

**The Phoenix
Summary Budget
2012-13**



City of Phoenix



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300

June 2012



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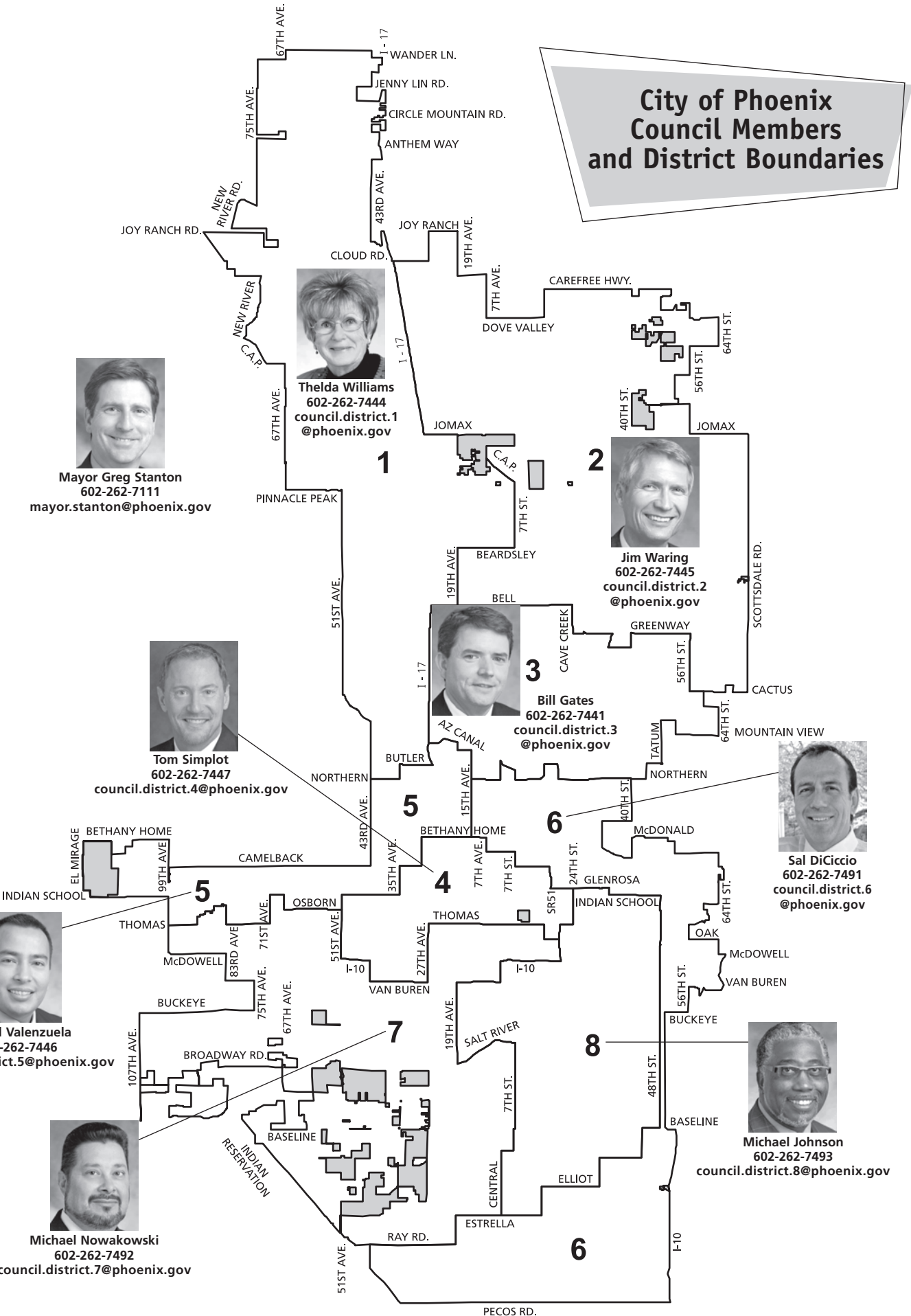
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Mayor

Michael Johnson
Vice Mayor
District 8

Thelda Williams
District 1

Jim Waring
District 2

Bill Gates
District 3

Tom Simplot
District 4

Daniel Valenzuela
District 5

Sal DiCiccio
District 6

Michael Nowakowski
District 7

Mayor's Office

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Chief of Staff

City Council Office

Penny Parrella
Council Chief of Staff

Management Staff

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City Manager

Ed Zuercher
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Jerome Miller
Deputy City Manager

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Karen Peters
Senior Executive Assistant to the City Manager

Department Heads

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James Burke
Acting Parks and Recreation Director

John Chan
Community and Economic Development Director

Debbie Cotton
Acting Phoenix Convention Center Director

Jeff DeWitt
Finance Director

Kim Dorney
Housing Director

Daniel V. Garcia
Police Chief

Bill Greene
Acting City Auditor

Chris Hallett
Neighborhood Services Director

Rita Hamilton
City Librarian

Deanna Jonovich
Human Services Director

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Lionel Lyons
Equal Opportunity Director

Toni Maccarone
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Rob Sweeney
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John Trujillo
Acting Public Works Director

Gary Verburg
City Attorney

Neal Young
Acting Public Transit Director

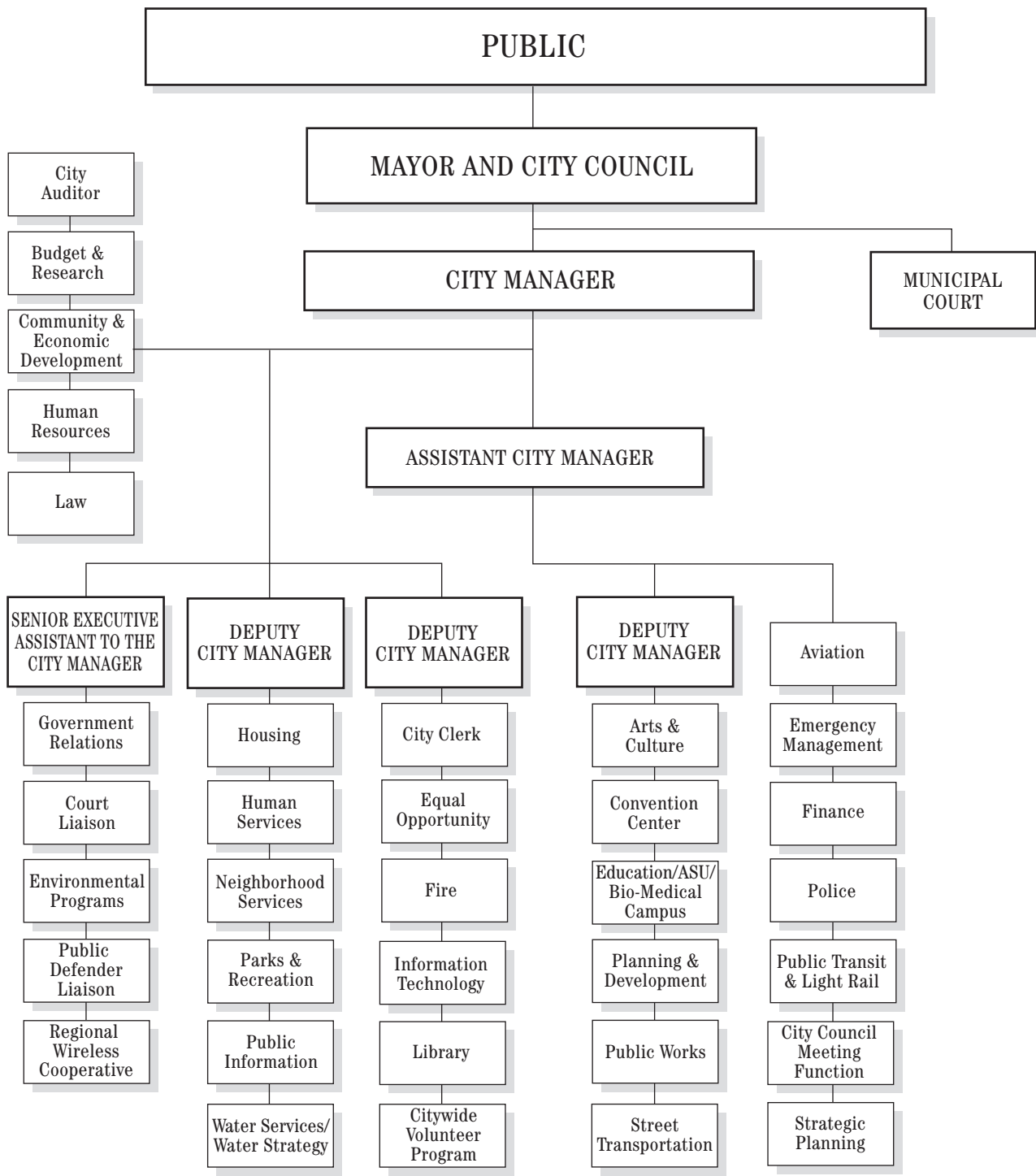
Chief Presiding Judge

Roxanne K. Song Ong





City of Phoenix Organizational Chart



Note: Interim organization chart pending national recruitment for two vacant Deputy City Manager positions.







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Phoenix is Arizona's capital and the sixth largest city in the United States, with more than 1.4 million residents and growing. The city takes up more than 500 square miles, geographically exceeding Los Angeles.





Budget Document Overview

This overview outlines the 2012-13 Annual Budget. Copies of the document are available by contacting the city of Phoenix Budget and Research Department at 602-262-4800. Also, this document can be made available in alternate formats (large print, Braille, audio cassette or compact disc) upon request. For information, contact the Budget and Research Department or city TTY relay at 602-534-5500.

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

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

Finally, the 2012-17 Capital Improvement Program provides Phoenix's planned construction program by project and detailed sources of funds.

A more detailed description of the 2012-13 Phoenix Summary Budget follows.

CITY MANAGER'S BUDGET MESSAGE

The City Manager's Budget Message provides an in-depth look at the city manager's priorities and outlook for the upcoming fiscal year. These priorities reflect many months of working with the Mayor and City Council, the community and city staff.

PHOENIX STRATEGIC PLAN

This section provides the city's mission statement, complete Phoenix Strategic Plan, 2012 Strategic Plan goals, and 2011 Strategic Plan major accomplishments.

OUR COMMITMENT TO EXCELLENCE

This section provides an overview of the city's various programs that contribute to our overall pursuit of excellence. Included is a description of a few of the awards and recognitions received by employees this year, results of the employee suggestion program and winners of Employee Excellence Awards.

COMMUNITY PROFILE AND TRENDS

This section includes key demographic, financial and infrastructure profile measures. Estimates or projections are provided for 2011-12 and 2012-13 as well as actual results for recent and historical periods.

2012-13 BUDGET OVERVIEW

The Budget Overview provides a description of the city's budget process as well as the major assumptions included in the preparation of the 2012-13 Annual Budget. This section includes a broad overview of the resources and expenditures included in the budget. Also included is a historical look at Phoenix's community services, an overview of significant budgetary and financial policies including general legal requirements and basis of accounting, and descriptions of city funds.

2012-13 REVENUE OVERVIEW

This section provides an extensive narrative describing the city's revenue estimates. The section is divided into three categories: general funds, special revenue funds and enterprise funds.

DEPARTMENT PROGRAM SUMMARIES

The Department Program Summaries section provides total funding and positions, program goals, major performance measures and service trends, and any changes in service for each city department. Also included in this section is a discussion of the city's debt management policies and the contingency fund.

CAPITAL IMPROVEMENT PROGRAM

This section provides a description of the capital improvement program process and an overview of the 2012-17 Capital Improvement Program.

SCHEDULES

The schedules provide a general statistical overview of the budget. Schedule 1 provides estimated beginning and ending balances for each major fund group. The remaining schedules summarize staffing complements and estimated resources and expenditures.

GLOSSARY

Definitions of the terms used throughout the budget document are presented in the glossary.

If you have questions, need further clarification of a concept or term, or desire more detailed information about this document, please contact the Budget and Research Department at 602-262-4800.







Distinguished Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Phoenix
Arizona**

For the Fiscal Year Beginning

July 1, 2011

Linda C. Davison Jeffrey R. Egan

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the city of Phoenix, Arizona for its annual budget for the fiscal year beginning July 1, 2011.

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

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







City Manager's Budget Message



David Cavazos
Phoenix City Manager

TO THE HONORABLE MAYOR AND CITY COUNCIL:

This letter transmits the fiscal year 2012-13 balanced city of Phoenix budget required by the City Charter.

The 2012-13 budget demonstrates yet another positive step forward in the city's continued financial success. In only two years, the city went from a severe \$277 million General Fund budget shortfall in 2009-10 / 2010-11 to a structurally balanced budget for 2012-13. Because the budget is structurally balanced, no direct cuts to community services or financial transactions are needed to balance the budget. We have further strengthened our fiscal health while expanding outstanding services to the community. The leadership of the Mayor and City Council and the city's excellent employees have enabled this success.

Presented to the Council and community in March 2012 for review and input, the 2012-13 City Manager's Trial Budget included more than \$5 million in expanded services. The additions advance the city further toward accomplishing Strategic Plan goals in the areas of Public Safety; Neighborhoods and Livability;

Economic Development and Education; Social Services Delivery; Infrastructure; Innovation and Efficiency; Technology; Phoenix Team; Sustainability; and Financial Excellence.

While community budget hearings progressed in April, based on Council authorization in March 2012 for additional refinancing, a Finance Department analysis determined that financial market conditions would enable additional General Fund savings by again taking advantage of the city's AAA bond rating and refinancing debt at lower interest rates. This is expected to save an estimated additional \$1 million each year over the next two years. Also, because of the continued effectiveness of Phoenix's Enhanced Compliance Program, a multi-departmental operation that increases the city's ability to collect taxes owed, the General Fund revenue estimate increased by \$200,000 in 2012-13. Finally, the restructuring of Street Transportation's Arizona User Highway Revenue (AHUR) funded Capital Improvement Program (CIP) provides the ability to fund \$5 million in additional street maintenance in 2012-13. The AHUR funds are restricted and can only be used for street and highway purposes.

The 2012-13 City Manager's Trial Budget included the following added General Fund services shown under corresponding Strategic Plan areas:

Public Safety

- Add Police Department civilian positions in central booking and administration, allowing sworn police officers to be returned to patrol and investigative units (as recommended by the Police Department efficiency study)
- Add Fire sworn personnel and dispatchers to enhance emergency response
- Include funding to continue expiring grant-funded Community Prosecution positions

Neighborhoods and Livability

- Enhance graffiti and illegal sign enforcement
- Extend swimming pool season through Labor Day
- Restore some local arts grants funding
- Increase parks youth programming
- Increase security at four downtown parks

Economic Development and Education

- Expand hours at Burton Barr Central Library and several library branches
- Extend College Depot program to additional library branches
- Restore coordination of youth and education services
- Enhance local economic development and business attraction efforts

Social Services Delivery

- Increase senior center programming

Infrastructure

- Extend bus service

Innovation and Efficiency/Technology

- Add technology for the citywide Volunteer Program

Financial Excellence

- Add contractual audit services on information technology to ensure compliance with legal, efficiency and industry standards
- Enhance phoenix.gov and use of mobile apps for increased public involvement
- Add staff to provide additional guidance on public policy and fiscal matters

Demonstrating the city of Phoenix's commitment to involving the community in developing the city's budget each year, the City Manager's Proposed Budget presented in May 2012 was revised to reflect the service priorities communicated by residents. More than 500 comments were received from the community at 17 budget hearings, by email, letters and through social media during Phoenix's first-ever online budget hearing. Most citizens voiced support for the proposals already included, as well as identifying additional community needs. Based on the above





mentioned additional resources from debt refinancing, enhanced tax collection and restricted-use AHUR CIP restructuring, the city was able to propose additional services that closely correspond to the resident input. The following community service additions were recommended in the City Manager's Proposed Budget beyond what was included in the Trial Budget:

Public Safety

- Restore a community prosecutor and seek ongoing grant funding to cover costs in future years
- Add two additional Police civilian support positions to allow sworn police officers to be returned to patrol and investigative units (as recommended by the Police efficiency study)

Education

- Restore nine Phoenix Afterschool Center (PAC) sites based on assessment of highest need as determined by the Parks and Recreation Department
- Expand hours at three additional library branches and extend the College Depot program to two additional library branches

Neighborhoods and Livability

- Expand enforcement of illegal signs to cover evening hours and weekends
- Increase maintenance of parks facilities and amenities such as restrooms and playground equipment

Infrastructure

- Increase citywide street maintenance and repair

Social Services Delivery

- Restore some city support for non-profit homeless shelter

Innovation and Efficiency/Technology

- Add Channel 11 broadcasting of City Council subcommittee meetings to enhance transparency and community involvement

In all, when combined with new capital facilities operating costs of about \$400,000, the General Fund total for the added services to the community total approximately \$6.9 million. Another \$5 million is funded using AHUR funds for enhanced street maintenance.

