfeitures</i>           |                             |         |                |                |                      |
| Court Fines                              | 6.8                         | 6.7     | 7.2            | 7.2            | -                    |
| Photo Enforcement Revenue                | 5.8                         | 2.5     | 1.7            | 1.7            | -                    |
| Parking Fines                            | 0.5                         | 0.4     | 0.5            | 0.5            | -                    |
| Library Fines & Fees                     | 0.4                         | 0.3     | 0.4            | 0.3            | (0.1)                |
| 30 Day Tow Program                       | -                           | 0.2     | 0.4            | -              | (0.4)                |
| <i>Interest Earnings/Property Rental</i> |                             |         |                |                |                      |
| Interest Earnings                        | 6.4                         | 3.7     | 1.7            | 1.7            | -                    |
| Property Rental                          | 3.5                         | 3.2     | 3.2            | 3.2            | -                    |
| <i>Other Revenue</i>                     |                             |         |                |                |                      |
| Indirect/Direct Cost Allocation          | 11.6                        | 13.8    | 15.6           | 16.0           | 0.4                  |
| Intergovernmental Revenue                | 1.1                         | 1.2     | 1.0            | 0.9            | (0.1)                |
| Miscellaneous                            | 0.7                         | 0.6     | 1.0            | 1.0            | -                    |
| Reimbursements                           | 0.4                         | 0.5     | 0.4            | 0.4            | -                    |
| Total Charges for Services/Other         | \$59.1                      | \$50.2  | \$52.1         | \$50.8         | (\$1.3)              |
| % Change vs. Prior Year                  |                             | -15%    | 4%             |                |                      |

|                                          | Fiscal Year-to-Date March |                   |                   |                              |                                   |         |
|------------------------------------------|---------------------------|-------------------|-------------------|------------------------------|-----------------------------------|---------|
|                                          | 2007/08<br>Actual         | 2008/09<br>Actual | 2009/10<br>Actual | 2009/10<br>Revised<br>Budget | Actual vs. Budget                 |         |
|                                          |                           |                   |                   |                              | Favorable/(Unfavorable)<br>Amount | Percent |
| <i>Taxes - Local</i>                     |                           |                   |                   |                              |                                   |         |
| Stormwater Water Quality Charge          | \$0.6                     | \$0.6             | \$0.6             | \$0.6                        | \$0.0                             | 0%      |
| <i>Licenses, Permits &amp; Fees</i>      |                           |                   |                   |                              |                                   |         |
| Building Permit Fees & Charges           | 9.7                       | 5.0               | 5.3               | 5.9                          | (0.6)                             | -10%    |
| Recreation Fees                          | 2.2                       | 2.2               | 2.3               | 2.2                          | 0.1                               | 5%      |
| WestWorld                                | 1.5                       | 1.7               | 1.5               | 1.6                          | (0.1)                             | -6%     |
| Fire Service Charges                     | 0.8                       | 2.3               | 1.0               | 1.0                          | -                                 | 0%      |
| Business Licenses & Fees                 | 1.6                       | 1.5               | 1.5               | 1.4                          | 0.1                               | 7%      |
| <i>Fines &amp; Forfeitures</i>           |                           |                   |                   |                              |                                   |         |
| Court Fines                              | 4.9                       | 4.7               | 5.6               | 5.2                          | 0.4                               | 8%      |
| Photo Enforcement Revenue                | 4.2                       | 1.9               | 1.3               | 1.2                          | 0.1                               | 8%      |
| Parking Fines                            | 0.3                       | 0.3               | 0.2               | 0.3                          | (0.1)                             | -33%    |
| Library Fines & Fees                     | 0.3                       | 0.2               | 0.2               | 0.2                          | -                                 | 0%      |
| <i>Interest Earnings/Property Rental</i> |                           |                   |                   |                              |                                   |         |
| Interest Earnings                        | 3.9                       | 2.9               | 1.4               | 1.2                          | 0.2                               | 17%     |
| Property Rental                          | 1.6                       | 2.1               | 1.9               | 1.9                          | -                                 | 0%      |
| <i>Other Revenue</i>                     |                           |                   |                   |                              |                                   |         |
| Indirect/Direct Cost Allocation          | 8.7                       | 9.7               | 12.0              | 12.0                         | -                                 | 0%      |
| Intergovernmental Revenue                | 0.9                       | 1.2               | 1.0               | 0.7                          | 0.3                               | 43%     |
| Miscellaneous                            | 0.5                       | 0.7               | 0.3               | 0.6                          | (0.3)                             | -50%    |
| Reimbursements                           | 0.2                       | 0.3               | 0.2               | 0.2                          | -                                 | 0%      |
| Total Charges for Services/Other         | \$41.9                    | \$37.3            | \$36.3            | \$36.2                       | \$0.1                             | 0%      |
| % Change vs. Prior Year                  |                           | -11%              | -3%               |                              |                                   |         |

**Actual to Revised Budget variance of \$0.1 million or 0%.** No explanation necessary.

### **Property Taxes**

In the General Fund, property taxes are comprised only of the "Primary" property taxes levied on the assessed value of all property within the City to help pay for basic operations of the City. Secondary property taxes are not included here as they must be used solely for payment of General Obligation bond debt service. Increases in revenue from year to year reflect new property additions to the tax roll and Council actions to increase total revenue consistent with state law.

**Actual to Revised Budget variance of \$0.3 million or 2%.** Variance is due to timing of property tax collections.

### **Franchise Fees and In-Lieu Taxes**

This category represents revenues from utility and cable providers as well as the City's enterprise funds.

|                                    | Fiscal Year (Twelve Months) |                   |                              |                              |                                    |
|------------------------------------|-----------------------------|-------------------|------------------------------|------------------------------|------------------------------------|
|                                    | 2007/08<br>Actual           | 2008/09<br>Actual | 2009/10<br>Adopted<br>Budget | 2009/10<br>Revised<br>Budget | 2009/10<br>Approved<br>Adjustments |
|                                    |                             |                   |                              |                              |                                    |
| Electric Franchise                 | \$7.9                       | \$7.8             | \$8.4                        | \$8.4                        | \$0.0                              |
| Enterprise Franchise Fees          | 6.3                         | 6.4               | 6.7                          | 6.7                          | -                                  |
| Cable TV Franchise                 | 3.5                         | 3.6               | 3.6                          | 3.6                          | -                                  |
| Enterprise In Lieu Property Tax    | 3.0                         | 2.5               | 2.7                          | 2.7                          | -                                  |
| Salt River Project Lieu Tax        | 0.1                         | 0.1               | 0.1                          | 0.1                          | -                                  |
| Total Franchise Fees/In-Lieu Taxes | \$20.8                      | \$20.4            | \$21.5                       | \$21.5                       | \$0.0                              |
| % Change vs. Prior Year            |                             | -2%               | 5%                           |                              |                                    |

|                                    | Fiscal Year-to-Date March |                   |                   |                   |                         |         |
|------------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------------|---------|
|                                    | 2007/08<br>Actual         | 2008/09<br>Actual | 2009/10<br>Actual | Revised<br>Budget | Actual vs. Budget       |         |
|                                    |                           |                   |                   |                   | Favorable/(Unfavorable) |         |
|                                    |                           |                   |                   |                   | Amount                  | Percent |
| Electric Franchise                 | \$4.3                     | \$6.1             | \$6.2             | \$6.4             | (\$0.2)                 | -3%     |
| Enterprise Franchise Fees          | 4.5                       | 4.3               | 4.5               | 4.4               | 0.1                     | 2%      |
| Cable TV Franchise                 | 1.8                       | 2.6               | 2.6               | 2.7               | (0.1)                   | -4%     |
| Enterprise In Lieu Property Tax    | 2.3                       | 1.8               | 2.0               | 2.0               | -                       | 0%      |
| Salt River Project Lieu Tax        | 0.1                       | 0.1               | 0.1               | 0.1               | -                       | 0%      |
| Total Franchise Fees/In-Lieu Taxes | \$13.0                    | \$14.9            | \$15.4            | \$15.6            | (\$0.2)                 | -1%     |
| % Change vs. Prior Year            |                           | 15%               | 3%                |                   |                         |         |