As part of continuing efforts to reduce costs, administrative efficiency reductions in several departments totaling \$4 million in ongoing savings are also included in this budget. These reductions do not negatively impact delivery of direct services to the public and are the result of focused efforts by city departments to enhance efficiency.

The important foundations outlined below are all critical to the city achieving its budget goals.

STRONG CITY LEADERSHIP

- The Mayor and City Council have provided strong leadership and have made tough decisions that have dramatically improved the city's financial health.

EXCELLENT CITY EMPLOYEES

- With the smallest government per capita in 40 years and fewer positions in 2012-13 despite adding services, city employees work efficiently and provide outstanding customer service to the community.
- Compensation concessions by city employees have reduced estimated total employee costs by about \$131 million over three years from 2010-11 through 2012-13.

INNOVATION & EFFICIENCY

- More than \$40 million has been saved through the Innovation and Efficiency Task Force that I created in January 2010 with several private sector members.

TRANSPARENCY AND COMMUNITY ENGAGEMENT

- A new zero-based-budget provided an early preview of the 2012-13 budget and presents additional cost information and staffing levels for every city program in a detailed format designed for easy use by the Council and community.

- A total of 17 Community Budget Hearings took place this year (two more than last year), including an online hearing hosted by the Mayor and a citywide bilingual hearing. The public also has online access to video recordings of budget hearings.
- Along with budget hearings, pay and benefits briefings provided to the community informed residents on employee compensation.

AAA BOND RATING AND STRONG FINANCIAL MANAGEMENT

- With the highest AAA bond rating, the city recently saved \$87 million with lower interest costs through refinancing of debt.
- In line with the City Council's financial diligence and adopted plan to increase the contingency ("rainy day") fund, the 2012-13 budget includes an increase of nearly \$5 million over 2011-12. This brings the contingency to just under \$41 million or 3.7 percent of the General Fund operating budget. For the second straight year, the General Fund contingency will reach the highest level in city history.

NO INCREASED GF USER FEES OR TAXES

- As with last year, there is no increase to General Fund user fees.

MODERATE ECONOMIC GROWTH

- The economy continues to improve, providing a positive outlook for the city's future and continued structurally balanced budget.
- The budget is based on a projection of very moderate economic and revenue growth, as economists are not projecting a full recovery from the economic recession until 2015 or 2016.





FIVE-YEAR GENERAL FUND FORECAST

In January 2012, Budget and Research staff presented a five-year General Fund forecast. The long-range forecast is a financial management best practice providing policy makers with a framework for strategic decision-making. The forecast also showed that using reasonable economic, revenue and expenditure assumptions, it is possible for the city to remain structurally balanced over the next five years. The five-year forecast enabled the City Council, City Management and the community to evaluate resources along with projected expenditures over multiple years, which improves the city's ability to conduct long-term budget planning. The multi-year forecast was prepared well in advance of the community budget process and hearings so that it could also be considered during the budget setting process involving residents.

OVERVIEW OF 2012-13 BUDGET

The 2012-13 General Fund budget is \$1,115,020,000, a 4.9 percent increase over the adopted 2011-12 General Fund budget reflecting the service additions, increase to contingency, replacement of lease-purchase financing with pay-as-you-go capital, replenishment of reserves, restoration of half of the employee pay reductions taken over the last several years, and other cost increases like pension, jailing rates, and fuel. However, the amount is still \$84 million below the 2007-08 peak General Fund budget. The 2012-13 budget amount for all funds, which includes General, Enterprise and Special Revenue Funds such as grants, and includes all debt service and pay-as-you-go capital costs, is \$3,572,641,000. This is a 2.8 percent increase from the adopted 2011-12 budget for all funds, and \$163 million, or 4.4 percent, below the peak budget in 2008-09 for all funds.

NON-GENERAL FUNDS

Aviation Fund- Beginning in early 2013, the Aviation Department will implement stage one of the PHX Sky Train. The 2012-13 operating and maintenance funding for the PHX Sky Train covers contractual services, materials, capital outlay, and 17 additional positions; costs which will be offset over time with savings in bus-related costs at the airport. The budget also includes funding of personal and contractual services in the Equal Opportunity and Streets Departments to handle increased federal monitoring and additional volume and complexity of Aviation contracts, and a position to support growing after-hours demands at Deer Valley Airport.

Development Fund- The Planning and Development Department will add five positions to enhance city enforcement of illegal banners, flag signs, and sandwich board signs on private property, to comply with new unfunded state legislative mandate regarding permit issuance, and to help manage the department's unique and complex financial demands.

Solid Waste- The Public Works Department Solid Waste Division will add a position to enhance community engagement and education for solid waste diversion programs.

Water Fund- Water Services' costs for Police infrastructure security and Fire Department services will decrease \$445,000 beginning in 2012-13 following a comprehensive review conducted by Budget and Research. Additionally, Water Services will fund contractual services and materials totaling \$299,000, including a mobile field order system enabling wireless deployment of field activities, operation of new aeration systems required for regulatory compliance, and operation and maintenance of a new granular activated carbon facility.

CONCLUSION

The 2012-13 structurally balanced budget is another example of the great strides the city has taken in overcoming the \$277 million shortfall two years prior. I want to thank the Mayor and City Council for their strong leadership in guiding the city toward this outstanding turnaround. I also want to thank city departments for continuing to employ new innovations and efficiencies in city operations. Finally, I want to thank all employees for their continued dedication to delivering high-quality services to the community.

David Cavazos
City Manager







Strategic Planning and Community Involvement

Phase I of the new Phoenix Strategic Plan was adopted in the spring of 2011 and was included in the Summary Budget for fiscal year 2011-12. The plan was developed by a team of 50 people working in 10 study-area committees. The team consisted of city staff and members of the private sector. Each committee consisted of two city champions, two champions from the public, and one staff assistant. During the planning process, team members met with other city staff, researched existing public documents, and sought input from external partners. Each team's draft study-area goals were reviewed and revised through Work Study sessions of the Phoenix City Council. In April 2011, the City Manager's Office held 15 Strategic Plan outreach meetings as a part of the community budget hearing process. During these sessions, staff presented an overview of the draft plan and received public comment that was incorporated into the final plan.

The new Phoenix Strategic Plan guides decision-making within the organization and focuses the city's efforts to deliver core services that meet the city's mission: **"To improve the quality of life in Phoenix through efficient delivery of outstanding public services."** The plan concentrates on 10 study areas: Economic Development and Education; Financial Excellence; Infrastructure; Innovation and Efficiency; Neighborhoods and Livability; Phoenix Team; Public Safety; Social Services Delivery; Sustainability; and Technology.

During the fall of 2011, the strategic area committees reconvened and started developing a strategic action plan with specific strategies and measurable outcomes, for each study area, through Fiscal Year 2012-2013. The City Manager selected 27 goals from the citywide strategic action plan that staff will achieve by the end of calendar year 2012. In December 2011, city staff reported on the 2011 Strategic Plan Accomplishments: 33 key accomplishments over the 10 study areas.

The Phoenix Strategic Plan continues to be updated annually as part of the normal budget process. For the first time, the city's proposed and final budget documents are organized and presented by the 10 Strategic Plan study areas.

Documents included in this section:

- Revised Phoenix Strategic Plan (April 2012)
- Strategic Plan Goals 2012
- Strategic Plan Accomplishments 2011







Phoenix Strategic Plan

Mission Statement

“To improve the quality of life in Phoenix through efficient delivery of outstanding public services.”

About the Strategic Plan

The city of Phoenix developed a strategic plan to help guide decision-making at all levels of the organization and focus the city’s efforts on its core businesses. Throughout the budget cycle, a strategic plan proves beneficial in communicating and setting budget priorities. The priorities in the Phoenix Strategic Plan will assist in allocating limited resources. The plan will be updated annually as part of the budget cycle. The Phoenix Strategic Plan was coordinated by a team in the City Manager’s Office. For more information about the Strategic Plan, visit phoenix.gov/strategicplan or send an email to strategicplan@phoenix.gov.

ECONOMIC DEVELOPMENT AND EDUCATION

A diverse, vibrant economy that provides economic opportunity for residents is essential to achieving the city’s aspirations for a high quality of life. Creating and preserving jobs and enhancing our revenue base are key objectives. Businesses, neighborhoods and individual residents benefit from the improved quality of life that the city’s economic development efforts create. The most important building block of a strong economy is an educated and productive workforce.

Priorities

1. Create and retain high-quality jobs focusing on key domestic and international business sectors. To a great extent, the quality of life for Phoenix residents will be dependent on the number and quality of jobs created and retained that are convenient and appropriate for residents of the city of Phoenix.

Strategies

- a. Support the attraction of wealth-generating, emerging technology, manufacturing, producer service, renewable energy and bioscience employers to the city of Phoenix.
- b. Support the retention and expansion of key wealth-generating employers.
- c. Attract foreign direct investment from around the world.
- d. Further develop the creation of a film production industry as a key business sector.

2. Foster an environment for entrepreneurial growth.

Entrepreneurs make critical contributions to the economy, including the generation of new jobs. Energized, educated entrepreneurs create economic opportunity for others and enhance a culture of innovation.

Strategies

- a. Facilitate the retention and expansion of small- and medium-sized wealth-generating businesses, particularly businesses focused on innovation, technology, finance/business services and biosciences.

- b. Participate in regional collaboration to enhance entrepreneurial opportunities.
- c. Support and grow diversity in Phoenix business ownership.
- d. Support initiatives that create and expand venture capital funds.

3. Revitalize the urban areas of Phoenix.

Thriving urban cores are critical to the economic health and well being of the entire metropolitan area. Strong urban centers enhance Phoenix’s image and should be reflective of the city’s collective social and economic aspirations as a region.

Strategies

- a. Support development of the downtown research and educational campuses.
- b. Promote residential and commercial infill compatible with neighborhoods.
- c. Promote adaptive reuse of existing structures.
- d. Enhance the city by redeveloping brownfields.
- e. Comprehensively revitalize targeted neighborhoods.
- f. Engage and collaborate in Discovery Triangle.

4. Expand the city’s revenue base. Sales taxes provide the largest source of local government funding. Phoenix needs to attract and retain a fair share of retail activity to sustain quality public services for residents.

Strategies

- a. Continue efforts to preserve and expand the city’s retail sales tax revenue base.
- b. Attract new auto and other vehicle dealerships and retain existing auto centers/corridors.
- c. Market the Phoenix Convention Center.
- d. Promote and market the region to the business and leisure traveler.
- e. Support professional/amateur/youth sports, film, entertainment and special events, which generate tourism revenue.
- f. Encourage the revitalization of existing retail centers and neighborhood retail businesses.





5. Develop and retain qualified talent to meet the needs of business and the community. A skilled workforce is essential for an economy to sustain and enhance its competitiveness. A workforce development strategy that allows employers to grow and residents to enhance their income is critical to maintaining a high quality of life for Phoenix residents.

Strategies

- a. Provide assistance to job seekers and employers by focusing on high skill, technology and other key occupation areas.
- b. Collaborate regionally with community colleges, universities and other providers to develop school and training curriculum to develop skill sets for targeted key business sectors.
- c. Strengthen the relationship between the public-sector workforce programs and the business community.
- d. Coordinate and enhance economic development efforts with the education community by promoting quality STEM models within the K-12 system, including math and science career pathway programs that provide real world context.
- e. Focus resources on enrichment and education programs through community centers and libraries.
- f. Promote access to information technology and provide Phoenix residents with instruction and access to available resources.

6. Promote early literacy and prepare young children for academic success. Early childhood development is critical in preparing youth for success in school and developing a foundation of knowledge, skills and life-long learning in families and the community.

Strategies

- a. Promote the increased funding of early childhood development, health and social service programs.
- b. Collaborate with community resources to ensure all children have access to preventative and continuous health care, including physical, oral, mental and nutritional health.
- c. Support families with the information and services they need to help their children achieve academic success.
- d. Partner with institutions of higher education to train well-qualified early childhood teachers and care providers.

7. Commit to achieving educational excellence for all Phoenix residents through sponsored facilities and programs The future success of the region depends on ensuring that residents are prepared to meet the challenges of the 21st Century as educated, productive and engaged residents.

Strategies

- a. Partner with schools, after-school providers, neighborhood organizations, businesses and other stakeholders to maximize educational opportunities for Phoenix residents.
- b. Leverage educational resources at Phoenix public libraries, including access to information technology.
- c. Promote sports, experiential learning, arts and other recreation programming known to improve learning outcomes.
- d. Focus resources on quality youth engagement, enrichment and education programs through community centers, libraries and school-based, after-school programs during out-of-school hours, when children are most at risk.
- e. Increase access to, and success in, higher education through College Depot.





FINANCIAL EXCELLENCE

Financial excellence ensures the effective and efficient allocation of city resources for the delivery of quality services to residents. It creates trust and confidence that city resources are used appropriately. At the core of financial excellence is integrity and innovation. The Phoenix Financial Excellence strategic plan strives to maintain fiscally sound and sustainable financial plans and budgets that reflect community values and residents' priorities.

Priorities

1. Maintain high bond ratings. A bond rating is a measure of the credit quality of the city. Factors considered in a rating are the health of the local economy, stability and volatility of revenues, level of reserves for liquidity during unexpected financial conditions, as well as sound financial practices, policies and structures or systems that allow flexibility to address challenges. An entity with a long-term outlook and plans to address unexpected changes is positively considered. In essence, a bond rating reflects an independent view of financial excellence. A higher bond rating will usually result in lower borrowing costs.

Strategies

- a. Implement a plan to achieve a general fund budgetary fund balance of at least 5 percent of total expenditures within the next five years to provide the necessary liquidity to address revenue volatility and unexpected expenses.
- b. Develop a multi-year financial plan for the general fund that maintains long-term bond ratings.
- c. Develop and maintain financial policies that achieve high bond ratings.
- d. Maximize current revenues by taking steps to ensure collection of established taxes, rates, fees and fines.

2. Prioritize capital and funding plans for critical infrastructure.

With the significant downturn in the state, local and national economy and the associated impact on revenues, the financial capacity to fund and finance additional capital projects has been significantly reduced. As a result, a focus on maintaining existing infrastructure must be balanced with the need for new infrastructure. This includes prioritizing the use of the remaining 2006 General Obligation (GO) bond capacity and other resources and investigating alternative methods to finance priority capital needs.

Strategies

- a. Establish a five-year capital planning process that prioritizes the evaluation of existing facilities and infrastructure and considers repair and/or replacement for use of available funds.
- b. Identify and evaluate alternative approaches to finance capital investments as part of the capital decision-making process.
- c. Prioritize the use of existing resources, for example remaining GO bond funds and pay-as-you-go (cash) funding, to address the highest priority needs.

3. Provide accurate and reliable revenue and expenditure forecasting.

To ensure available resources are allocated to the highest priority needs, accurate and reliable forecasts of both revenues and expenditures are needed. This requires access to the necessary resources and expertise to ensure all critical factors are considered in revenue forecasts and all factors that impact expenditures are considered and modeled. Accuracy of expenditure forecasts also requires discipline of all city departments to ensure expenditures are monitored and managed. Without accurate forecasts and management of expenditures, reserve levels may be tapped below critical levels and services may be unnecessarily reduced.

Strategies

- a. Maintain a fiscally responsible revenue forecast based on external and internal inputs and consistent with best practices to efficiently allocate resources.
- b. Establish an expenditure forecast that aligns with the city's strategic priorities.
- c. Develop multi-year performance measures and benchmarks to monitor the effectiveness of financial operations.
- d. Develop multi-year forecasts that contemplate various economic scenarios that assist in the development of alternative planning strategies.
- e. Develop structures and incentives to encourage and reward managers and employees for maintaining discipline in managing expenditures.

4. Maintain a transparent financial environment, free of fraud, waste and abuse.

One of the most important aspects of financial excellence is the ability to assure the public, business community, investors and the rating agencies that systems and processes are in place to prevent fraud, waste and abuse of public funds. An important element of preventing fraud, waste and abuse, is regular financial reports that are easy to access, accurate and understandable. Financial excellence requires the implementation of quality financial systems, staff training, internal controls and regular internal and external audits to prevent fraud, waste and abuse.

Strategies

- a. Maintain comprehensive and continuous auditing of high-risk areas.
- b. Implement strong citywide policies and practices that promote ethical behavior.
- c. Provide accurate financial information on at least a quarterly basis that is easily accessible and understandable to internal and external audiences.
- d. Continue to ensure all steps are taken to receive financial excellence awards for budgeting and financial reporting from the Governmental and Financial Officers Association (GFOA) each year.
- e. Highlight financial successes and educate residents on the importance of high-quality credit ratings, e.g. AAA ratings.





INFRASTRUCTURE

Infrastructure is the basic physical and organizational structure needed for the operation of a society or enterprise and the services and facilities necessary to function, such as roads, pedestrian and bicycle systems, water supply, sanitary and storm sewers, public transit, airports, railroads, public buildings and facilities, solid waste collection, power supply, and telecommunications.

Priorities

1. Create and maintain intra-city transportation. Provide safe, clean, efficient, sustainable, multi-modal surface transportation systems consistent with Complete Streets policies to support mobility needs of present and future residents, businesses, and visitors within the city of Phoenix.

Strategies

- a. Plan, design, construct and operate new streets, pedestrian friendly sidewalks, bicycle lanes, hiking trails, bridges and drainage ways for new residential and commercial development to reduce congestion, improve air quality, reuse materials, leverage new technology, encourage infill development, create livable neighborhoods, and promote growth. Consider using modern street car and light rail as surface transportation modes to support and encourage new development.
- b. Maintain existing streets and associated assets in a state of good repair so they are clean, safe, and aesthetically pleasing for all users. Invest resources and technology to extend the service life of existing infrastructure, protect the city's investment, and support a high quality-of-life standard.
- c. Develop and maintain passenger and operating facilities for a multi-modal regional transit system. Utilize sound methodology and principles to locate facilities to meet ridership demands and bus operations. Implement a maintenance and improvement plan that adequately addresses the needs of federally funded assets. Continue to design and construct facilities that use sustainable design standards, are attractive, and provide an enhanced sense of security to encourage increased use of public transit.

- d. Procure and maintain assets required to operate the transit system. Coordinate with local agencies to ensure transit infrastructure will support transit operations. Analyze routes to ensure they will support ridership needs.
- e. Coordinate, permit and document private utilities within city right-of-way and easement areas to minimize initial roadway disruptions, reduce future roadway cuts, maintain reasonable utility corridors for future growth, encourage future development and minimize visual impact for residents and businesses. Improve reliability and accuracy of as-built documentation through new technology to increase safety and reduce utility locating and relocation costs.
- f. Plan, design, develop and maintain a green infrastructure, such as interconnected trail systems that increase shade canopy coverage and promote pedestrian mobility, parks, preserves, tree and shade master plans and habitat restoration.

2. Establish and enhance inter-city transportation. Provide safe, efficient, sustainable, cost-effective multi-modal transportation systems to support economic growth, population growth, and competitiveness through connectivity to regional, national and global destinations.

Strategies

- a. Participate in, or lead, planning efforts to maximize the effectiveness of future freeway construction alignments or expansions to the existing freeway system. Coordinate with partners on sustainable funding mechanisms to support present and future infrastructure improvements to the freeway system.
- b. Maintain local access to city owned and operated aviation facilities and expand the national and international destinations its airlines serve. Continue to improve and enhance or expand internal airport transportation systems.
- c. Coordinate with the appropriate agencies on expansion plans for increased freight corridors and participate in planning efforts to expand the heavy rail system to provide additional links to out-of-state destinations.

- d. Plan, design, develop and maintain a regional multi-use trail system to connect Phoenix with adjacent cities or preserve areas to accommodate walkers, hikers, joggers, bicyclists and equestrians. Consider jointly-funded regional projects to enhance existing connections and to evaluate inter-city connections and future infrastructure needs.

3. Develop and operate public utilities.

Protect the public health and environment by providing reliable, efficient and affordable water, wastewater, storm water and garbage and diversion (recycling, reducing, reusing) services.

Strategies

- a. Manage, develop, operate and maintain infrastructure that is integrated, well-maintained, reliable, aesthetically pleasing and continuously improves the high-quality service delivery standards.
- b. Develop a financing plan for long-term sustainable infrastructure growth and replacement that implements an equitable fee structure and incentives for conservation.
- c. Use public/private partnerships for growth and economic development. Optimize regional partnerships to cooperatively utilize new and existing infrastructure to maximize collection efficiencies, implement new diversion and resource recovery technologies, minimize the need for future capital investment, reduce transportation demands and provide sustainable land reuse.
- d. Develop an asset management plan that identifies improvements needed to ensure reliability, regulatory compliance, operational efficiencies and resource recovery, while creating an integrated system that improves information access by sharing citywide and across departments.





4. Construct and manage public facilities. Provide safe, efficient, sustainable, cost-effective, well-maintained and aesthetically pleasing public facilities for delivery of municipal services to residents and visitors; build, maintain and manage capital assets to preserve long-term investment and ensure uninterrupted support services.

Strategies

- a. Apply benchmarking and other industry comparison techniques in order to manage costs and maintain industry-leading service levels.
- b. Communicate the value of Capital Asset Management and establish a dedicated funding source for city infrastructure repair and capital improvements.
- c. Plan, construct and maintain park buildings, trails systems, open spaces, picnic areas and ramadas, pools, playgrounds, lighted basketball, volleyball, soccer and softball facilities, restrooms, and golf courses that meet the diverse recreational and cultural needs of the city’s residents and visitors. Continue investment to maintain appearance and safety of existing facilities which could result in greater use.

INNOVATION AND EFFICIENCY

The city of Phoenix must further enhance its commitment to developing new and creative service delivery methods to provide services to residents. The recent economic climate challenges the city to do more with less, while maintaining high-quality public services. The city must also remain dedicated to developing and seeking continuous improvements in business processes, and maintaining a culture of innovation and efficiency. The recent efforts of the City Manager in creating the Innovation and Efficiency Task Force have helped set the stage as the city formalizes its approach.

Priorities

1. Infuse a mindset focused on innovation and efficiency into the city of Phoenix organizational culture. An “innovation and efficiency” way of thinking must become a much more prevalent part of the organization’s core value system and be integrated into the way every day business is conducted. Executives, managers, supervisors and frontline staff must embrace an attitude that questions existing business processes and practices throughout the organization, with the goal of fostering innovation through the creation and implementation of new ideas.

Strategies

- a. Develop a communication plan for executive and middle managers to create an innovation and efficiency movement through all levels of staff.
- b. Empower supervisory staff to encourage and reward the creation of innovative ideas as a dominant model within the organization.
- c. Build innovation and efficiency core values and skills sets into staff management practices, including recruitment, selection, orientation, development, mentorship, performance measurement and compensation systems.
- d. Cultivate and reward a philosophy of innovation through exploratory thinking among all employees.

2. Establish and support city programs and mechanisms focused on developing and implementing tangible innovations throughout the organization. The city’s innovation and efficiency efforts must be driven from the top to all levels, be results oriented, and demonstrate investment of available means. A proven approach involves assignment of resources dedicated to producing substantial innovative changes that enhance customer service, increase productivity, reduce costs and engage employees.

Strategies

- a. Assign an executive sponsor from the City Manager’s Office with the authority, responsibility and resources to provide strategic direction, guidance and support for innovation and efficiency objectives.
- b. Utilize technology and a standard business process evaluation approach to achieve optimal efficiency and streamlined systems in providing top quality services.
- c. Invest resources necessary to carry out innovation and efficiency strategies and objectives.
- d. Continue to evaluate and rightsource services to maximize efficiency while maintaining the highest quality public service.

3. Work continually toward elimination of barriers to innovation and efficiency. Several obstacles can stand in the way of creating an environment of innovation and pathways to efficiency. The organization must seek to identify these real or perceived hindrances and when appropriate, actively remove or facilitate working through them.

Strategies

- a. To lessen the “business silo” effect, provide incentives for department directors, managers and staff to collaborate, consolidate, streamline and adapt processes or functions that overlap or cross formal organizational structures.
- b. Identify unneeded requirements or obsolete expectations that unnecessarily slow down business processes and work to eliminate them.





4. Engage the Phoenix community in the city's innovation and efficiency methodologies to facilitate citizen involvement, input, and awareness.

Involvement by Phoenix residents in the accomplishment of the city's innovation and efficiency goals will boost the meaningfulness and connectedness of the achievements to the community. It is important for the city to enhance public awareness about innovation and efficiency achievements and make strong efforts to request relevant input.

Strategies

- a. Celebrate innovation and efficiency efforts and accomplishments on a citywide scale.
- b. Actively inform customers of innovation and efficiency efforts through available public communication methods and media.
- c. Improve the use of social media and expand the city's communication vehicles and processes with the use of technology.
- d. Continue to reach out to the community through the Mayor and City Council, Boards and Commissions, neighborhood associations and other stakeholders to engage the community and invite participation and input.

NEIGHBORHOODS AND LIVABILITY

To preserve healthy, vibrant, diverse and safe neighborhoods that enhance the quality of life for all Phoenix residents through neighborhood vitality, by providing a range of housing opportunities and choices, supporting quality parks and open space, and enriching its populace with a strong art and culture infrastructure, and an accessible and quality library system.

Priorities

- 1. **Support neighborhood vitality through strong partnerships, collaborations and by leveraging resources.** In order to preserve healthy, vibrant, diverse and safe neighborhoods, the city must support neighborhood self-reliance and enhance the quality of life for all residents through community-based problem solving, neighborhood-oriented services and public/private cooperation.

Strategies

- a. Encourage and continue to enforce compliance with city ordinances to prevent blight, address graffiti, illegal activities (dumping, signage and businesses) and deterioration in order to ensure a quality community.
- b. Strengthen the capacity of neighborhood organizations, volunteers, businesses, nonprofit and faith based organizations to assist in addressing neighborhood issues effectively in partnership with the city to make Phoenix an attractive place to live and work.
- c. Focus revitalization efforts in a manner that maximizes private and public resources to the greatest extent possible.
- d. Enhance the physical and economic environment of principally low- to moderate-income neighborhoods including continued strategic revitalization through the various programs and services supported and funded through federal, local and private resources.
- e. Ensure that new development in or adjacent to neighborhoods is compatible and promotes adaptive reuse of vacant and underutilized buildings and structures.

- f. Promote aggressive and appropriate neighborhood infill development to improve Phoenix neighborhoods, reduce decay and take advantage of opportunities to maintain healthy communities.

2. Provide a diverse range of housing opportunities and choices to Phoenix residents.

Promoting diversified housing opportunities enriches the quality of life for all Phoenix residents, including low- to moderate-income families, seniors, persons with disabilities and the homeless. Providing a range of housing opportunities allows the city to continue to preserve healthy, vibrant, diverse and safe neighborhoods.

Strategies

- a. Support strong housing development by designing all housing units, subdivisions and site plans in a quality manner to promote health, safety, functionality, attractiveness and sustainability.
- b. Increase homeownership opportunities to help stabilize neighborhoods.
- c. Promote and increase the availability of decent, safe and affordable housing and expand the supply of assisted housing choices.
- d. Encourage the development of special needs housing and supportive services for persons with disabilities, seniors, homeless and those with special needs. Work with for-profit and nonprofit organizations to promote and participate in a regional continuum of care system that will effectively transition persons who are homeless to appropriate permanent housing.
- e. Provide quality, affordable rental housing opportunities through the acquisition and rehabilitation of existing properties and construction of new rental units that focus on undergoing revitalization, receiving rehabilitation (federal and/or grant funding) benefiting low- and moderate-income households in collaboration with external partners.
- f. Support and ensure equal opportunity and fair housing by prohibiting unlawful discrimination in housing by addressing and reducing impediments.





3. Ensure Phoenix residents have quality parks and open space.

Partner with the community to provide a parks and recreation system that meets the needs of Phoenix residents and visitors that is convenient, accessible, and diverse in programs, locations and facilities.

Strategies

- a. Support healthy communities by providing clean, safe and accessible parks and recreational facilities that meet the needs of Phoenix neighborhoods and incorporate sustainable design standards with available resources.
- b. Support diverse and accessible educational and life enrichment activities that embrace art, dance, music, culture, fitness, nutrition, sports and out-of-school time as a foundation for recreational activities offered at parks and park facilities.
- c. Create a network of shared-use trails and pathways that are safe, convenient and connected within and between preserves and parks.
- d. Protect natural and open spaces, such as mountain and desert preserves, in order to preserve the environment and provide recreational opportunities for Phoenix residents and visitors.

4. Promote a strong arts and culture infrastructure. Continue to partner with the community to provide strong arts and culture facilities and programs to create a more beautiful and vibrant city which contributes to a better quality of life.

Strategies

- a. Enrich and infuse arts and culture into all aspects of Phoenix's life by integrating arts and culture into neighborhoods citywide and public art into planning and development of Phoenix's infrastructure.
- b. Generate public and private support and resources to strengthen, expand and stabilize funding for the arts.

5. Provide accessible and quality library systems to Phoenix residents.

Partner with the community to provide a library system that meets the needs of residents and visitors and is accessible, convenient and diverse in locations, programs and facilities.

Strategies

- a. Develop and maintain a system of public libraries with sufficient technology, materials, hours and staff to meet each community's needs.
- b. Design, build and maintain signature facilities that are accessible to all residents.
- c. Continue an aggressive plan of library development, expanding and/or renovating existing facilities and building new ones to meet residents' needs.
- d. Enhance library technology to provide greater access to the internet and electronic resources for library users.





PHOENIX TEAM

As the organization becomes leaner and continues to face increasing pressures for improved results, it becomes even more critical for a heightened connection between employees and their work, their organization, and the people they work for and with. Methods for motivating employees must be updated to keep employees engaged and retained within the organization. Additionally, traditional means of communication may no longer be adequate to convey critical information to both employees and the public.

Priorities

1. Establish pay and benefits and a workplace culture that attracts, retains and motivates a highly qualified workforce. Given the current state of the economy, the community has expressed interest in the current salary, benefits and overall compensation packages for government employees.

Strategies

- a. Conduct a study of current industry and professional pay levels and compensation practices by benchmarking other organizations.
- b. Explore alternate pay and benefit options.
- c. Actively seek out a diverse and talented pool of candidates who possess the values and skills consistent with organizational goals.

2. Provide a workplace culture that supports the health, productivity and efficiency of employees. The city of Phoenix understands that organizational success depends on a healthy, productive and efficient workplace and workforce. Employees also recognize that they can improve their lives by taking charge of their own health and making greater use of technology to ease ever increasing work demands.

Strategies

- a. Analyze and evaluate employee and retiree health care benefit options.
- b. Create citywide programs focusing on increasing employees' capacity to manage their own wellness and health care.
- c. Recommend technology uses for greater access to current credible data to make informed decisions and improve work responsiveness.
- d. Engage policy makers and senior executives in a unified, on-going cultural shift toward improving wellness productivity initiatives citywide.

3. Establish Communications Plans to engage and inform employees and the community. The city's recent budget challenges have made evident the necessity of providing clear, timely and accurate information to employees and the public to garner continued support for and achievement of organizational goals and continued quality services.