**Actual to Revised Budget variance of (\$0.2 million) or (1%):** No explanation necessary.

### **Bed Taxes**

The 3 percent bed tax is applied to lodging room charges for stays of 29 days or less (transient) in hotels or short-term rentals. By City ordinance, 80 percent of this tax revenue is restricted for tourism development including the payment of contracts to increase tourism and fund debt service for destination attractions. (Beginning in FY 2009/10, 100 percent of the Bed Tax revenue is being recorded in the General Fund with a corresponding transfer of 80 percent to the Special Programs Fund.)

**Actual to Revised Budget variance of (\$0.7 million) or (13%):** The reduction is attributable to the continued decline in occupancy in the local market as a result of conditions in the national economy. These conditions have contributed to group cancellations and less leisure travel nationwide, particularly in the major fly-in markets such as Scottsdale/Phoenix. Occupancy and room rates are down significantly. The sharpest decline has occurred at limited service establishments, perhaps reflecting that customers who normally stay at limited service hotels are no longer traveling or they are upgrading to full service hotels since room rates have decreased.

### **Transfers In**

Transfers in reflect funds received from the Capital Improvement Plan (CIP) Fund, Special Programs Fund (Community Services/Human Services) and Water Fund (Water Campus Security).

|                                   | Fiscal Year (Twelve Months) |                   |                              |                              |                                    |
|-----------------------------------|-----------------------------|-------------------|------------------------------|------------------------------|------------------------------------|
|                                   | 2007/08<br>Actual           | 2008/09<br>Actual | 2009/10<br>Adopted<br>Budget | 2009/10<br>Revised<br>Budget | 2009/10<br>Approved<br>Adjustments |
| CIP                               | \$0.0                       | \$13.9            | \$9.0                        | \$9.0                        | \$0.0                              |
| Self Insurance Fund               | -                           | 5.0               | -                            | -                            | -                                  |
| Cultural Council                  | -                           | -                 | 0.3                          | 0.3                          | -                                  |
| Code Enforcement                  | 0.1                         | -                 | -                            | -                            | -                                  |
| Community Services/Human Services | -                           | 0.1               | 0.1                          | 0.1                          | -                                  |
| Miscellaneous                     | 0.7                         | -                 | -                            | -                            | -                                  |
| Water Campus Security             | -                           | 0.5               | -                            | 0.5                          | 0.5                                |
| Total Transfers In                | \$0.8                       | \$19.5            | \$9.4                        | \$9.9                        | \$0.5                              |
| % Change vs. Prior Year           |                             | 2338%             | -52%                         |                              |                                    |

|                                   | Fiscal Year-to-Date March |         |         |                |                         |         |
|-----------------------------------|---------------------------|---------|---------|----------------|-------------------------|---------|
|                                   | 2007/08                   | 2008/09 | 2009/10 | 2009/10        | Actual vs. Budget       |         |
|                                   | Actual                    | Actual  | Actual  | Revised Budget | Favorable/(Unfavorable) |         |
|                                   |                           |         |         |                | Amount                  | Percent |
| CIP                               | \$0.0                     | \$10.1  | \$9.0   | \$9.0          | \$0.0                   | 0%      |
| Self Insurance Fund               | -                         | 5.0     | -       | -              | -                       | n/a     |
| Cultural Council                  | -                         | -       | 0.3     | 0.3            | -                       | 0%      |
| Community Services/Human Services | -                         | -       | 0.1     | 0.1            | -                       | 0%      |
| Water Campus Security             | -                         | -       | 0.3     | 0.3            | -                       | 0%      |
| Total Transfers In                | \$0.0                     | \$15.1  | \$9.7   | \$9.7          | \$0.0                   | 0%      |
| % Change vs. Prior Year           |                           | n/a     | -87%    |                |                         |         |

**Note:** The \$9 million CIP transfer in will be transferred back to the Capital Improvement Program June 30, 2010, per council directive.

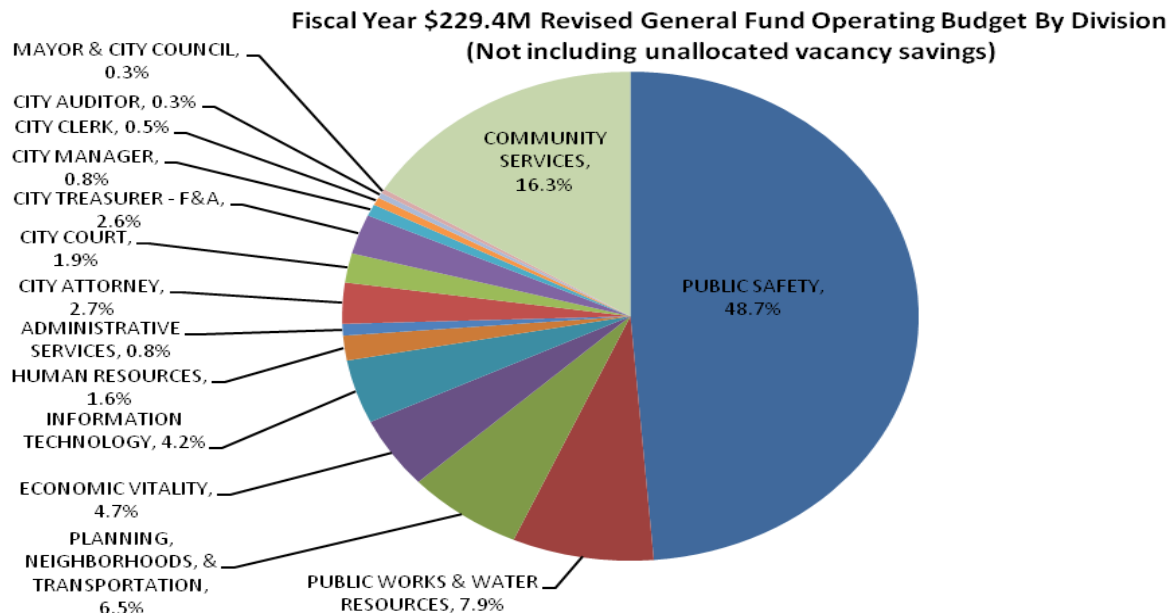
**Actual to Budget variance of \$0.0 million or 0%.** No explanation necessary.

## GENERAL FUND USES

(\$ in millions)

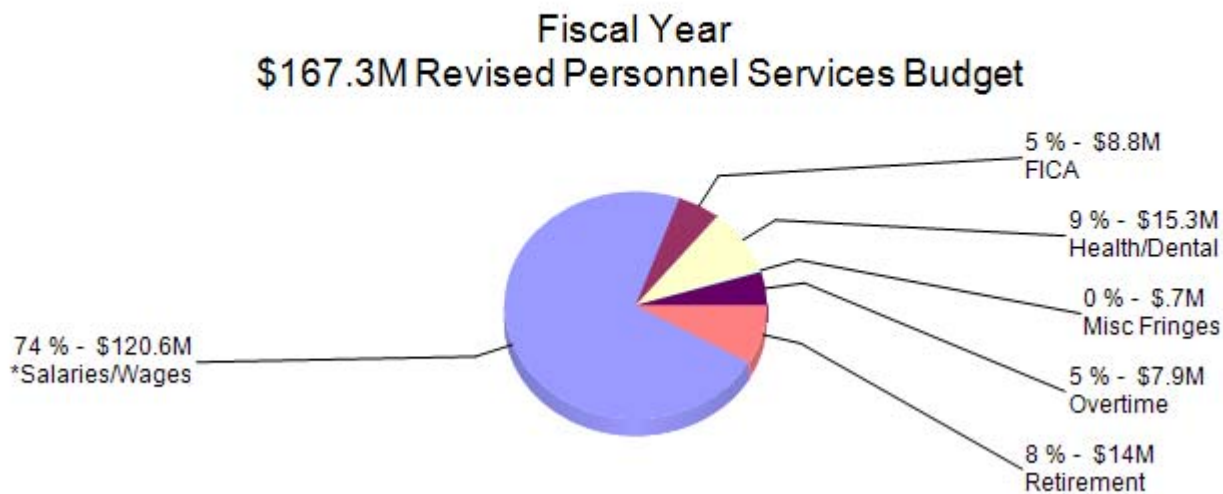
| Expenses:                        | Fiscal Year              |                                      |                                      |                                            |
|----------------------------------|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------------|
|                                  | 2008/09<br><u>Actual</u> | 2009/10<br><u>Adopted<br/>Budget</u> | 2009/10<br><u>Revised<br/>Budget</u> | 2009/10<br><u>Approved<br/>Adjustments</u> |
| Personnel Services               | \$192.2                  | \$171.9                              | \$167.3                              | (\$4.6)                                    |
| Contractual                      | \$51.5                   | \$53.8                               | \$52.6                               | (\$1.2)                                    |
| Commodities                      | \$8.7                    | \$9.3                                | \$9.2                                | (\$0.1)                                    |
| Capital Outlays                  | \$0.4                    | \$0.4                                | \$0.3                                | (\$0.1)                                    |
| Future Budget Reductions/IOU     | -                        | (\$12.5)                             | -                                    | \$12.5                                     |
| <b>Total Operating Expenses</b>  | <b>\$252.8</b>           | <b>\$222.9</b>                       | <b>\$229.4</b>                       | <b>\$6.5</b>                               |
| Debt Service & Contracts Payable | \$9.3                    | \$11.3                               | \$9.2                                | (\$2.1)                                    |
| Transfers Out                    | \$12.5                   | \$22.9                               | \$18.0                               | (\$4.9)                                    |
| <b>Total Uses</b>                | <b>\$274.6</b>           | <b>\$257.1</b>                       | <b>\$256.6</b>                       | <b>(\$0.5)</b>                             |

| Expenses:                        | Fiscal Year-to-Date March 2010 |                          |                                      |                                                                        |                |
|----------------------------------|--------------------------------|--------------------------|--------------------------------------|------------------------------------------------------------------------|----------------|
|                                  | 2008/09<br><u>Actual</u>       | 2009/10<br><u>Actual</u> | 2009/10<br><u>Revised<br/>Budget</u> | Actual vs. Budget<br><u>Favorable / (Unfavorable)</u><br><u>Amount</u> | <u>Percent</u> |
| Personnel Services               | \$135.6                        | \$122.3                  | \$125.4                              | \$3.1                                                                  | 2 %            |
| Contractual                      | \$39.0                         | \$34.8                   | \$37.8                               | \$3.0                                                                  | 8 %            |
| Commodities                      | \$5.9                          | \$5.1                    | \$6.0                                | \$0.9                                                                  | 15 %           |
| Capital Outlays                  | \$0.2                          | \$0.1                    | \$0.2                                | \$0.1                                                                  | 50 %           |
| Future Budget Reductions/IOU     | -                              | -                        | -                                    | -                                                                      | -              |
| <b>Total Operating Expenses</b>  | <b>\$180.7</b>                 | <b>\$162.3</b>           | <b>\$169.4</b>                       | <b>\$7.1</b>                                                           | <b>4 %</b>     |
| Debt Service & Contracts Payable | \$2.2                          | \$1.5                    | \$1.9                                | \$0.4                                                                  | 21 %           |
| Transfers Out                    | -                              | \$3.8                    | \$4.4                                | \$0.6                                                                  | 14 %           |
| <b>Total Uses</b>                | <b>\$182.9</b>                 | <b>\$167.6</b>           | <b>\$175.7</b>                       | <b>\$8.1</b>                                                           | <b>5 %</b>     |



## Personnel Services

Personnel Services include the salaries and wages (pay for time worked, vacation, and sick leave) plus overtime and the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. It is also inclusive of vacancy savings, the medical and vacation leave accrual payouts that are made at the time of separation from the City, and position reclassifications.



\*(includes Vacancy Savings/Payouts/Reclass)

|                                 | Fiscal Year               |                                       |                                       |                                             |
|---------------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|
|                                 | <u>2008/09<br/>Actual</u> | <u>2009/10<br/>Adopted<br/>Budget</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>2009/10<br/>Approved<br/>Adjustments</u> |
| Salaries and Wages              | \$141.9                   | \$125.9                               | \$123.6                               | (\$2.3)                                     |
| Overtime                        | \$7.7                     | \$8.5                                 | \$7.9                                 | (\$0.6)                                     |
| Retirement                      | \$19.3                    | \$15.0                                | \$14.0                                | (\$1.0)                                     |
| Health/Dental                   | \$16.0                    | \$15.7                                | \$15.3                                | (\$0.4)                                     |
| FICA                            | \$9.5                     | \$9.3                                 | \$8.8                                 | (\$0.5)                                     |
| Miscellaneous Fringes           | \$0.9                     | \$0.7                                 | \$0.7                                 | -                                           |
| Vacancy Savings/Payouts/Reclass | (\$3.1)                   | (\$3.2)                               | (\$3.0)                               | \$0.2                                       |
| <b>Total Personnel Services</b> | <b>\$192.2</b>            | <b>\$171.9</b>                        | <b>\$167.3</b>                        | <b>(\$4.6)</b>                              |