Strategies

- a. Develop and implement comprehensive internal communications to increase understanding and connection to city of Phoenix goals and values among employees at all levels of the organization.
- b. Promote more interdepartmental communication to increase consistency of messages, ensure faster decision making, empowerment, effectiveness and accountability.
- c. Create an alliance of understanding between employees and the public, through a variety of media formats, to accurately demonstrate and communicate the city's efforts in running a world-class operation.
- d. Use new technologies, such as Facebook, Twitter and other social media, to reach employees and the public.
- e. Develop opportunities to "showcase" improvements, accomplishments, and quality programs provided by employees that benefit the community.

4. Create development opportunities that enhance the city's standing as a high-performing organization. The city continues to reduce unnecessary hierarchy to improve efficiencies and speed communication and decision making. This has resulted in a flatter organization, increases in span of control, and consequently fewer promotional opportunities. Further, an increasing number of employees are leaving the city as they reach retirement eligibility. As a result, it becomes even more critical to manage and coordinate the available human resources effectively to provide leadership and ongoing quality services to the community.

Strategies

- a. Analyze and develop a reward and recognition program that supports the organization's goal to attract and retain top talent.
- b. Establish methods for capturing organizational knowledge and expertise through workforce planning efforts.
- c. Recommend professional development and training opportunities that reflect the key values of the organization.





5. Mobilize and leverage community partnerships and volunteer programs to enhance programs and services.

The city continues to make difficult choices regarding programs and services to our customers in light of revenue stream uncertainty. Additionally, the community has expressed interest in assisting the city in continuing to provide quality services to residents in a variety of areas.

Strategies

- a. Coordinate a citywide program that increases exposure to volunteer opportunities throughout the city of Phoenix.
- b. Use new technology to recruit, schedule, recognize and report on volunteers and their impact.
- c. Identify and engage with community and corporate partners to develop quality programs and services that can address the community's greatest needs.
- d. Explore and capitalize on opportunities to work with outside agencies to pool resources, share information and manage an increased number of volunteer projects.
- e. Work with city departments to identify new ways to engage volunteers in support of city services.
- f. Identify and implement a volunteer recognition program.

PUBLIC SAFETY

The city of Phoenix is committed to a high level of public safety and working in partnership with the community to maintain a safe and secure city. The Public Safety Study Area includes members of and services provided by the Police Department, Fire Department, Municipal Court, Prosecutor's Office and Office of Emergency Management. Working together, these departments strive to provide Phoenix with an environment of safety and security.

Priorities

1. Prevent crimes and accidents by enhancing community awareness of public safety systems and partnering with other crime prevention programs. The city provides the community with information about a variety of public safety issues including crime and accident prevention, information on the operation of the judicial system, and education on police and fire department services.

Strategies

- a. Provide information and education to Phoenix residents and visitors about actions that can be taken to keep themselves and their families safe.
- b. Provide residents and visitors with information about how public safety agencies deliver service to the community and the operation of the judicial system.
- c. Educate communities in traffic safety and the prevention of crime and accidents in the home and workplace.

2. Provide public safety workers with the tools necessary to professionally meet city and regional public safety needs.

Ensure that public safety workers have the training, education, equipment, facilities and other resources needed to provide a high level of service to the community.

Strategies

- a. Provide appropriate training, continuing education, professional development, programs and procedures to be able to better serve their customers, and support their safety and well-being.
- b. Provide appropriate management and planning support for public safety service providers.
- c. Provide necessary resources including personnel, equipment, vehicles, and facilities for public safety service providers.

3. Ensure timely and appropriate response.

The city of Phoenix deploys public safety workers in a manner that provides a timely and appropriate response to emergencies. Response resources include those needed for routine incidents as well as the capacity to respond to and manage natural and human-caused incidents of regional significance.

Strategies

- a. Deploy public safety resources to respond to emergencies within acceptable timeframes.
- b. Support emergency response with appropriate investigation and prosecution activities.
- c. Provide equal access to justice, professional and impartial treatment, and the fair and timely resolution of all court matters.
- d. Provide sufficient resources to manage incidents of regional significance.
- e. Work in concert with other public safety, governmental and non-governmental agencies to eliminate duplication and provide quality service and seek opportunities to work cooperatively to improve customer service and efficiency.
- f. Ensure that after an incident, recovery of public and private resources occurs in the affected area(s).





4. Provide strong customer service internally and externally. Every member of the community and every organization working in Phoenix is a public safety customer. Firefighters, police officers and officers of the court swear an oath to protect the people they serve. Every public safety worker should serve their customers with dignity and honor to develop mutual trust and respect.

Strategies

- a. Embrace diversity and treat every customer with respect, compassion, equality, and fairness and work in a way that engenders community trust and support.
- b. Build relationships with communities and the public that encourage collaboration, communication, trust, and understanding.
- c. Provide customers with a venue to openly discuss issues of concern.
- d. Seek opportunities to work cooperatively with other jurisdictions and groups to improve the efficiency and effectiveness of customer service.
- e. Maintain relationships with other city of Phoenix departments to ensure that public safety is incorporated into the plans and goals of non public safety departments.
- f. Provide volunteer opportunities for community members

5. Ensure fiscal responsibility in all public safety efforts. Public safety managers and public safety workers must be responsible stewards of the funds provided by the customers to support public safety efforts.

Strategies

- a. Encourage, support, and value innovation, efficiency, and continuous improvement.
- b. Be open to discuss and implement change in service provision methods and change in the needs of the communities that we serve.
- c. Constantly seek ways to reduce the cost of public safety services while preserving or improving the quality of the service provided.
- d. Utilize resources and technology carefully and effectively.
- e. Pursue grant funding from all sources, as appropriate, to provide public safety services.

SOCIAL SERVICES DELIVERY

The city of Phoenix has a long history of responding to community needs and providing services to those most in need. Building upon this foundation, the city is committed to continue seeking innovative and effective methods for delivering social services. The city will serve as a catalyst to support a full continuum of high quality services for Phoenix residents.

Though the city of Phoenix has, and will continue to respond to specific social services needs directly where appropriate, the framework of this plan defines and coordinates the greater scope of needs and services required by Phoenix residents. By providing a clear vision and continued leadership, city services will be provided in tandem with other resources provided by community and faith-based organizations, as well as, other levels of government.

Priorities

1. Strengthen the safety net of social services available to protect those who are most vulnerable or in crisis.

The city of Phoenix will assure those most in need have access to basic needs such as shelter and food. The city will connect the homeless, working poor, elderly, disabled and victims of violent crimes to core services needed to stabilize their lives.

Strategies

- a. Enhance the support and delivery systems of core services including shelter, utility assistance, housing, and food to vulnerable populations.
- b. Expand access to city and nonprofit programs providing essential services.
- c. Enhance the coordination of emergency programs to streamline client access to services.
- d. Increase the effectiveness of existing and new programs through the implementation of innovative service delivery models with increased emphasis on accountability and performance-based assessments.

2. Enhance the quality of life for low-income or at-risk individuals and families.

The city of Phoenix will empower all residents to live in safe, affordable housing and achieve economic self-sufficiency through access to social, employment, and other economic resources needed to maximize their quality of life.

Strategies

- a. Promote linkages to job training and other employment and educational resources empowering low-income households to realize a livable wage.
- b. Enhance the community's capacity to provide at-risk populations, including the disabled, elderly and chronically homeless, with access to supportive services leading to greater self-sufficiency.
- c. Develop performance-based measures, such as a "Return on Investment" (ROI) to promote effective program management and responsible fiduciary stewardship of fiscal resources.
- d. Create safe and affordable housing opportunities for all Phoenix residents by strengthening programs and services that enhance opportunities for households to gain and/or retain housing meeting their economic, social and cultural needs.





3. Build healthy, caring communities.

The city of Phoenix will promote rich, diverse and innovative networks of public, community, and faith-based programs, services, and facilities to maximize the potential of every community. The city will serve as a resource and a catalyst in strengthening neighborhoods and building community capacity.

Strategies

- a. Engage faith and community-based organizations by promoting awareness of social services issues and developing their ability to actively respond to these needs.
- b. Maximize the impact of faith and community-based organizations' participation on the health and capacity of social services networks by leveraging their increased support through coordinated planning and strategic partnerships.
- c. Enhance and expand the formal and informal networks connecting the social services sector (non-profits, faith community, etc.) to individuals and families in high need neighborhoods.
- d. Develop new and innovative mechanisms to improve the alignment and efficiency of local and citywide social services resources to meet neighborhood needs.
- e. Strengthen communities by promoting a broad and diverse continuum of programs and services.

SUSTAINABILITY

The city of Phoenix is committed to securing environmental and economic livability for future generations in the region, with an emphasis on solar energy production. Phoenix has long used sustainability as a guiding principle, believing that sustainable living is critical to ensuring that the actions we take today do not compromise the ability of future generations to meet their needs. Phoenix's sustainability motto, "Living Like it Matters!" reaffirms the sustainability creed that guides its current programs and future plans.

Priorities

1. Accelerate renewable energy

development. The city has a long-standing commitment to resource conservation and continues to be an active participant in energy conservation, efficiency and environmental preservation. Pursuing renewable energy development guides the city towards energy independence.

Strategies

- a. Pursue utility scale solar development through emerging technology on the SR 85 Landfill property.
- b. Implement small or distributed scale solar projects on city-owned buildings and property.
- c. Proceed with gas-to-energy projects at landfills and treatment plants.
- d. Develop effective public-private partnerships to secure timely power purchase and solar service agreements.

2. Enable opportunities for environmental stewardship.

Environmental sustainability is best achieved by encouraging shared responsibilities, protecting natural systems, and promoting the efficient use of natural resources. It is also important to implement policies, programs and practices that have a far-reaching effect on the environment.

Strategies

- a. Actively participate with the Maricopa Association of Governments (MAG) to attain and exceed federal air quality standards for the region.
- b. Create sound water management policy and ensure choices are available to engage residents in conservation efforts including water, solid waste, natural habitat and open space.
- c. Seek, evaluate and integrate emerging technologies and products including green building elements, environmental purchasing, energy management, alternative fuels, alternative surfacing materials and heat island reduction.
- d. Develop new methods to further reduce the tonnage of solid waste being hauled to landfills and increase recycling participation and diversion rates by residents.
- e. Continue attaining federal funds to pursue sustainability initiatives.
- f. Facilitate the development and expansion of local green businesses to achieve a stronger economy and job creation in the city.





3. Enhance sustainable land use and mobility practices. The success in sustainable land use and mobility lies in adopting policies that encourage the use of green infrastructure and buildings, brownfield redevelopment, creating connectivity within road networks and ensuring connectivity between pedestrian, bike, transit and road facilities.

Strategies

- a. Develop and implement voluntary programs and incentives for the community to participate in residential sustainability initiatives.
- b. Implement recommendations from the Tree and Shade Master Plan and develop integrated pedestrian, bicycle and transit plans.
- c. Utilize the Capital Improvement Program to achieve sustainability priorities.
- d. Promote mixed land use to achieve complete communities and encourage infill development.

4. Foster collaboration and communication. Empowering employees at all levels through collaborative workgroups will galvanize them to realize the city's sustainability goals. They in turn become an example of the city's efforts and progress to the community they serve. Communicating and celebrating the city's accomplishments is essential to motivating employees, customers, stakeholders and the public in achieving sustainability goals.

Strategies

- a. Strengthen and support the city's Sustainability Task Force efforts through a renewed organizational commitment and public/private partnership networking.
- b. Provide a mechanism to formally coordinate public information and education programs offered by the city and its partners regarding sustainability.
- c. Develop media campaigns, utilizing multiple channels to increase internal and external messaging on organization sustainability programs and accomplishments.
- d. Engage city of Phoenix employees by fostering a culture of sustainability.

TECHNOLOGY

Information technology is a vital part of a vibrant city government. Information technology, utilized appropriately, enables enhanced services to the community, increases efficiency of operations, delivers useful information, and supports innovation. The Phoenix Strategic Plan's Technology Area leverages technology to drive key actions that fundamentally enhance the way Phoenix connects to information.

Priorities

1. Provide seamless customer service.

A seamless customer experience is achieved when a customer interacts with both internal and external city service providers without experiencing service interruptions during the service delivery process.

Strategies

- a. Use technology to provide a consistent customer experience, based on standardized service processes applied to all forms of customer interaction.
- b. Enhance phoenix.gov as a single "front door" for residents and businesses by offering Web-based government services.
- c. Adopt and expand the concept of technology service catalogs and hardware/software services that assist internal and external customers with finding technical solutions to business problems.
- d. Support the concept of a single "3-1-1" contact center through which telephone and web inquiries can be funneled to provide efficient and timely customer support and case management tracking.

2. Increase operational efficiency through constant innovation.

Constant product and service innovation nurtures ideas and focuses on customer satisfaction, combines process and technology to enhance productivity and value, drives down operational costs and supports other city strategies.

Strategies

- a. Support and drive innovations that leverage technology and business solutions citywide.
- b. Focus on organization-wide applications, using right-sourcing and managed services where appropriate.
- c. Partner with city departments to conserve and redeploy resources while providing services supporting multiple city lines of business.
- d. Encourage development and use of computer-based business analysis processes and tools to more efficiently manage business data as well as help identify trends and innovations that impact customer service delivery.

3. Turn data into information through a web-enabled city.

When business data is stored in easily accessible, organization-wide repositories, the city can create opportunities to use this data to make better decisions. Internet-based information delivery and collection efforts empower the community to interact with and receive city services 24 hours a day, giving them the opportunity to conduct their business online versus waiting in line.

Strategies

- a. Investigate strategies to assist internal and external customers with access to data and web-based services at outlying city facilities.
- b. Identify common transactions and customer services within departmental business processes that can reasonably be developed into web-enabled services.
- c. Modify and implement online systems that utilize reengineered business processes for departments and the community.
- d. Create a technology foundation to support web-enabled government services.





4. Create a shared common infrastructure. Consolidating technological infrastructure around common IT components allows improved investments on behalf of the entire city. Strategic use of technology will result in tangible cost savings and results in the efficient and effective allocation of resources.

Strategies

- a. Establish citywide business standards and measurement criteria that support consistency in IT project management, project completion and realized benefits.
- b. Enhance IT standards and requirements that will govern information system design, development and operation across all city departments.
- c. Consolidate technologies where practical to take advantage of savings achieved through economies of scale.
- d. Secure software and hardware savings through volume purchasing and installation, and reduced maintenance costs.

5. Enhance information security and privacy. In today's business environment, information security and privacy form the foundation of technology projects. The city should create a comprehensive program to protect data and technology infrastructures, secure systems and assets, mitigate threats, and provide a mechanism for business continuity in emergencies.

Strategies

- a. Establish the organizational framework to develop and implement a comprehensive security and privacy program.
- b. Educate employees and residents about the importance of information security and about safeguards to protect confidential data.
- c. Collaborate with city security authorities to ensure a unified security and privacy framework.
- d. Investigate strategies to insulate the city's technology infrastructure from threats to information security and privacy by adopting and implementing industry-standard continuity of operations concepts.







Strategic Plan 2011-12 Major Accomplishments

ECONOMIC DEVELOPMENT AND EDUCATION

1. Developed a strategic plan that analyzed city's current business environment and identified potential target sectors for Phoenix.
2. Attracted 18 new wealth generating employers that created 2,643 new jobs and resulted in new capital investment of \$164 million and assisted the growth and/or retention of 335 existing businesses that are projected to create or retain 2,025 jobs.
3. More than 138,000 visitors came to Phoenix one stop centers to receive job referrals, obtain case management services and/or be referred for training.

FINANCIAL EXCELLENCE

1. Enhanced Compliance Initiative: New collection and assessment of more than \$6 million in sales taxes.
2. Confirmation in May 2011 for AAA excise tax bond rating by Standard & Poor's and significant refinancing savings.
3. Receipt of Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA)
4. Maintained comprehensive and continuous auditing of high-risk areas.

INFRASTRUCTURE

1. Project Management of PHX Sky Train Stage 1 on schedule and within budget; included approval to begin construction on the extension of the train to Terminals 3 and 2.
2. Successfully completed 65 miles of pavement resurfacing using \$28 million in American Recovery and Reinvestment Act (ARRA) funding. The project has decreased the paving cycle on major streets from 80 years to 55 years, reducing the risk of much more costly reconstruction in the future.
3. Executed Public/Private Partnership to design and construct a booster pump station and three miles of a transmission main in the Camelback Core area.

INNOVATION AND EFFICIENCY

1. Citywide outsource of services increased 39 percent over the past six years; 10 percent of the increase was in from fiscal year 2010-11 to fiscal year 2011-12.
2. Budget savings of \$40,506,080 over two fiscal years.
3. Approval to hire a chief innovation officer.

NEIGHBORHOODS AND LIVABILITY

1. Received HUD award of a \$20 Million HOPE VI Grant for the revitalization of the Frank Luke Addition public housing site. The overall revitalization of the properties including the service programs and community leverage totals \$69 million.
2. Smart Phone Applications to Report Violations – In partnership with private sector, a total of 651 blight complaints, 918 graffiti complaints, and 95 shopping cart complaints were reported through this application, for a total of 1,664 complaints.
3. The Office of Customer Advocacy reopened in June 2011 with three staff dedicated to guiding small business customers through the development process.
4. More than 40,600 children in Phoenix participated in the Library's summer reading program.

PHOENIX TEAM

1. Revamped and re-designed Inside Phoenix, an employee intranet resource.
2. Conducted a pay and benefits study benchmarked against other public and private employers.
3. Expanded the use of technology for greater access to information, including EPMG implementation and teleconferencing selection interviews to reduce travel expenses.





PUBLIC SAFETY

1. For fiscal year 2010-11, the overall number of reported violent and property crime offenses in Phoenix remained relatively consistent with the record low levels reported in fiscal year 2009-10.

The overall number of reported violent crime incidents did rise slightly (1.2 percent or 95 more incidents) in fiscal year 2010-11 compared to the previous fiscal year, the violent crime totals were still lower than every previous fiscal year period except fiscal year 2009-10 recorded in the past 10 years. The overall number of reported property crimes decreased 2.6 percent in fiscal year 2010-11 compared to fiscal year 2009-10, representing the lowest number of reported property crime incidents in the past 10 years.

2. An Implementation Team monitored and reviewed the Police Department's work on 34 recommendations developed by the City Manager's Community Engagement and Outreach Task Force. For example, Police expanded the number of academy classes from two to four and conducted one in Spanish and developed a shorter version of the Academy to accommodate those who don't have the time to attend the full Academy.

3. The Fire Department completed the conversion of engine company and ambulance paramedic staffing that was envisioned in the department's 2007-2012 Strategic Plan. This conversion has reduced the number of multi-unit responses, holding down the response time to fire and medical emergencies, getting paramedics to the side of the customer sooner, saving fuel, reducing response risks, saving wear and tear on apparatus, and getting response units back into service in their first-due area faster.

4. Fire Department first unit response times have dropped from an average of five minutes and 15 seconds in fiscal year 2006-07 to an average of four minutes and 41 seconds in fiscal year 2010-11, a reduction of 10.8 percent.

SOCIAL SERVICE DELIVERY

1. Implemented a comprehensive Ongoing Monitoring Plan, in coordination with contracted delegate agencies, comprised of tools to evaluate compliance with detailed Head Start performance standards.

2. More than 5,500 low-income households filed tax returns at 21 free tax preparation sites, resulting in over \$9.1 million in tax refunds. Tax preparation cost savings of \$1.7 million was generated by 274 volunteers who donated 11,600 hours at the city sites including five new locations.

3. New construction for Encanto Pointe, a 54 unit apartment complex for chronically homeless individuals, is the city's first based on an innovative Housing First model. The NRP Group and Native American Connections were selected to serve as the developer, operator and supportive services provider.

SUSTAINABILITY

1. Completed Solar Energy Projects at Sunnyslope Community Center & Gym, Fire Station No.1, Burton Barr Central Library and Metro Facilities and solar was installed on 445 residential homes through the Solar Phoenix program a public private collaborative partnership between the City of Phoenix, National Bank of Arizona, Arizona Public Service and Solar City. Through the Solar Phoenix solar financing program, \$25 million in private funding was invested resulting in the addition of three megawatts of solar capacity.

2. Conducted 11 three-day household hazardous waste events across the city which included approximately 9,671 total households and collected 5,995 gallons of oil and 1,685 pounds of antifreeze along with other items.

3. Implemented a voluntary Phoenix Green Construction Code for those developers who wish to use green standards. Use of this code will allow Phoenix developers to build to a certifiable green standard without having to pay costly fees for third-party programs. It is amongst the first in the country.

TECHNOLOGY

1. Significant progress toward PCI Compliance initiatives.

2. Rightsourcing - managed service next generation telephony and network system, and rightsourced an Alternative Data Center.

3. Upgraded eCHRIS, Customer Billing Information System, Tax and License System.







The city of Phoenix maintains a Standard & Poor's AAA general obligation bond rating, with a stable outlook, making Phoenix the only city in the top six largest U.S. cities to offer this outstanding rating.





2012 Strategic Plan Goals as of June 2012

ECONOMIC DEVELOPMENT AND EDUCATION

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|---|---|--------------------|-------------------------------------|--|-----------------------------------|
| Significantly increase visitations to existing businesses to increase pipe line leads | CEDD initiated visits with a company with no known project | First Quarter 2012 | Included in base program budget | CED | J. Chan, CED director |
| Attract new companies in high growth sectors | Outreach efforts conducted to attract and retain employers within high growth job sectors | Third Quarter 2012 | Included in base program budget | CED | J. Chan, CED director |
| Provide the dedicated space, computer technology, equipment and information materials for at least 4,500 people to visit College Depot at Burton Barr Central Library, annually | 4,500 visitors to College Depot annually | Calendar Year 2012 | Included in the base program budget | Library Department, College Depot Division | Judy Reno, College Depot director |

FINANCIAL EXCELLENCE

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|---|---|---|--------------------------|---------------------------|--|
| Prioritize the use of existing resources, for example remaining GO bond funds and pay-as-you-go (cash) funding, to address the highest priority needs | Develop prioritized schedule of projects | GO Bond Priority: December 2011 Other resources: December 2012 | Included in Base Program | Budget and Research | M. Paniagua, Budget and Research director |
| Update and maintain financial polices that achieve high bond ratings | Bond rating and outlooks from rating agencies | December 2012 | Include in Base Program | Finance | J. DeWitt, Finance director Vacant, city treasurer R. Piotrowski, Investment and Debt. manager |





INFRASTRUCTURE

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|--|--|---------------|--------------------------------------|---------------------------|--|
| Plan, design, develop and maintain a regional multi-use trail system to connect Phoenix with adjacent cities or preserve areas to accommodate walkers, hikers, joggers, bicyclists and equestrians | Purchase 592 acres of Sonoran Preserve Land | December 2012 | \$10.4 million | Parks and Recreation | K. Williams, deputy director |
| Right-size the Public Works fleet to ensure proper utilization and replacement standards | Remove a projected 349 underutilized vehicles, driven 2,500 miles or less and/or used less than three out of five business days from the fleet | June 2012 | Cost savings of \$362,250/ recurring | Public Works | J. Giudice, Public Works deputy director-Fleet Services |
| | Propose amended language to existing AR 6.11 to establish fleet utilization standards as an annual consideration for all departments | June 2012 | \$0 | Public Works | J. Giudice, Public Works deputy director- Fleet Services |

INNOVATION AND EFFICIENCY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|---|--|----------------|--|---------------------------|--------------------------------------|
| Improve use of social media and expand the city's communication vehicles and processes with the use of technology | 5,000 viewers on the city of Phoenix YouTube site: youtube.com/cityof phoenixaz | July 2012 | \$0 | PIO | T. Maccarone, PIO director |
| Continue to evaluate and rightsource services to maximize efficiency while maintaining the highest quality public service | Evaluate and recommend outsourcing the Senior Meal Program to the Phoenix City Council | April 30, 2012 | Current year estimate of the Senior Meal Program is more than \$5 million and potential cost savings could be recognized through the RFP process | Human Services Department | D. Jonovich, Human Services director |





NEIGHBORHOODS AND LIVABILITY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|--|---|--------------------|---|----------------------------------|-----------------------------|
| Strengthen the capacity of neighborhood organizations, volunteers, businesses, nonprofit and faith based organizations to assist in addressing neighborhood issues effectively in partnership with the city to make Phoenix an attractive place to live and work | Neighborhood Services staff to work with community and develop a neighborhood capacity continuum, identifying assets, needs and resources for creating a Neighborhood College for residents | June 2012 | Base Program | Neighborhood Services | C. Hallett, director |
| | Implement a Community Engagement Program | June 2012 | Base Program | Public Works | J. Trujillo, asst. director |
| Promote and increase the availability of decent, safe and affordable housing and expand the supply of assisted housing choices | Provide conventional public housing and single family home options for individuals, families and seniors by maintaining a 98 percent occupancy rate | June 30, 2012 | Base Program | Housing | K. Dorney, director |
| Promote aggressive and appropriate neighborhood infill development to improve Phoenix neighborhoods, reduce decay and take advantage of opportunities to maintain healthy communities | 160 Single family homes acquired, rehabbed and resold through the Neighborhood Stabilization Program 1 and 2 | June 2012 | NSP1-Housing and Economic Recovery Act of 2008 (HERA) NSP2-American Recovery and Reinvestment Act of 2009 (ARRA) | Neighborhood Services | C. Hallett, director |





PHOENIX TEAM

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|--|---|--------------------|---------------------------------|----------------------------------|--|
| Develop and implement comprehensive internal communications to increase understanding and connection to city of Phoenix goals and values among employees at all levels of the organization | Develop internal communication plan | January 2012 | Included in base program | PIO | T. Maccarone, PIO director J. Valdez, PIO |
| Create citywide programs focusing on increasing employees' capacity to manage their own wellness and health care | Develop wellness plan | March 2012 | TBD. Health Care Benefits Trust | Human Resources | M. Kyle, HR deputy director |
| Recommend professional development and training opportunities that reflect the key values of the organization | Implement training programs | December 2012 | \$40,000 (consultant) | Human Resources | J. Smith, HR director |
| Use new technology to recruit, schedule, recognize and report on volunteers and their impact | Report on citywide volunteer statistics quarterly and develop new metrics to measure the impact of their service. | July 2012 | \$78,000 (software) | CMO | C. Aguilar, management assistant II |





PUBLIC SAFETY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|---|--|---------------------|-----------------------------|--|--|
| Encourage, support and value innovation, efficiency, and continuous improvement | Complete the review of the Public Safety efficiency studies and begin implementation as appropriate | Ongoing, continuous | Included in Base Program | Emergency Management, Fire, Law, Municipal Court, Police | Emergency Management Coordinator S. Krushak Fire Chief B. Khan City Attorney G. Verburg City Prosecutor A. Carreón-Aínsa Chief Presiding Judge R. Song Ong Police Chief D. Garcia |
| Embrace diversity and treat every customer with respect, compassion, equality and fairness and work in a way that engenders community trust and support | Develop an eight-hour training module for officers focused on interpersonal communication, cultural competencies and ethics | December 2012 | Included in Base Program | Police | Police Chief D. Garcia |
| Deploy public safety resources to respond to emergencies within acceptable timeframes | Answer 911 calls within 10 seconds, 90 percent of the time | June 2012 | Included in Base Program | Police | Police Chief D. Garcia |
| | Maintain initial arriving emergency response time below the average for the past three years and maintain ambulance response times below the state-mandated standard | June 2012 | Included in Base Program | Fire | Fire Chief B. Khan |





SOCIAL SERVICE DELIVERY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|--|--|-------------|--|--|--|
| The Family Advocacy Center (FAC) will partner with the ASU Ruth V. McGregor Family Protection Clinic to provide wrap around services to victims of domestic violence and sexual assault | FAC clients will have access to no cost legal services and ASU clients will have access to no-cost FAC case management, advocacy and counseling services | June 2012 | Included in HSD base program funding | Human Services Department Family Advocacy Center | J. Del-Colle, Family Advocacy Center director |
| Develop employment initiatives consisting of formalized partnerships with various employment service providers creating job opportunities for families including programs mandated by HEARTH | Implementation of initiatives | July 2012 | TBD (Pending adoption of federal budget for fiscal year 2011-2012) | Human Services Department, Community and Senior Services Divisions, Family Advocacy Center | M. Gallegos, Human Services deputy director J. Del-Colle, Family Advocacy Center director |

SUSTAINABILITY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|--|--|---------------|---|---------------------------------------|--|
| Continue implementation of federally funded sustainability initiatives | Identify and formalize community partnerships in the implementation of the \$2.9 million federal planning grant for the Reinvent Phoenix Program | December 2012 | \$2.9 million | Planning and Development | C. Upton, planner II |
| Develop new methods to further reduce the tonnage of solid waste being hauled to landfills and increase recycling participation and diversion rates by residents | Pilot a multifamily and residential diversion program at the Park Lee Apartments and a selected quarter section and determine feasibility to expand the program to city multifamily properties and citywide residential solid waste customers. | June 2012 | Included in HSD and Public Works base program | Housing and Public Works | K. Dorney, Housing director John Trujillo, Public Works acting director |
| Implement small or distributed scale solar projects on city-owned buildings and property | Achieve at least 10 megawatts of renewable energy capacity at facilities citywide in pursuit of the Renewable Energy Goal of 15 percent | December 2012 | Included in Power Purchase Agreement | Public Works and Selected Departments | C. Bristo, Phoenix Sustainability officer D. Laloudakis, energy manager |





TECHNOLOGY

| Strategy | Measurable Outcome | Target Date | Budget Consideration | Responsible Department(s) | Key Staff Members |
|---|--|--------------------|---|----------------------------------|--------------------------|
| Support citywide technology related initiatives coming from all areas of the Strategic Plan, IETF, Technology Planning process and the chief innovation executive | Expand Next Generation Telephony to at least 10 additional locations to continue to replace legacy telephone system | December 2012 | Included in Base Program | Information Technology Services | R. Sweeney, CIO |
| Rightsourcing - citywide email system and end user device replacement. | Initiate contracts and implement agreements to replace the city's aging email system and end user devices | December 2012 | TBD depending upon results of RFI process | Information Technology Services | R. Sweeney, CIO |
| Expand Green IT - better use of Alternative Data Center | Lower the citywide server footprint by reducing the ratio of server rack units of departments in city facilities relative to the servers in the Phoenix ONE datacenter | December 2012 | Included in base program and pending future budget considerations | Information Technology Services | R. Sweeney, CIO |





City Manager David Cavazos created the city's Innovation and Efficiency Task Force to develop and implement innovative processes that would result in more efficient delivery of services to the community, while maximizing the use of limited taxpayer dollars.





Our Commitment To Excellence

The city of Phoenix continues its pursuit of excellence throughout the organization. Delivering quality, efficient and cost-effective services to Phoenix residents is the cornerstone of the organization's commitment to public service. Because of the lengthy economic recession, city employees have worked hard as individuals and on teams to deliver quality customer service with fewer resources. Nothing illustrates this point better than the innovative partnerships we have formed with community members to ensure that the city uses its resources wisely. One of the most successful partnerships is the Innovation and Efficiency Task Force.

City Manager David Cavazos created the city's Innovation and Efficiency Task Force in 2010 to develop and implement innovative processes that would result in more efficient delivery of services to the community, while at the same time maximizing the use of limited taxpayer dollars. The task force is made up of private-sector members and city management and was charged with examining alternative service delivery methods, identifying organizational structure efficiencies, addressing cost recovery and revenue enhancement opportunities, and ensuring the city's continued focus on customer service.

To accomplish its goals, the task force established work groups to collaborate with every city department to identify specific improvements and cost-saving initiatives. More than 1,100 ideas were proposed by employees through a website suggestion program. Thus far, the Innovation and Efficiency Task Force has achieved more than \$40 million in ongoing savings.

In recognition of this collaborative approach, the city of Phoenix received the Outstanding Achievement in Local Government Innovation Award from The

Alliance for Innovation. The Alliance for Innovation seeks out innovative practices, challenges existing business models, exchanges knowledge, and provides products and services that helps local governments and business partners perform their best.

As the task force moves forward, the City Manager continues to encourage seeking additional innovative and efficient practices to add to the overall success of this critical citywide program. To accomplish this goal, five new work groups have been established to assist with identifying and analyzing areas of existing city business and services that need further evaluation:

- Communications
- Process Improvement
- Right-Sourcing
- Regional Public Partnerships
- Technology

These work groups will collaborate with every city department as well as external stake holders to continue identifying specific improvements and cost saving initiatives.