| Fiscal Year-to-Date March 2010  |                          |                          |                                      |                                                                        |                |
|---------------------------------|--------------------------|--------------------------|--------------------------------------|------------------------------------------------------------------------|----------------|
|                                 | 2008/09<br><u>Actual</u> | 2009/10<br><u>Actual</u> | 2009/10<br><u>Revised<br/>Budget</u> | Actual vs. Budget<br><u>Favorable / (Unfavorable)</u><br><u>Amount</u> | <u>Percent</u> |
| Salaries and Wages              | \$101.5                  | \$89.9                   | \$92.8                               | \$2.9                                                                  | 3 %            |
| Overtime                        | \$6.2                    | \$4.6                    | \$6.1                                | \$1.5                                                                  | 25 %           |
| Retirement                      | \$11.1                   | \$10.0                   | \$10.3                               | \$0.3                                                                  | 3 %            |
| Health/Dental                   | \$12.1                   | \$11.4                   | \$11.4                               | -                                                                      | -              |
| FICA                            | \$6.8                    | \$6.2                    | \$6.5                                | \$0.3                                                                  | 5 %            |
| Miscellaneous Fringes           | \$0.6                    | \$0.4                    | \$0.5                                | \$0.1                                                                  | 20 %           |
| Vacancy Savings/Payouts/Reclass | (\$2.7)                  | (\$0.2)                  | (\$2.2)                              | (\$2.0)                                                                | 91 %           |
| <b>Total Personnel Services</b> | <b>\$135.6</b>           | <b>\$122.3</b>           | <b>\$125.4</b>                       | <b>\$3.1</b>                                                           | <b>2 %</b>     |

**Actual to Revised Budget variance of \$3.1 million or 2%:** A significant portion of the positive variance is reflective of the continuation of overtime reduction strategies. In addition, the overtime savings have also contributed to the favorable variance in the Federal Insurance Contributions Act (FICA) and retirement accounts. The variance is also a result of Part-Time wages savings from Library and Parks and Recreation.

### **Contractual Services**

This category includes expenditures for services performed by firms, individuals, or other City departments.

**Actual to Revised Budget variance of \$3.0 million or 8%:** The favorable variance relates to invoices for services being received later than expected such as March's utility payments and custodial services. A positive year end variance of \$1.1 million is anticipated for utilities. This is the result of a number of energy efficiency efforts occurring throughout the City.

In addition, the variance is due to purchasing delays related to the Advisory Group for the General Plan Update Growth Analysis, Downtown Task Force, and McDowell Road Task Force. Finally, the variance is also a result of those expenditures that are difficult to budget for in the appropriate period because of their unpredictable spending pattern (e.g. building maintenance services, painting, fire alarm maintenance, elevators, etc).

### **Commodities**

This classification includes supplies, repair and replacement parts, small tools, and maintenance and repairs.

**Actual to Revised Budget variance of \$0.9 million or 15%:** Favorable variance is due to timing of invoices. Items such as minor equipment have been purchased and received; however, invoices were not received as anticipated. The variance also relates to several accounts such as operating supplies, maintenance services and materials, and education and recreation supplies which are difficult to budget in the appropriate period as they do not have a predictable spending pattern.

### **Capital Outlays**

Capital outlays include the purchase of land, the purchase or construction of buildings, structures, and facilities, plus machinery and equipment. It includes expenditures that result in the acquisition or addition of a fixed asset or increase the capacity, efficiency, span of life, or economy of operating an existing fixed asset. For an item to qualify as capital outlay the expenditure must meet all of the following requirements: (1) have an estimated useful life of more than two years; (2) have a unit cost of \$5,000 or more; and (3) be betterment or improvement.

**Actual to Revised Budget variance of \$0.1 or 50%:** Favorable variance due to the timing of the payment of invoices versus the billing cycles for the upgrades associated with the Drinkwater and McKnight buildings.

### Future Budget Reductions/IOU

This represents the budget reductions and other adjustments that were approved by City Council on July 2, 2009, November 3, 2009, and January 26, 2010 to bring the balance to \$0.

### Debt Service & Contracts Payable

This activity is debt payments related to Municipal Property Corporation (MPC) bonds that are to be repaid through excise taxes and contractual obligations related to development agreements (funded by sales tax rebates) which vary based on the actual sales tax collections.

|                                             | Fiscal Year               |                                       |                                       |                                             |
|---------------------------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|
|                                             | <u>2008/09<br/>Actual</u> | <u>2009/10<br/>Adopted<br/>Budget</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>2009/10<br/>Approved<br/>Adjustments</u> |
| MPC Excise Debt Fund                        | \$5.8                     | \$6.7                                 | \$6.7                                 | -                                           |
| Certificates of Participation (COP)         | \$0.9                     | \$0.9                                 | \$0.9                                 | -                                           |
| Contracts Payable                           | \$2.6                     | \$2.7                                 | \$1.6                                 | (\$1.1)                                     |
| COP - Radio Financing                       | -                         | \$1.0                                 | -                                     | (\$1.0)                                     |
| <b>Debt Service &amp; Contracts Payable</b> | <b>\$9.3</b>              | <b>\$11.3</b>                         | <b>\$9.2</b>                          | <b>(\$2.1)</b>                              |

|                                             | Fiscal Year-to-Date March 2010 |                           |                                       |                                                                   |                                             |
|---------------------------------------------|--------------------------------|---------------------------|---------------------------------------|-------------------------------------------------------------------|---------------------------------------------|
|                                             | <u>2008/09<br/>Actual</u>      | <u>2009/10<br/>Actual</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>Actual vs. Budget<br/>Favorable / (Unfavorable)<br/>Amount</u> | <u>Budget<br/>(Unfavorable)<br/>Percent</u> |
| MPC Excise Debt Fund                        | -                              | -                         | -                                     | -                                                                 | -                                           |
| Certificates of Participation (COP)         | \$0.5                          | \$0.5                     | \$0.5                                 | -                                                                 | -                                           |
| Contracts Payable                           | \$1.7                          | \$1.0                     | \$1.4                                 | \$0.4                                                             | 29 %                                        |
| COP - Radio Financing                       | -                              | -                         | -                                     | -                                                                 | -                                           |
| <b>Debt Service &amp; Contracts Payable</b> | <b>\$2.2</b>                   | <b>\$1.5</b>              | <b>\$1.9</b>                          | <b>\$0.4</b>                                                      | <b>21 %</b>                                 |

**Actual to Revised Budget variance of \$0.4 million or 21%** Due to the decline in tourism, the amount of tax received by the Hotel Valley Ho has decreased; therefore, the payment has also decreased creating a favorable variance. Additionally, the first quarter's payment to the Hotel Valley Ho was paid in last fiscal year instead of this fiscal year. The favorable variance also reflects a Corp of Engineers payment, which was budgeted in December; however, payment will not be made until June.

Note: The MPC Excise Debt Fund transfer occurs in June of each year and transfers revenues from the General Fund to the Debt Service Fund to make the annual debt service payments on MPC bonds outstanding related to: WestWorld/TPC land purchases; ASU SkySong land purchase; and TPC Clubhouse/Golf course improvements.