The city's commitment to maintaining a highly-trained and well-educated workforce is imperative to achieving the maximum contribution a workforce can provide to the customers they serve. It is due to this philosophy that the city and its employees are continually recognized by a variety of professional organizations for our longstanding commitment to excellence. The following is a list of some of the awards and recognitions received by the city during the course of this fiscal year:

- The Finance Department received a distinguished Certificate of Achievement for its 2010 Comprehensive Annual Financial Report (CAFR) from the Government

Finance Officers Association of the United States and Canada (GFOA). The city has earned the award continuously since 1976.

- The National League of Cities, National Black Caucus of Local Elected Officials chose Phoenix as one of its 2012 Cultural Diversity Award winners. As one of five national winners, the city of Phoenix was honored for the Community Engagement and Outreach Task Force. This group of residents, businesses, faith leaders and staff worked together to open dialogue and enhance partnerships between Phoenix Police and the community.
- The city of Phoenix earned recognition from National Geographic as one of the nation's best hiking cities. National Geographic refers to South Mountain Park/Preserve as "a veritable wilderness in the city." Phoenix's desert preserve system has more than 30,000 acres and close to 200 miles of trails. Nearly 700,000 city residents visited a Phoenix desert park or preserve in the past year.
- The Neighborhood Services Department won a gold rating for the "Our Neighborhood" newsletter for its layout, content and design from Neighborhoods USA, a national non-profit organization committed to building and strengthening neighborhood organizations. The newsletter is published quarterly and is sent to more than 900 subscribers through the Neighborhood Services Department's neighborhood notification database and includes valuable information about homeownership programs, code compliance, blight elimination, volunteer opportunities and many other topics to help strengthen our neighborhoods.





- The city of Phoenix has been named one of the Valley's healthiest employers by The Phoenix Business Journal. The city ranked 13th among large employers with 1,500 or more employees.
- The city of Phoenix received the International City/County Management Association (ICMA) Certificate of Excellence for Performance Measurement for its commitment to continuous learning and improvement based on a criterion of effective, results-orientated management practices. Phoenix was one of 28 jurisdictions receiving such an honor this year. The ICMA is an organization that advances professional local government and supports nearly 9,000 city, town and county organizations and individuals worldwide.
- The Water Services Department's Corona Service Yard has been awarded LEED Silver Certification by the U.S Green Building Council. LEED is the nation's preeminent program for the design, construction and operation of high performance green buildings. The Corona Service Yard achieved LEED Silver Certification for energy use, lighting, water and material use, as well as incorporating a variety of other sustainable strategies that ultimately save money for customers, reduce greenhouse emissions and contribute to a healthier environment for the community.
- Hundreds of city parks, recreation facilities and other spaces to play have earned the city of Phoenix Playful City USA honors for 2011 from KaBOOM!, a national non-profit dedicated to encouraging cities to devote time, energy and resources to creating play opportunities for kids. This is the fifth consecutive year that Phoenix has earned the designation. To earn the award, each Playful City USA community must demonstrate creative commitments to the cause of play in the areas of quantity, quality and access.

The Community Contributes to Our Success

Volunteers also "make Phoenix better" and in 2011 a volunteer coordinator was hired in the City Manager's Office to oversee the important roles that many residents serve as volunteers with city programs, boards, commissions, task forces and committees. The volunteer coordinator works to expand volunteer opportunities, increase the number of volunteers, and track citywide volunteer efforts and recognition. Volunteers are an integral component to the delivery of city services. Since the creation of the Citywide Volunteer Program in fiscal year 2010-11, approximately 24,000 volunteers have assisted 16 departments and donated more than 491,000 hours.

We are Committed to Making Phoenix Better

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

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

Not only do city of Phoenix employees follow these guiding principles in their workplace, they show they care about the community they serve by contributing financially to the Valley of the Sun United Way through the city of Phoenix Community Service Fund Drive. This year, employees contributed \$1 million to United Way agencies during the "Exercise Your Power to Change Lives" campaign.

City of Phoenix employee organizations and departments coordinate various fund raising events to assist communities in need both locally and globally. In addition, city employees volunteer in the community with many organizations serving a wide range of causes.





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

- The International Society of Arboriculture (ISA) recently awarded Richard Adkins, the Parks and Recreation Department's forestry supervisor, the True Professional Award. Richard was one of seven 2011 recipients. The ISA grants the award to forestry professionals that demonstrate special achievement in cultivating fruitful relationships with clients, successful initiatives in community education and contributions to the betterment of the profession. Richard shares his knowledge with residents through free tree care workshops where participants learn how to properly plant and maintain trees.
- Jerry Oliver II, a detective in the Phoenix Police Department, was a recipient of the Dr. Martin Luther King Jr. Living the Dream Award. Detective Oliver was honored for his role as a liaison to community groups, including the African-American, Liberian, Somali, Sudanese and Nation of Islam communities. Detective Oliver has helped bring community partners and law enforcement together to create a better future for Phoenix children, and his efforts to protect individual civil rights have made the city a better place to live and work for all its residents.



Richard Adkins was recognized for his commitment to urban forestry and educating the community about the importance of trees.





City of Phoenix Excellence Awards

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

- Jacob C. Steinbach, Elizabeth Sugges, Maria Uhing and Nathan J. Watts from the Law Department were recognized for establishing Teen Court. Also known as youth courts or peer courts, Teen Courts are made up of youth volunteers who act as jurors, lawyers, bailiffs, clerks and judges in actual misdemeanor cases involving first-time juvenile offenders. Teen Court participants learn to respect the rule of law, develop positive citizenship, become more civic-minded and do better in school. What's more, the relapse rate among juveniles whose cases are heard in Teen Court is only 4 percent. Last year, the team helped establish three new Teen Courts in Phoenix: at the city of Phoenix Municipal Court, the Ed Robson Boys & Girls Club and Orangewood Church of the Nazarene. The team partnered with the city Prosecutor's Office, Paradise Valley School District, the Ed Robson Boys & Girls Club, the YMCA and the Maricopa County Juvenile Probation Office, which administers the countywide Teen Court program. The team is dedicated to the city's youth.

- Don Cross has brought national attention to the Street Transportation Department's School Safety Program. A highlight of the program is National Walk to School Day in October, which is celebrated across the country. In 2010, Don expanded the event to four days from one. Under his leadership in 2011, the observance evolved into five weeks of safety assemblies and walk-to-school events. More than 50 Phoenix schools and 50,000 pupils, parents and teachers participated in the program in 2010 and 2011. These were the largest such events in the country, and certainly the largest coordinated by a single individual. The National Center for Safe Routes to School even featured the Phoenix program on its website.



Don Cross was recognized for growing the city's National Walk to School Day into a five-week observance that includes numerous safety assemblies and walk-to-school events.





Employee Suggestion Awards

The Employee Suggestion Program (ESP), which began in the mid-1950s, has saved millions of dollars through direct cost savings and other productivity and cost-avoidance improvements. Employees can make improvement suggestions for any city operation, not just for their own department. Some examples of employee suggestions implemented in the 2011-12 fiscal year:

- Many of the city of Phoenix park facilities have playground sites for patrons to enjoy. A resilient surfacing is installed under and around the playground area to protect children from serious injury if they fall. Repair and replacement of the resilient surfacing is currently handled by a contractor that charges a “show up” fee of \$600 even when the area needing resurfacing is small. James Hardy and Arthur Munoz, Parks and Recreation Department building maintenance workers, were trained by the distributor of the surfacing material how to mix and apply the material needed to make the necessary repairs. James and Arthur decided to organize and conduct a training class for other building maintenance workers. There

were 15 building maintenance workers who successfully completed the first training class. Since most resilient surface repairs were small, only an hour of labor and a minimal amount of material was needed to complete the job. There are about 150 parks with playgrounds, so small repair services performed by the contractor could become costly. In addition to saving money, repairs are completed more timely creating a safer environment for children.



James Hardy and Arthur Munoz, Parks and Recreation Department building maintenance workers were trained to mix and apply resilient surfacing under and around the playground, saving the city money, repairs creating a safer environment for children.





- Dale McKendrick, water resource specialist in the city's Water Services Department, was recognized for exemplary efforts to further the department's research on wastewater flows associated with small- and medium-sized developments. Measuring the flow of wastewater is necessary to determine the size of water and wastewater infrastructure needed to accommodate future residential and commercial developments. Currently, there is not a reasonably priced meter on the market that accurately measures flow volume below one inch. Dale created a hybrid meter that combined two flow measurement technologies which independently are unable to provide accurate data in low flow sewer conditions. By integrating the two meters, the short-comings associated with the existing types of equipment were overcome. The types of information that can now be collected using Dale's innovation will be critical for revising new development design guidelines and updating citywide water and wastewater master plans and will potentially save the City and development community millions of dollars by the ability to more accurately size future infrastructure.
- Manuel Reyes, trades helper in the city's Housing Department, was able to renegotiate exterminating services for the Marcos de Niza public housing complex. Manuel worked with the city's current provider to institute "bulk" sprays versus individual unit sprays. The exterminating company agreed to reduce the individual unit cost if 15 or more units were serviced during one visit to the property. In addition to coordinating the services needed at Marcos de Niza, Manuel was able to have the reduced pricing extended to the seven remaining public housing sites. Manuel's negotiation and coordination efforts saved the city of Phoenix more than \$7,000.

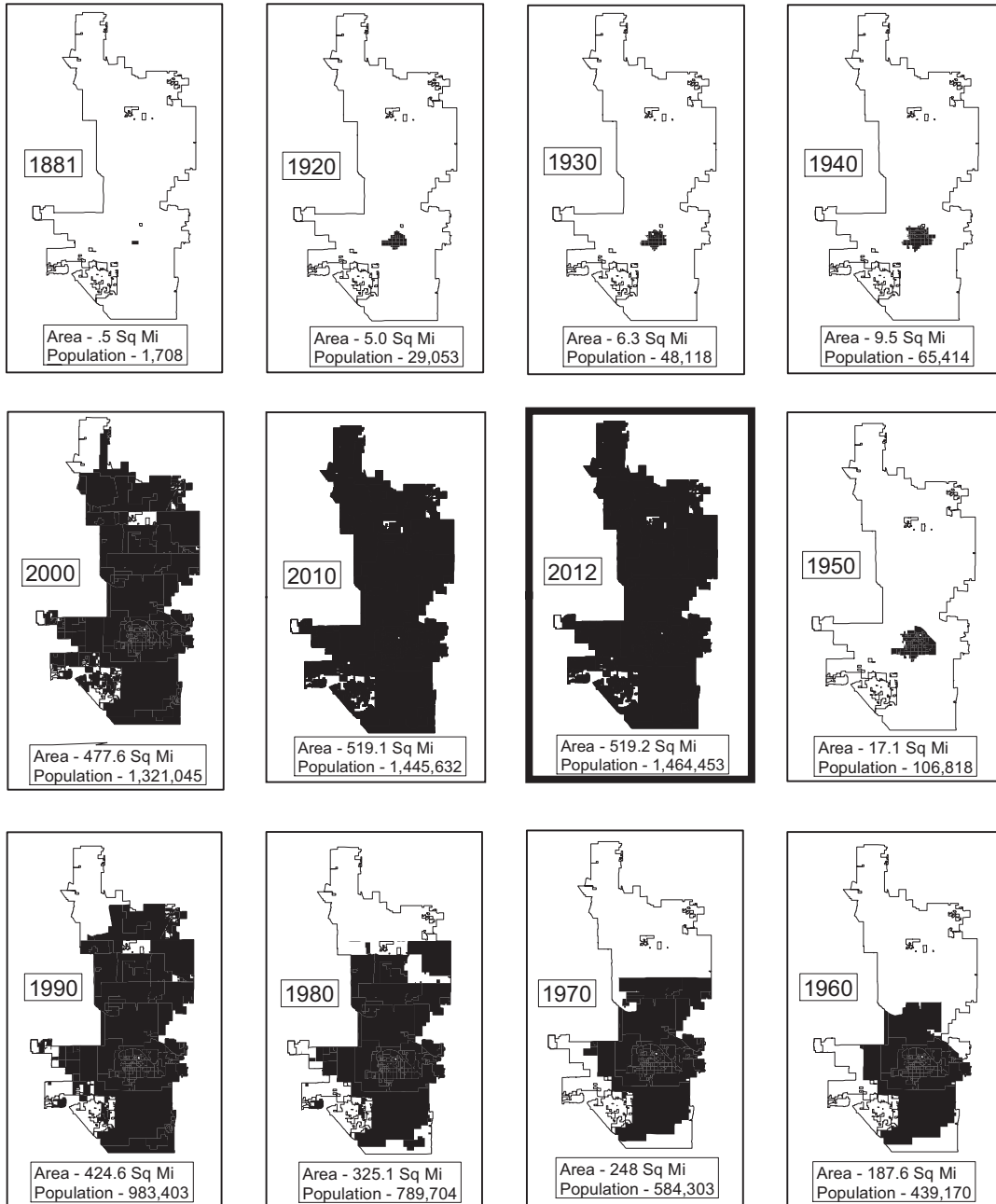
As you can see, we work very hard to earn our reputation as a well-run city. We strive to be leaders in our professions. Each day the core values of our organization - what we call our "Vision and Values" - are at the root of everything we do.







PHOENIX GROWTH





Community Profile and Trends

Phoenix was founded in 1870 as an agricultural community and was incorporated as a city in 1881. The City Charter, under which it is presently governed, was adopted in 1913 and has been amended by Phoenix voters from time to time since then. The charter allows Phoenix to determine its governmental structure and levy revenue and privilege license taxes. A council-manager form of government was also adopted in 1913. Under this organizational structure, the Mayor and Council appoint a city manager to act as the chief operating officer. The City Council sets policy direction, and the city manager is responsible for implementing those policies in an efficient and effective manner. In 1982, a group of residents initiated an effort to move to a district system for electing council members. These residents were concerned that at-large elections resulted in an organization that was less responsive to neighborhoods. The initiative was passed by the voters of Phoenix, and the number of Council seats was increased from six to eight. The Mayor continued to be elected at-large.

Economic Diversity

Phoenix has grown steadily, especially since 1950. The 1900 Census recorded Phoenix population at 5,544. In 1950, the city occupied 17 square miles with a population of almost 107,000, ranking it 99th among American cities. The recent 2010 Census recorded Phoenix population at 1,445,632. The city currently encompasses 519.2 square miles.

Today, Phoenix is the sixth most populous city in the United States, state capital of Arizona and center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Surprise, Goodyear, Avondale, El Mirage, Tolleson and the towns of Gilbert and Buckeye. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is widely known for its mild, sunny winters and hot summers and receives an average rainfall of seven inches a year.

The Phoenix metropolitan area employment mix is well diversified and fairly similar to that of the United States as a whole. An exception is construction and financial employment, which comprise more of Phoenix's employment mix than the United States average due to historical rapid population and employment growth. Additionally, the Phoenix area's manufacturing mix is much more concentrated in high technology than the United States. The high technology manufacturing sectors are cyclical in nature and may be more impacted during periods of economic slowing than other manufacturing sectors. The primary employment sectors and their share of total employment in the Phoenix metropolitan area consist of service industry (45%); trade (17%); government (14%); construction (5%); financial activities (8%); and manufacturing (7%). Major employers of the Phoenix metropolitan area include the state of Arizona, Wal-Mart Stores, Inc., Banner

Health Systems, city of Phoenix, Wells Fargo and Company, Bank of America, Maricopa County, Arizona State University, Apollo Group, Inc., JPMorgan Chase & Co., Intel Corporation and US Airways Group, Inc. The top ten property taxpayers, based on secondary assessed valuation, are Arizona Public Service Company, QWest Communications (CenturyLink), Southwest Gas, Westcor Company LP/Macerich Management Company, Host Kierland LP, AT&T Corporation, LBA Realty Fund, Metropolitan Life Insurance Company, Starwood Hotels and Resorts, and Wells Fargo and Company. These taxpayers make up just over six percent of total assessed valuation.

Demographics and Economic Statistics

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





| | 1970-71 | 1980-81 | 1990-91 | 2000-01 | Actual 2010-11 | Estimated 2011-12 | Projected 2012-13 |
|---|----------|----------|-------------|-------------|-------------------|----------------------|----------------------|
| Demographic Profile | | | | | | | |
| Population ¹ | 584,303 | 789,704 | 995,896 | 1,350,435 | 1,445,632 | 1,464,000 | 1,482,000 |
| Percent of Population by Age | | | | | | | |
| Under 5 | 8.8 | 7.8 | 8.5 | 8.5 | 8.3 | | |
| 5-19 | 29.9 | 25.0 | 21.6 | 21.5 | 23.0 | | |
| 20-44 | 32.2 | 39.3 | 42.9 | 42.8 | 37.2 | | |
| 45-64 | 20.4 | 18.6 | 17.3 | 17.3 | 23.1 | | |
| 65+ | 8.7 | 9.3 | 9.7 | 9.8 | 8.4 | | |
| Percent of Population by Race ¹ | | | | | | | |
| Caucasian | 93.3 | 78.1 | 71.9 | 55.8 | 65.9 | | |
| Black/African American | 4.8 | 4.7 | 4.9 | 4.8 | 6.5 | | |
| American Indian/Alaska Native | 1.0 | 1.1 | 1.6 | 1.6 | 2.2 | | |
| Asian | 0.5 | 0.9 | 1.5 | 1.9 | 3.2 | | |
| Native Hawaiian/ Other Pacific Islander ² | N/A | N/A | N/A | 0.1 | .2 | | |
| Other ³ | 0.4 | 15.2 | 20.1 | 35.8 | 22.0 | | |
| Hispanic/Latino (of Any Race) ⁴ | N/A | 14.8 | 20.0 | 34.1 | 40.8 | | |
| Not Hispanic or Latino (of Any Race) ⁴ | N/A | 85.2 | 80.0 | 65.9 | 59.2 | | |
| City Economic Profile | | | | | | | |
| Median Household Income ⁵ | \$27,601 | \$29,706 | \$30,797 | \$40,856 | \$42,260 | \$43,190 | \$44,140 |
| Personal Income Growth | | | | | | | |
| (Metro Phoenix) ⁶ | 13.6% | 14.8% | 4.6% | 6.7% | 3.0% | 3.8% | 3.6% |
| Assessed Valuation ('000s) ⁷ | N/A | N/A | \$5,700,825 | \$7,573,211 | \$16,092,308 | \$12,343,774 | \$10,849,744 |
| Employment Growth Rate ⁸ | N/A | N/A | (3.0)% | 3.7% | (2.1)% | 0.9% | 1.4% |
| Unemployment Rate ⁹ | N/A | N/A | 4.9% | 2.7% | 9.1% | 8.3% | 8.3% |
| Value of Residential Construction ¹⁰ | | | | | | | |
| (Billions) | N/A | N/A | \$0.42 | \$1.16 | \$0.28 | \$0.32 | \$0.30 |
| Value of Commercial Construction ¹⁰ | | | | | | | |
| (Billions) | N/A | N/A | \$0.46 | \$1.33 | \$2.60 | \$2.50 | \$2.20 |





| | 1970-71 | 1980-81 | 1990-91 | 2000-01 | Actual 2010-11 | Estimated 2011-12 | Projected 2012-13 |
|--|-----------|-----------|-------------|-------------|-------------------|----------------------|----------------------|
| City Financial Profile | | | | | | | |
| Total Budget ('000s) | \$95,835 | \$392,780 | \$1,026,545 | \$1,946,013 | \$3,020,690 | \$3,081,820 | \$3,572,641 |
| Total GF Budget ('000s) ¹¹ | \$62,343 | \$221,106 | \$591,021 | \$953,324 | \$954,795 | \$1,006,629 | \$1,115,020 |
| Total Employees | 5,670 | 9,435 | 11,388 | 14,352.0 | 15,002.8 | 14,893.8 | 14,983.8 |
| Total Employees per 1,000 population ¹² | 9.7 | 11.9 | 11.4 | 10.6 | 10.4 | 10.2 | 10.2 |
| Non-Enterprise Employees per 1,000 population | N/A | N/A | N/A | 8.6 | 8.1 | 8.0 | 7.9 |
| Enterprise Employees per 1,000 population ¹³ | N/A | N/A | N/A | 2.0 | 2.3 | 2.3 | 2.3 |
| Property Tax Rate | 1.75 | 1.75 | 1.79 | 1.82 | 1.82 | 1.82 | 1.82 |
| G.O. Bond Rating (Moody's/Standard and Poor's) | A/A | Aa/AA | Aa/AA+ | Aa1/AA+ | Aa1/AAA | Aa1/AAA | Aa1/AAA |
| Number of PLT Licenses | N/A | 37,943 | 43,756 | 51,000 | 56,460 | 57,000 | 57,000 |
| City Retail Sales Tax Rate ¹⁴ | 1% | 1% | 1.2% | 1.8% | 2.0% | 2.0% | 2.0% |
| Infrastructure Profile | | | | | | | |
| Area (Square Miles) | 247.9 | 329.1 | 427.1 | 483.5 | 519.1 | 519.2 | 519.2 |
| Police | | | | | | | |
| Major Crimes | 50,747 | 86,287 | 110,961 | 97,666 | 70,108 | 73,000 | 73,000 |
| Dispatched Calls for Service | 374,003 | 452,350 | 895,117 | 862,769 | 620,969 | 639,000 | 639,000 |
| Authorized Sworn Police Officers | 1,054 | 1,694 | 2,047 | 2,810 | 3,281 | 3,273 | 3,273 |
| Fire | | | | | | | |
| Fire Stations | 30 | 35 | 45 | 45 | 57 | 58 | 58 |
| Fires and All Other Calls ¹⁵ | 14,437 | 25,162 | 26,281 | 28,369 | 19,335 | 20,000 | 20,000 |
| Emergency Medical Calls ¹⁵ | — | 46,122 | 75,112 | 101,396 | 136,163 | 143,000 | 144,000 |
| Authorized Sworn Firefighters | 572 | 838 | 1,042 | 1,315 | 1,661 | 1,661 | 1,668 |
| Building Inspections | | | | | | | |
| Total Number of Inspections ¹⁶ | 236,000 | 196,356 | 176,909 | 261,184 | 131,600 | 131,600 | 138,800 |
| Streets | | | | | | | |
| Total Miles | 2,270 | 3,084 | 3,800 | 4,299 | 4,825 | 4,835 | 4,845 |
| Miles Resurfaced and Sealed | 378 | 216 | 250 | 220 | 127 | 203 | 178 |
| Total Miles of Bikeway ¹⁷ | N/A | N/A | 250 | 472 | 615 | 628 | 633 |
| Traffic Control and Lighting | | | | | | | |
| Signalized Intersections | 423 | 555 | 761 | 906 | 1,092 | 1,098 | 1,102 |
| Street Lights | 23,097 | 39,097 | 50,825 | 70,750 | 89,826 | 90,600 | 94,000 |
| Traffic Accidents ¹⁸ | 22,765 | 28,129 | 28,414 | 36,500 | 22,742 | 23,000 | 23,000 |
| Aviation | | | | | | | |
| Passengers Arriving and Departing | 2,925,700 | 6,500,000 | 22,175,000 | 35,900,000 | 40,500,000 | 40,500,000 | 41,000,000 |
| Solid Waste Collection | | | | | | | |
| Residences Served | 204,800 | 281,900 | 281,392 | 327,953 | 392,825 | 395,000 | 396,000 |
| Tons Disposed at City Landfills ¹⁹ | 325,300 | 379,000 | 513,643 | 1,051,935 | 1,002,346 | 890,000 | 900,000 |





| | 1970-71 | 1980-81 | 1990-91 | 2000-01 | Actual 2010-11 | Estimated 2011-12 | Projected 2012-13 |
|---|-----------|-----------|-----------|-----------|-------------------|----------------------|----------------------|
| Municipal Parks | | | | | | | |
| Number of Municipal Parks ³⁰ | 121 | 137 | 181 | 199 | 225 | 225 | 226 |
| Developed Park Acres ²¹ | N/A | 1,303 | 2,206 | 3,332 | 5,071 | 5,646 | 5,660 |
| Number of municipally operated golf courses | 4 | 5 | 5 | 7 | 6 | 6 | 6 |
| Libraries | | | | | | | |
| Book Circulation | 2,368,232 | 3,691,745 | 5,962,411 | 9,151,000 | 13,839,543 | 14,100,000 | 14,300,000 |
| Total Book Stock | 704,940 | 1,182,606 | 1,732,410 | 2,016,000 | 1,643,977 | 1,800,000 | 1,850,000 |
| Number of library branches | 7 | 9 | 11 | 13 | 16 | 17 | 17 |
| Equipment Management | | | | | | | |
| Number of Equipment Units in Fleet ²² | 2,637 | 4,497 | 4,776 | 6,080 | 7,612 | 7,340 | 7,229 |
| Water | | | | | | | |
| Connections | 172,100 | 282,048 | 321,996 | 350,967 | 397,390 | 399,186 | 401,182 |
| Production (billions of gallons) ²³ | 52.7 | 88.5 | 84.7 | 109.4 | 98.6 | 97.8 | 97.7 |
| Wastewater | | | | | | | |
| Connections | 169,255 | 250,199 | 311,980 | 327,051 | 389,978 | 391,077 | 392,817 |
| Miles of Line | 2,090 | 3,040 | 3,661 | 4,174 | 4,980 | 4,984 | 4,989 |

¹Population by age and race is only available in census years. Also, racial categories were modified by the Census Bureau in the 2000 Census.

²Prior to the 2000 Census, Native Hawaiian/Other Pacific Islander data was combined under the same category. In pre-2000 Census counts this race category was included in the Asian category.

³Hispanic/Latino of any race is included in the Census' "Other" race category for fiscal year 1980-81, fiscal year 1990-91 and fiscal year 2000-01.

⁴Pre-1980 census questionnaires did not include "Hispanic" or "Spanish" race categories.

⁵Median Household Income is based on United States Census Bureau data for city of Phoenix geographic area. For the estimate and projection years, the Calendar Year 2011 greater Phoenix Consumer Price Index (CPI) (+2.2%) was applied to the 2010 census figure to forecast Median Household Income growth. This reflects a change from the method used in previous budget documents, which calculated median household income using personal income growth rates from the U.S. Bureau of Economic Analysis.

⁶Personal income growth percentage is from University of Arizona's "Economic Outlook" quarterly publication (University of Arizona Economic and Business Research Center).

⁷The formula for assessing valuation was changed significantly in 1980 making comparisons to prior years not meaningful.

⁸Employment growth rate figures (total non-farm employment) are calendar year and not fiscal year. Calendar 2010 is shown under fiscal year 2010-11, and calendar 2011 is shown under fiscal year 2011-12, and projected calendar 2012 is shown under fiscal year 2012-13. Estimates are for the Phoenix metro area and are obtained from the Arizona Workforce Informer-Arizona Department of Economic Security.

⁹Unemployment rate is reported monthly on by the Arizona Department of Commerce Research Administration's website: workforce.az.gov and converted to fiscal year by the city of Phoenix Budget and Research Department. Seasonally adjusted unemployment data from 2001-11 is currently unavailable for the Phoenix-Glendale-Mesa MSA due to data revisions. Revisions for the MSA, counties and cities are currently in process, however no released due has been announced.

¹⁰Beginning with fiscal year 2006-07, multi-family projects are included in the commercial valuation total. Prior to fiscal year 2006-07, multi-family projects were included in the residential valuation total. These measures represent the annual estimated value of projects permitted by the city of Phoenix (new construction).

¹¹As of fiscal year 1998-99, Arizona Highway User Revenue funds are no longer included in the General Fund total.

¹²A correction was made to the calculation of city employees per 1,000 population for fiscal year 1980-81 and fiscal year 1990-91. Previous budget books did not adjust for Census data that was published at least a year after the statistic was recorded in budget documents.

¹³Enterprise departments include Water, Wastewater, Aviation, Phoenix Convention Center, Golf and Solid Waste Management.

¹⁴Voters approved a 0.1 percent increase in most city sales tax categories effective December 1, 1993, for increased fire and police protection services. Voters approved a 0.1 percent increase in most city sales tax categories effective November 1, 1999, for 10 years and reapproved it on May 30, 2008, for 30 years to provide funds for parks enhancements and improvements, and to acquire land for a Sonoran preserve. Voters approved a 0.4 percent increase in most city sales tax categories effective June 1, 2000, for 20 years to provide funding for public transit improvements and light rail. Voters approved a 0.2 percent increase in most city sales tax categories to provide funds for additional police officers and firefighters effective December 1, 2007.

¹⁵Prior to fiscal year 1980-81, emergency medical, fire and all other calls were combined into one figure.

¹⁶Includes building, electrical, mechanical, plumbing and general inspections. The lower numbers for recent years, as compared to 1970-71, are the result of the implementation of the general inspection program that combined several residential inspections, performed by one inspector, into a single permit.

¹⁷The bikeway program was approved by the City Council in 1987. Figures include on-street bike lanes, bike routes and paved and unpaved paths.

¹⁸Due to the implementation of a new Arizona Department of Transportation (ADOT) collision system in 2009 and associated delays in data entry and processing, full collision data for Phoenix for the years 2009-11 is not yet available. The figures presented are projections based on historical trending. Traffic accident data comes from the city of Phoenix Police Department's TADS database and estimates are based on an average over the previous three years.

¹⁹Tonnage was unusually high in fiscal year 2010-11 due to a significant hail storm and all the material that was disposed of that year, however estimates for fiscal year 2011-12 and fiscal year 2012-13 represent tonnage levels that are more consistent with typical averages. Residential tonnage continues to be flat.

²⁰This number includes all parks and areas maintained by the Parks and Recreation Department. For example, retention basins, canal projects, developed and undeveloped parks.

²¹Increase in developed parks acres in fiscal year 2011-12 is due to improved methods of measurement.

²²Reduction in vehicles is due to programmed reductions and turn in of underutilized vehicles.

²³Includes water produced for city of Phoenix only.





2012-13 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2012-13 budget. Information is presented for General, Special Revenue and Enterprise funds. General funds, which receive special attention by the community, are highlighted throughout this section. General funds are of particular importance to our residents as they provide for most basic services, such as police, fire, parks and streets. Enterprise funds are supported by fees charged for the services provided with the exception of the Convention Center which has earmarked sales taxes as its primary funding source. Special Revenue funds are restricted to statutory and/or voter-approved uses.

The 2012-13 budget, financed by operating funds, totals \$3,572,641,000. As shown in the accompanying pie chart, the General Fund portion of \$1,115,020,000 is approximately 31 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste, Convention Center and Golf, make up another 38 percent of the total. Special Revenue funds such as Arizona Highway User Revenues, grant funds such as Community Development Block Grants, Human Services grants and Housing grants represent the remaining 31 percent of the total budget.

In addition to presenting the budget by funding source, the budget also is described in terms of the major types of activities or expenditures funded. Included in the operating budget are operating and maintenance expenses that provide for ongoing costs of delivering city services; capital expenditures for pay-as-you-go projects for major additions, improvements or renovations to city facilities; and debt service payments to retire outstanding debt. The following pie chart shows the distribution of the total operating budget into these three types of expenditures. Not included in the operating budget are bonds and other capital funds used for capital improvement projects. These are included in a separate capital improvement program.

The 2012-13 General Fund budget includes ongoing operating and maintenance and pay-as-you-go capital expenses. No debt service is paid from the General Fund. Instead, debt service associated with General-funded activities is paid for with earmarked property taxes or with the City Improvement Fund. Due to the restrictions on using these funds both are appropriately included in the Special Revenue funds portion of the budget.

Finally, budgeted expenditures are most easily understood on a departmental basis. Detailed explanations of each department's budget are provided in the

Department Program Summary section of this document. The following bar chart presents the General Fund budget on a department-by-department basis.

The table below provides a comparison of the 2012-13 proposed budget to the 2011-12 adopted budget. Actual expenditures for the 2010-11 fiscal year also are included.