### **Transfers-Out**

Transfers-Out represents the authorized exchanges of cash between funds, divisions, departments and/or capital projects.

|                                                 | Fiscal Year               |                                       |                                       |                                             |
|-------------------------------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|
|                                                 | <u>2008/09<br/>Actual</u> | <u>2009/10<br/>Adopted<br/>Budget</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>2009/10<br/>Approved<br/>Adjustments</u> |
| CIP - General Fund Maintenance                  | \$3.3                     | \$1.6                                 | \$1.4                                 | (\$0.2)                                     |
| CIP - General Fund - Non-Maintenance            | -                         | \$9.0                                 | \$9.0                                 | -                                           |
| CIP - Public Safety Radio - Loop 101            | \$1.9                     | -                                     | -                                     | -                                           |
| Transportation Fund                             | \$7.0                     | \$5.6                                 | \$0.9                                 | (\$4.7)                                     |
| Bed Tax Fund                                    | \$0.2                     | \$6.6                                 | \$6.6                                 | -                                           |
| Special Programs Fund - Planning & Dev Services | \$0.1                     | \$0.1                                 | \$0.1                                 | -                                           |
| <b>Total Transfers Out</b>                      | <b>\$12.5</b>             | <b>\$22.9</b>                         | <b>\$18.0</b>                         | <b>(\$4.9)</b>                              |

|                                                 | Fiscal Year-to-Date March 2010 |                           |                                       |                                                                   |                |
|-------------------------------------------------|--------------------------------|---------------------------|---------------------------------------|-------------------------------------------------------------------|----------------|
|                                                 | <u>2008/09<br/>Actual</u>      | <u>2009/10<br/>Actual</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>Actual vs. Budget<br/>Favorable / (Unfavorable)<br/>Amount</u> | <u>Percent</u> |
| CIP - General Fund Maintenance                  | -                              | -                         | -                                     | -                                                                 | -              |
| CIP - General Fund - Non-Maintenance            | -                              | -                         | -                                     | -                                                                 | -              |
| CIP - Public Safety Radio - Loop 101            | -                              | -                         | -                                     | -                                                                 | -              |
| Transportation Fund                             | -                              | \$0.1                     | \$0.1                                 | -                                                                 | -              |
| Bed Tax Fund                                    | -                              | \$3.7                     | \$4.3                                 | \$0.6                                                             | 14 %           |
| Special Programs Fund - Planning & Dev Services | -                              | -                         | -                                     | -                                                                 | -              |
| <b>Total Transfers Out</b>                      | <b>-</b>                       | <b>\$3.8</b>              | <b>\$4.4</b>                          | <b>\$0.6</b>                                                      | <b>14 %</b>    |

**Actual to Revised Budget variance of \$0.6 million or 14%:** The transfers out reflects transfers to the Special Programs Fund for bed tax revenues (80 percent of the total bed tax collections per adopted financial policy).

## TRANSPORTATION FUND

| FY 2009/10<br>(\$ in millions) |                          |                          |               |    |
|--------------------------------|--------------------------|--------------------------|---------------|----|
|                                | Adopted<br><u>Budget</u> | Revised<br><u>Budget</u> | <u>Change</u> | %  |
| Sources                        | \$38.4                   | \$38.3                   | (\$0.1)       | 0% |
| Uses                           | \$38.3                   | \$38.3                   | \$0.0         | 0% |
| Change in Fund Balance         | \$0.1                    | \$0.0                    | (\$0.1)       |    |
| Total Fund Balance             | <u>\$0.0</u>             | <u>\$0.0</u>             | <u>\$0.0</u>  |    |

### Sources

The Transportation Fund receives and expends the City's allocation of the Arizona Highway User Revenue Tax (HURF) as well as 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 State of Arizona requires the City to establish and maintain an accounting for Highway User Revenue Funds. The fund also accounts for the 1989, voter approved Transportation Privilege (Sales) Tax of 0.20 percent which is dedicated to funding transportation improvements and operations. Fifty percent of the Transportation Sales Tax is transferred to the Capital Improvement Fund for transportation related capital improvement projects.

|                         | Fiscal Year (Twelve Months) |               |               |               |                             |
|-------------------------|-----------------------------|---------------|---------------|---------------|-----------------------------|
|                         | 2007/08                     | 2008/09       | 2009/10       | 2009/10       | 2009/10                     |
|                         | <u>Actual</u>               | <u>Actual</u> | <u>Budget</u> | <u>Budget</u> | <u>Approved Adjustments</u> |
| HURF Taxes              | \$16.3                      | \$14.1        | \$14.2        | \$14.2        | \$0.0                       |
| 0.20% City Sales Tax    | 20.0                        | 16.5          | 14.3          | 14.3          | 0.0                         |
| Other                   | 1.6                         | 2.9           | 3.9           | 8.5           | 4.6                         |
| Total Revenues          | \$37.9                      | \$33.5        | \$32.4        | \$37.0        | \$4.6                       |
| Transfers In            | 2.8                         | 8.8           | 6.0           | 1.3           | (4.7)                       |
| Total Sources           | \$40.7                      | \$42.3        | \$38.4        | \$38.3        | (\$0.1)                     |
| % Change vs. Prior Year |                             | 4%            | -9%           |               |                             |

|                         | Fiscal Year-to-Date March |               |               |               |                         |
|-------------------------|---------------------------|---------------|---------------|---------------|-------------------------|
|                         | 2007/08                   | 2008/09       | 2009/10       | 2009/10       | Actual vs. Budget       |
|                         | <u>Actual</u>             | <u>Actual</u> | <u>Actual</u> | <u>Budget</u> | Favorable/(Unfavorable) |
| HURF Taxes              | \$10.6                    | \$10.4        | \$9.7         | \$10.6        | (\$0.9)                 |
| 0.20% City Sales Tax    | 14.9                      | 12.5          | 10.9          | 10.7          | 0.2                     |
| Other                   | 1.6                       | 1.8           | 1.9           | 2.0           | (0.1)                   |
| Total Revenues          | \$27.1                    | \$24.7        | \$22.5        | \$23.4        | (\$0.9)                 |
| Transfers In            | 0.4                       | 1.5           | 0.5           | 0.5           | -                       |
| Total Sources           | \$27.5                    | \$26.2        | \$23.0        | \$23.9        | (\$0.9)                 |
| % Change vs. Prior Year |                           | -5%           | -12%          |               |                         |

**Actual to Revised Budget variance of (\$0.9 million) or (4%):** HURF taxes are down as weak economic conditions have impacted gasoline tax and motor vehicle registration and license fees.

## TRANSPORTATION FUND USES

(\$ in millions)

|                                 | Fiscal Year              |                                      |                                      |                                            |
|---------------------------------|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------------|
|                                 | 2008/09<br><u>Actual</u> | 2009/10<br><u>Adopted<br/>Budget</u> | 2009/10<br><u>Revised<br/>Budget</u> | 2009/10<br><u>Approved<br/>Adjustments</u> |
| <b>Expenses:</b>                |                          |                                      |                                      |                                            |
| Personnel Services              | \$7.8                    | \$6.3                                | \$6.2                                | (\$0.1)                                    |
| Contractual                     | \$23.7                   | \$23.9                               | \$23.8                               | (\$0.1)                                    |
| Commodities                     | \$0.8                    | \$0.8                                | \$0.8                                | -                                          |
| Capital Outlays                 | -                        | -                                    | \$0.1                                | \$0.1                                      |
| <b>Total Operating Expenses</b> | <b>\$32.3</b>            | <b>\$31.0</b>                        | <b>\$30.9</b>                        | <b>(\$0.1)</b>                             |
| Transfers Out                   | \$8.3                    | \$7.3                                | \$7.3                                | -                                          |
| <b>Total Uses</b>               | <b>\$40.6</b>            | <b>\$38.3</b>                        | <b>\$38.2</b>                        | <b>(\$0.1)</b>                             |

|                                 | Fiscal Year-to-Date March 2010 |                          |                                      |                                                              |                |
|---------------------------------|--------------------------------|--------------------------|--------------------------------------|--------------------------------------------------------------|----------------|
|                                 | 2008/09<br><u>Actual</u>       | 2009/10<br><u>Actual</u> | 2009/10<br><u>Revised<br/>Budget</u> | <u>Actual vs. Budget</u><br><u>Favorable / (Unfavorable)</u> |                |
| <b>Expenses:</b>                |                                |                          |                                      | <u>Amount</u>                                                | <u>Percent</u> |
| Personnel Services              | \$5.1                          | \$4.8                    | \$4.7                                | (\$0.1)                                                      | -2 %           |
| Contractual                     | \$18.8                         | \$14.5                   | \$15.2                               | \$0.7                                                        | 5 %            |
| Commodities                     | \$0.6                          | \$0.4                    | \$0.5                                | \$0.1                                                        | 20 %           |
| Capital Outlays                 | -                              | \$0.1                    | \$0.1                                | -                                                            | -              |
| <b>Total Operating Expenses</b> | <b>\$24.5</b>                  | <b>\$19.8</b>            | <b>\$20.5</b>                        | <b>\$0.7</b>                                                 | <b>3 %</b>     |
| Transfers Out                   | -                              | -                        | -                                    | -                                                            | -              |
| <b>Total Uses</b>               | <b>\$24.5</b>                  | <b>\$19.8</b>            | <b>\$20.5</b>                        | <b>\$0.7</b>                                                 | <b>3 %</b>     |

**Actual to Revised Budget variance of \$0.7 million or 3%:** The positive variance is attributable to the delay in construction start of the American Recovery and Reinvestment Act (ARRA) paving projects for street overlay and roadway markings.

**FLEET MANAGEMENT FUND**  
**FY 2009/10**  
**(\$ in millions)**

|                           | Adopted<br><u>Budget</u> | Revised<br><u>Budget</u> | <u>Change</u> | %<br><u>Change</u> |
|---------------------------|--------------------------|--------------------------|---------------|--------------------|
| Sources                   | \$13.9                   | \$13.9                   | \$0.0         | 0%                 |
| Uses                      | \$13.9                   | \$13.6                   | \$0.3         | 2%                 |
| Change in Fund<br>Balance | \$0.0                    | \$0.3                    | \$0.3         |                    |
| Total Fund Balance        | <u>\$9.8</u>             | <u>\$10.1</u>            | <u>\$0.3</u>  |                    |

**Sources**

The Fleet Management Fund is classified as an Internal Service Fund. This fund is structured to recover Fleet costs through annual user fees that are charged to each Division's cost center(s) that are assigned City vehicles and other related equipment that may incur fleet related expenditures. The annual internal user fees consist of two categories: 1) maintenance and operation (M & O) rates, established to recover the estimated costs of fuel, parts, and labor for vehicles and related equipment, and, 2) replacement vehicle rental rates, similar to car payments, except Fleet uses the accumulated payments to purchase a replacement vehicle or related equipment at the end of the current vehicle's useful life.

|                            | Fiscal Year (Twelve Months) |                          |                                      |                                      |                                            |
|----------------------------|-----------------------------|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------------|
|                            | 2007/08<br><u>Actual</u>    | 2008/09<br><u>Actual</u> | 2009/10<br><u>Adopted<br/>Budget</u> | 2009/10<br><u>Revised<br/>Budget</u> | 2009/10<br><u>Approved<br/>Adjustments</u> |
| Maint/Operation Rates      | \$10.3                      | \$12.9                   | \$11.9                               | \$11.9                               | \$0.0                                      |
| Replacement Rates          | 5.4                         | 5.4                      | 1.7                                  | 1.7                                  | 0.0                                        |
| Other                      | 1.1                         | 0.5                      | 0.3                                  | 0.3                                  | 0.0                                        |
| Total Revenues             | \$16.8                      | \$18.8                   | \$13.9                               | \$13.9                               | \$0.0                                      |
| Transfers In               | 1.1                         | 2.0                      | 0.0                                  | 0.0                                  | 0.0                                        |
| Total Sources              | <u>\$17.9</u>               | <u>\$20.8</u>            | <u>\$13.9</u>                        | <u>\$13.9</u>                        | <u>\$0.0</u>                               |
| % Change vs. Prior<br>Year |                             | 16%                      | -33%                                 |                                      |                                            |

|                         | Fiscal Year-to-Date March |                          |                          |                                      |                                              |                |
|-------------------------|---------------------------|--------------------------|--------------------------|--------------------------------------|----------------------------------------------|----------------|
|                         | 2007/08<br><u>Actual</u>  | 2008/09<br><u>Actual</u> | 2009/10<br><u>Actual</u> | 2009/10<br><u>Revised<br/>Budget</u> | Actual vs. Budget<br>Favorable/(Unfavorable) |                |
|                         |                           |                          |                          |                                      | <u>Amount</u>                                | <u>Percent</u> |
| Maint/Operation Rates   | \$7.7                     | \$9.3                    | \$8.6                    | \$8.9                                | (\$0.3)                                      | -3%            |
| Replacement Rates       | 4.1                       | 11.2                     | 1.3                      | 1.3                                  | 0.0                                          | 0%             |
| Other                   | 0.8                       | 1.7                      | 0.5                      | 0.2                                  | 0.3                                          | 150%           |
| Total Revenues          | \$12.6                    | \$22.3                   | \$10.4                   | \$10.4                               | -                                            | 0%             |
| Transfers In            | 1.1                       | 0.0                      | 0.0                      | 0.0                                  | -                                            | 0%             |
| Total Sources           | <u>\$13.7</u>             | <u>\$23.8</u>            | <u>\$10.4</u>            | <u>\$10.4</u>                        | -                                            | 0%             |
| % Change vs. Prior Year |                           | -2%                      | -13%                     |                                      |                                              |                |

**Actual to Revised Budget variance of \$0.0 million or 0%:** Actual Rates charged to Divisions were reduced due to fleet reduction efforts which increased auction proceeds.

**FLEET MANAGEMENT FUND USES**  
(\$ in millions)

| <b>Expenses:</b>                | Fiscal Year               |                                       |                                       |                                             |
|---------------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|
|                                 | <u>2008/09<br/>Actual</u> | <u>2009/10<br/>Adopted<br/>Budget</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>2009/10<br/>Approved<br/>Adjustments</u> |
| Personnel Services              | \$3.6                     | \$3.5                                 | \$3.2                                 | (\$0.3)                                     |
| Contractual                     | \$1.4                     | \$1.6                                 | \$1.6                                 | -                                           |
| Commodities                     | \$5.9                     | \$6.7                                 | \$6.7                                 | -                                           |
| Capital Outlays                 | \$2.3                     | \$2.1                                 | \$2.1                                 | -                                           |
| <b>Total Operating Expenses</b> | <b>\$13.2</b>             | <b>\$13.9</b>                         | <b>\$13.6</b>                         | <b>(\$0.3)</b>                              |
| Transfers Out                   | \$0.0                     | \$0.0                                 | \$0.0                                 | -                                           |
| <b>Total Uses</b>               | <b>\$13.2</b>             | <b>\$13.9</b>                         | <b>\$13.6</b>                         | <b>(\$0.3)</b>                              |

| <b>Expenses:</b>                | Fiscal Year-to-Date March 2010 |                           |                                       |                                                                   |                                             |
|---------------------------------|--------------------------------|---------------------------|---------------------------------------|-------------------------------------------------------------------|---------------------------------------------|
|                                 | <u>2008/09<br/>Actual</u>      | <u>2009/10<br/>Actual</u> | <u>2009/10<br/>Revised<br/>Budget</u> | <u>Actual vs. Budget<br/>Favorable / (Unfavorable)<br/>Amount</u> | <u>Budget<br/>(Unfavorable)<br/>Percent</u> |
| Personnel Services              | \$2.6                          | \$2.3                     | \$2.3                                 | \$0.0                                                             | 0 %                                         |
| Contractual                     | \$0.9                          | \$0.9                     | \$1.1                                 | \$0.2                                                             | 18 %                                        |
| Commodities                     | \$4.0                          | \$3.2                     | \$4.9                                 | \$1.7                                                             | 35 %                                        |
| Capital Outlays                 | \$2.4                          | \$2.8                     | \$1.9                                 | (\$0.9)                                                           | -47 %                                       |
| <b>Total Operating Expenses</b> | <b>\$9.9</b>                   | <b>\$9.2</b>              | <b>\$10.2</b>                         | <b>\$1.0</b>                                                      | <b>10 %</b>                                 |
| Transfers Out                   | \$0.0                          | \$0.0                     | \$0.0                                 | \$0.0                                                             | -                                           |
| <b>Total Uses</b>               | <b>\$9.9</b>                   | <b>\$9.2</b>              | <b>\$10.2</b>                         | <b>\$1.0</b>                                                      | <b>10 %</b>                                 |

**Actual to Revised Budget variance of \$1.0 million or 10%:** Favorable contractual and commodities variance is attributable to invoice timing issues and expenditure delays related to the Fleet Operations at the McKellips South Facility opening later than anticipated. Additionally, savings achieved by awarding multiple maintenance and supply parts vendors to allow for comparison shopping.

The positive contractual and commodities variance is offset by an unfavorable capital outlays variance, which is the result of \$1.7 million in Solid Waste and Fire Department equipment that was budgeted for and ordered in FY 2008/09 but not received until FY 2009/10. This delay will ultimately result in a \$0.6 million total uses unfavorable variance at year-end.

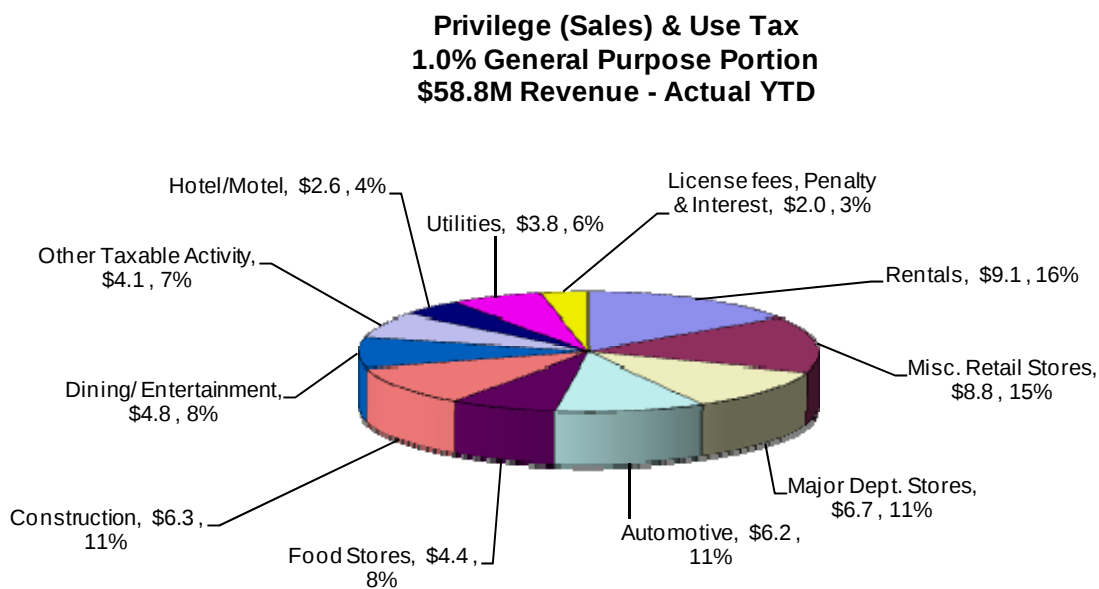


## Privilege (Sales), Use & Bed Tax Collections For March 2010

(For Business Activity in February 2010)

Appendix 1 contains information regarding the “actual” revenue collections from the 1.0 percent Privilege and Use Tax reflected in the General Fund, 0.2 percent dedicated Transportation Privilege Tax, 0.2 percent dedicated Preserve Privilege and Use Taxes, 0.15 percent additional dedicated Preserve Privilege and Use Taxes, and 0.1 percent dedicated Public Safety Privilege and Use Taxes, including adjustments for related license revenues, late collections and audits. While the report includes the actual year-to-date tax collections for the funds previously noted, only the General Fund portion (1.0 percent) of the tax is unrestricted and available for general government purposes.

The report shows a fiscal year Privilege and Use Tax collection increase of 4 percent compared to Budget, but a decrease of 12 percent compared to the same period a year ago.



## Privilege (Sales) &amp; Use Tax by Category and Fund

|                                  | Fiscal Year (Twelve Months) |               |               |                             |                       |
|----------------------------------|-----------------------------|---------------|---------------|-----------------------------|-----------------------|
|                                  | 2008/09                     | 2008/09       | 2009/10       | 2009/10                     | 2009/10               |
|                                  | <u>Actual</u>               | <u>Actual</u> | <u>Budget</u> | <u>Approved Adjustments</u> | <u>Revised Budget</u> |
| <u>1.00% General Purpose</u>     |                             |               |               |                             |                       |
| Rentals                          | \$13.5                      | \$12.5        | \$13.1        | -                           | \$13.1                |
| Misc. Retail Stores              | 15.2                        | 12.1          | 10.8          | -                           | 10.8                  |
| Major Dept. Stores               | 9.9                         | 8.8           | 8.1           | -                           | 8.1                   |
| Automotive                       | 14.2                        | 9.6           | 7.8           | -                           | 7.8                   |
| Food Stores                      | 6.5                         | 6.3           | 6.4           | -                           | 6.4                   |
| Construction                     | 19.5                        | 13.5          | 6.2           | -                           | 6.2                   |
| Dining/ Entertainment            | 7.8                         | 6.9           | 6.0           | -                           | 6.0                   |
| Other Taxable Activity           | 6.1                         | 6.2           | 5.5           | -                           | 5.5                   |
| Hotel/Motel                      | 5.5                         | 4.4           | 4.8           | -                           | 4.8                   |
| Utilities                        | 4.5                         | 4.4           | 4.7           | -                           | 4.7                   |
| License fees, Penalty & Interest | 2.6                         | 2.6           | 2.4           | -                           | 2.4                   |
| Subtotal                         | \$105.3                     | \$87.3        | \$75.8        | -                           | \$75.8                |
| 0.10% Public Safety              | \$10.2                      | \$8.4         | \$7.4         |                             | \$7.4                 |
| 0.20% Transportation             | 20.0                        | 16.5          | 14.3          |                             | 14.3                  |
| 0.20% McDowell Preserve 1995     | 20.5                        | 17.0          | 14.7          |                             | 14.7                  |
| 0.15% McDowell Preserve 2004     | 15.4                        | 12.6          | 11.4          |                             | 11.4                  |
| Total                            | \$171.4                     | \$141.8       | \$123.6       | -                           | \$123.6               |
| % Change vs. Prior Year          |                             | -17%          | -13%          |                             | -13%                  |

|                                  | Fiscal Year-to-Date March |               |               |               |                                |                              |
|----------------------------------|---------------------------|---------------|---------------|---------------|--------------------------------|------------------------------|
|                                  | 2008/09                   | 2008/09       | 2009/10       | 2009/10       | Actual vs. Budget              |                              |
|                                  | <u>Actual</u>             | <u>Actual</u> | <u>Actual</u> | <u>Budget</u> | <u>Favorable/(Unfavorable)</u> | <u>Amount</u> <u>Percent</u> |
| <u>1.00% General Purpose</u>     |                           |               |               |               |                                |                              |
| Rentals                          | \$9.8                     | \$9.4         | \$9.1         | \$9.7         | (\$0.6)                        | -6%                          |
| Misc. Retail Stores              | 11.3                      | 9.1           | 8.8           | 8.0           | 0.8                            | 10%                          |
| Major Dept. Stores               | 7.5                       | 6.6           | 6.7           | 6.2           | 0.5                            | 8%                           |
| Automotive                       | 10.9                      | 7.5           | 6.2           | 5.9           | 0.3                            | 5%                           |
| Food Stores                      | 4.9                       | 4.7           | 4.4           | 4.8           | (0.4)                          | -8%                          |
| Construction                     | 14.8                      | 10.7          | 6.3           | 4.7           | 1.6                            | 34%                          |
| Dining/ Entertainment            | 5.7                       | 5.1           | 4.8           | 4.4           | 0.4                            | 9%                           |
| Other Taxable Activity           | 4.5                       | 4.7           | 4.1           | 4.2           | (0.1)                          | -2%                          |
| Hotel/Motel                      | 3.7                       | 3.2           | 2.6           | 3.2           | (0.6)                          | -19%                         |
| Utilities                        | 3.5                       | 3.3           | 3.8           | 3.5           | 0.3                            | 9%                           |
| License fees, Penalty & Interest | 2.2                       | 2.1           | 2.0           | 2.0           | -                              | 0%                           |
| Subtotal                         | \$78.8                    | \$66.4        | \$58.8        | \$56.6        | \$2.2                          | 4%                           |
| 0.10% Public Safety              | \$7.6                     | \$6.4         | \$5.6         | \$5.5         | 0.1                            | 2%                           |
| 0.20% Transportation             | 14.9                      | 12.5          | 10.9          | 10.7          | 0.2                            | 2%                           |
| 0.20% McDowell Preserve 1995     | 15.3                      | 12.9          | 11.4          | 11.0          | 0.4                            | 4%                           |
| 0.15% McDowell Preserve 2004     | 11.4                      | 9.6           | 8.5           | 8.5           | -                              | 0%                           |
| Total                            | \$128.0                   | \$107.8       | \$95.2        | \$92.3        | \$2.9                          | 3%                           |
| % Change vs. Prior Year          |                           | -16%          | -12%          |               |                                |                              |

**Rental Sales Taxes**

The rental category includes rentals of commercial and residential real property and personal property rentals, (such as rentals of formal wear, DVD's, home health equipment, recreational goods, electronics, appliances, etc.)

**Actual to Revised Budget of (\$0.6 Million) or (6%):** Vacancies are increasing and lease rates are lower than expected.

**Miscellaneous Retail Stores Sales Taxes**

This category includes small clothing stores, art galleries, luggage stores, home furnishing stores, jewelry stores, drug stores, hobby stores, household appliance stores, sporting goods stores, florists, computer stores, hardware stores, and pet supply stores.

**Actual to Revised Budget variance of \$0.8 Million or 10%:** This reflects an increase due in part to some new stores opening and computer hardware/software resellers showing an increase in sales.

**Major Department Stores Sales Taxes**

This category includes large department stores, warehouse clubs, supercenters, and discount department stores.

**Actual to Budget variance of \$0.5 Million or 8%:** This reflects four large one-time audit payments and the opening of two new department stores.

**Automotive Sales Taxes**

The automotive category includes automobile dealers, motorcycle dealers, automotive repair shops, tire shops, car washes, and car leasing companies.

**Actual to Revised Budget variance of \$0.3 Million or 5%:** The Cash for Clunkers program appears to have increased sales for the months in which it was available. This also reflects a large one-time audit payment. The automotive auctions reported an increase in taxable sales this year.

**Food Stores Sales Taxes**

This category includes grocery stores, candy stores, meat markets and convenience stores.

**Actual to Revised Budget variance of (\$0.4 Million) or (8%):** This is due to a change in consumer spending to lower priced products, a grocery store chain declaring bankruptcy, decreasing food costs, and an increased use of food stamps which are not taxed.

**Construction Sales Taxes**

The construction tax is collected on all construction activity; commercial and residential; new and re-model. It also includes landscaping, painting, flooring installation, siding, roofing, concrete, plumbing, heating, electrical, framing, drywall, infrastructure, masonry, finish carpentry, etc.

**Actual to Revised Budget variance of \$1.6 Million or 34%:** This is reflecting higher construction taxes collected than forecasted, a carryover consistent with FY 2008/09 permit activity. Because of the variance, the forecasting model has been revised regarding the ratio of tax collected per dollar of building permit valuation.

**Dining/Entertainment Sales Taxes**

The restaurant category includes restaurants, bars, cafeterias, mobile food vendors, and caterers.

**Actual to Revised Budget variance of \$0.4 Million or 9%:** This is a reflection of an increase in filing of delinquent tax returns.

**Other Taxable Activity Sales Taxes**

This category includes movie theatres, golf courses, gyms, bowling centers, amusement arcades, interior designers, publishers, banks, doctors, lawyers, accountants, beauty salons, barber shops, personal goods repair shops, photographers, advertising, wholesalers, and manufacturers.

***Actual to Revised Budget variance of (\$0.1 Million) or (2%):*** No specific reason for the variance.

**Hotel/Motel Sales Taxes**

This category includes lodging space rental on a short-term basis and other activities provided at the hotel/motel.

***Actual to Revised Budget variance of (\$0.6 Million) or (19%):*** While occupancy has stabilized, room rates continue to be low. The general economic situation contributed to group cancellations and less leisure travel nationwide, particularly in the major fly-in markets such as Scottsdale/Phoenix.

**Utilities Sales Taxes**

This category includes businesses that provide telecommunication (landlines and cellular), electricity, gas, or water services.

***Actual to Revised Budget variance of \$0.3 Million or 9%:*** This is due to a one-time audit payment.

**License Fees, Penalty & Interest**

This category consists of application and license fees for Transaction Privilege (sales) tax licenses, interest, and penalties.

***Actual to Revised Budget variance of \$0.0 Million or 0%:*** No specific reason.