Citywide operating and maintenance expenditures are expected to increase primarily due to the additional operating costs for the Sky Train in Aviation, replacement vehicles and the partial restoration of employee concessions. Also, this year's proposed General Fund budget increases \$6.5 million in direct services delivered to the community such as expanded library and swimming pool hours, increased funding for addressing graffiti, public safety expansions to improve response times, enhancing youth recreation and senior center programming, as well as other essential services. An additional \$0.4 million is included in the proposed General Fund budget for the cost to operate new capital facilities.

Pay-as-you-go capital is expected to increase due to increases in Aviation contingencies, the addition of the Terminal 4 Solar Energy System project, carryovers for the Transit Bus Replacements and the 700 MHz Radio projects, the addition of

2012-13 Budget Compared to 2011-12 Adopted Budget (In Millions of Dollars)

| | 2010-11 Actual Expenditures | 2011-12 Adopted Budget | 2012-13 | | |
|--|-----------------------------------|------------------------------|------------------|------------------|-------------------|
| | | | Budget | Amount Change | Percent Change |
| Operating and Maintenance Expenditures | \$2,145.4 | \$2,453.9 | \$2,507.6 | \$ 53.7 | 2.2% |
| Capital Expenditures | 330.8 | 486.3 | 526.3 | 40.0 | 8.2% |
| Debt Service | 544.5 | 534.2 | 538.7 | 4.5 | 0.8% |
| Total | \$3,020.7 | \$3,474.4 | \$3,572.6 | \$98.2 | 2.8% |





the Transit Facility Upgrades, and the start of construction on the new water mains and fire hydrants for the Garfield Neighborhood Project. Debt service is increasing slightly as a result of a new payment structure for refinanced debt.

2012-13 GENERAL FUND BUDGET OVERVIEW

The 2012-13 General Fund budget of \$1,115,020,000 provides for ongoing operating and maintenance and a small amount of pay-as-you-go capital expenditures. The table below compares the 2012-13 General Fund budget with the adopted 2011-12 budget.

The operating and maintenance expenditures for 2012-13 are increased 4.7 percent compared to the 2011-12 adopted budget. This increase is primarily the result of an increase in general fund contingencies; expanded library and swimming pool hours; public safety expansion in Police and Fire for improved response times; increased funding for graffiti removal; youth recreation and senior center programming; vehicle replacements; the operating costs associated with new capital facilities that will be opening in 2012-13; the cost associated with the partial restoration of employee concessions; and other normal inflationary increases. The pay-as-you-go capital expenditures increased compared to the 2011-12 adopted budget due to reduced reliance on lease-purchase financing. The pay-as-you-go costs in 2012-13 included scheduled replacement of the HVAC metal shed that houses the Metro

Facilities HVAC Fabrication Shop. Also, various upgrades to the Heritage and Regency garages are planned in 2012-13.

The pie charts on page 51 show the 2012-13 General Fund budget summarized by major programs and major resources.

RESOURCES

Resources include beginning fund balances, fund transfers, revenues and recoveries. In the Enterprise funds, fund balances provide a financial cushion against unanticipated changes. The contingency allocation serves this same purpose for the General Fund. While minor changes in fund balances occur from year to year, maintaining proper fund balances over the long term and providing for a contingency fund in the General Fund are important components of sound financial management and a significant factor in bond ratings.

2012-13 Estimated Beginning Fund Balances

As explained in a later section, a General Fund balance may not be budgeted. However, a contingency fund, also known as a "rainy day fund," may be planned to provide a means to address unexpected revenue decreases or expenditure increases that may occur throughout the year. Each year, most of the contingency allocation remains unused and, therefore, falls to the ending fund balance along with any changes in estimated revenues and expenditures.

The estimated 2012-13 beginning fund balances of \$1,020.2 million include \$84.5 million in General funds, \$359.5 million in Special Revenue funds and \$576.2 million in Enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$208.3 million; Aviation - \$204.6 million; Wastewater - \$177.9 million; Water -\$132.3 million; Convention Center - \$35.3 million; Solid Waste - \$40.9 million; Parks and Preserves- \$38.8 million; Sports Facilities - \$30.0 million; Grant funds - \$24.2 million; Arizona Highway User Revenue - \$15.0 million and \$28.4 million in various other restricted funds.

2011-12 General Fund Estimated Ending Balance

As shown in the table on page 53, the estimated 2011-12 ending General Fund balance is \$84.5 million. The balance results from a \$18.5 million higher beginning balance, a \$56.1 million decrease in operating expenditures, a \$7.8 million increase in transfers and recoveries, and a \$2.0 million increase in operating revenues. The decrease in estimated 2011-12 General Fund expenditures is largely due to unused contingency funds and mid-year efficiencies identified throughout the General Fund departments.

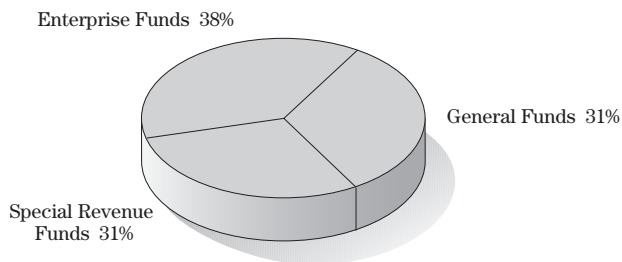
2012-13 General Fund Budget Compared to 2011-12 Adopted Budget (In Millions of Dollars)

| | 2010-11 Actual Expenditures | 2011-12 Adopted Budget | 2012-13 | | |
|--|-----------------------------------|------------------------------|------------------|------------------|-------------------|
| | | | Budget | Amount Change | Percent Change |
| Operating and Maintenance Expenditures | \$953.7 | \$1,059.1 | \$1,109.3 | \$50.2 | 4.7% |
| Capital Expenditures | 1.1 | 3.7 | 5.7 | 2.0 | 54.0% |
| Total | \$954.8 | \$1,062.8 | \$1,115.0 | \$52.2 | 4.9% |

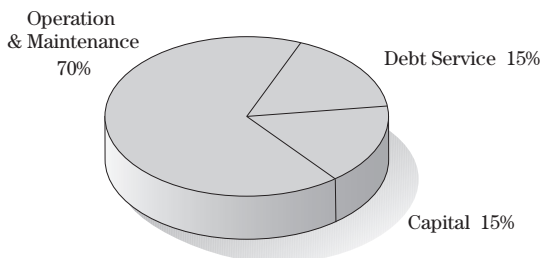




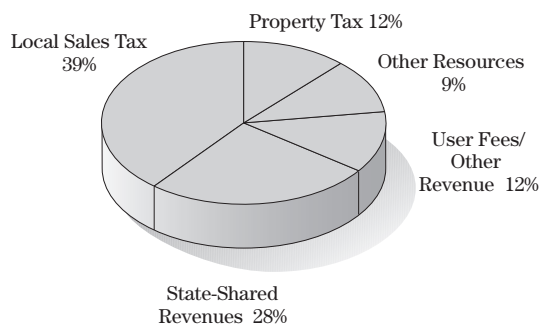
ALL SOURCES OF FUNDS
Total Resources – \$3.57 Billion



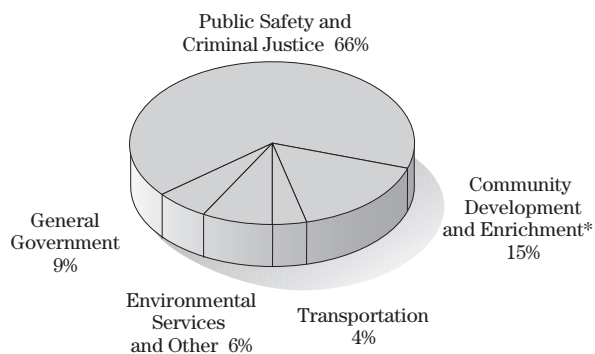
ALL SOURCES OF FUNDS
Total Expenditures – \$3.57 Billion



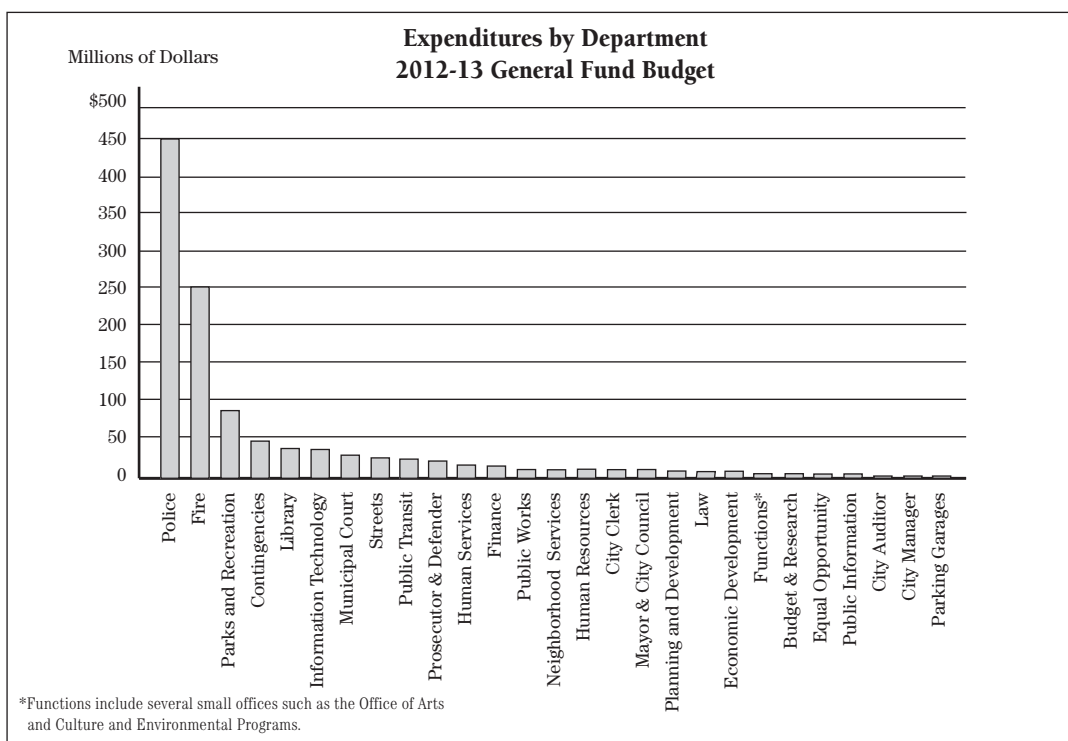
GENERAL FUNDS
Total Resources – \$1.12 Billion



GENERAL FUNDS
Total Expenditures – \$1.12 Billion



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





2012-13 Estimated Revenues

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Total revenues for 2012-13 are estimated at \$3,081,914,000. This is \$73,383,000, or 2.4 percent more than the 2011-12 estimate of \$3,008,531,000. General Fund revenues are estimated at \$1,006,418,000 which is \$55,792,000 or 5.9 percent more than the 2011-12 estimates. The increase is due to anticipated increases in sales taxes as the economy continues to recover and state shared income tax revenues.

The table on page 53 provides a comparison of the 2012-13 estimated revenues to 2011-12 estimates and 2010-11 actual collections. Detailed explanations by category are provided in the 2012-13 Revenue Estimates section of this document.

State and local economic growth began to increase in 2010-11 after the declines of the prior two years as the economy slowly started to recover from the recession. The main factors which hindered a robust recovery include slow absorption of vacant homes, caused by a lack of homebuyers and available credit, slow job growth and low levels of net migration. The state and local economy continues to recover, however the same factors continued to prevent strong growth rates in 2011-12. Local and state sales tax collections are expected to grow modestly in 2012-13, and state shared income tax collections are expected to increase by 21 percent from 2011-12.

The 2012-13 estimate for Special Revenue funds includes a \$8.4 million increase in Transit 2000 funds, a \$12.2 million increase in Arizona Highway User Revenues and a \$4.0 million increase in 2007 Public Safety Expansion funds. Special Revenue funds also include a \$31.6 million decrease for secondary property taxes and a \$7.0 million increase in grant funds primarily for Community Development, and Public Transit grants.

2012-13 Transfers to the General Fund

Transfers are used to allocate resources between funds for purposes of matching costs with benefits received through a central service cost allocation or to assess in lieu property taxes.

Transfers to the General Fund for 2012 -13 total \$55.5 million. This amount reflects \$53.6 million from Enterprise and other funds to recoup central service costs and/or payments for in lieu property taxes from the Aviation, Water and Wastewater, Solid Waste, Convention Center and Development Services funds. Central service provides a repayment to the General Fund for services provided by departments such as Human Resources, Information Technology, Finance, Law and other administrative support areas that are General funded. This transfer is calculated by the Finance Department in accordance with generally accepted full-cost accounting principles and is in accordance with long-established City Council-approved policy.

The Enterprise transfers include \$200,000 from the Golf Course Fund to recoup Parks, Recreation and Golf department direct administrative support costs. The Golf Fund does not pay citywide central service costs or in lieu property taxes.

Approximately \$1.9 million in miscellaneous transfers from other funds also is included. As a result, total transfers to the General Fund exclusive of excise tax-related items are \$55.5 million. A transfer of \$701.0 million from the Excise Tax Fund represents the General Fund share of local and state-shared sales taxes and fees and state-shared income taxes. However, this amount is reflected in revenues, rather than a transfer, throughout this section.

2012-13 ESTIMATED ENDING BALANCES

Arizona budget law requires a balanced General Fund budget. No General Fund balances may be accumulated in reserve for subsequent fiscal years. Arizona law does, however, provide for a contingency or "rainy day fund" each year. For 2012-13, \$42.7 million is included for the General Fund contingency, including a \$2 million set aside for Fire, and is discussed in more detail in the Contingency section of this document. As a result, budgeted General Fund resources equal expenditures. However, any unused contingency amounts at year-end fall to a General Fund ending balance. Generally, at least 95 percent of the General Fund contingency remains unused each year.

Year-end balances are planned in the Enterprise funds and other self-supporting funds primarily to provide for adequate funds at the beginning of the following fiscal year. Such funds are used to stabilize rate increases associated with fluctuations in service demand, insure bondholders of future debt service payments and to accumulate funds for annual pay-as-you-go capital improvements. In addition, Enterprise Fund balances are intentionally permitted to grow over time in order to fund large capital projects.

The estimated 2012-13 ending balance of \$454.7 million includes: Transit 2000 - \$141.6 million; Aviation - \$163.1 million; Wastewater - \$53.8 million; Water - \$60.1 million; Convention Center - \$5.6 million; Parks and Preserves - \$13.5 million; Solid Waste - \$20.5 million; Arizona Highway User Revenue - \$2.6 million and a combined negative \$6.1 million in various other Special Revenue and Enterprise funds. Beginning and ending fund balances are provided in more detail in Schedule 1 located in the Summary Schedules section.

In 2012-13, the Enterprise funds ending balances in the aggregate are programmed to decline from \$576.2 million at the beginning of 2012-13 to \$286.0 million at year end. The Aviation balance is declining slightly due to increased operating expenditures for the Sky Train operations. Solid Waste funds are decreasing due to reduced resources available to offset increased operating expenditures in the last two years for vehicle replacement costs, reopening the Material Recovery





Facility and planned maintenance and repairs associated with aging infrastructure. Water funds are decreasing primarily due to increased operating expenditures for chemical and raw water purchases, and increased granular activated carbon purchases (GAC) resulting from a full year of operations for the new Val Vista and 24th Street Water Treatment Plant disinfectant by-product mitigation improvements. Wastewater funds are decreasing due to increased debt service and capital expenditures.

Special Revenue Fund balances in the aggregate are expected to decrease from \$359.5 million to \$168.7 million, primarily due to an increase in transfers for City Improvement for debt service. Also, Transit 2000 operating costs increased due to increases in the price of fuel, a contractual increase in the cost per miles of bus service, a scheduled increase in debt service payments for light rail bonds, and normal inflationary increases. In addition, Development Services operating costs increased as a result of increased funding for contractual inspection and plan review services to meet anticipated demand and adding positions and capital outlay equipment funding to begin implementing an electronic plan review system.

Negative Fund Balance

Golf Fund expenditures have exceeded revenues for several years. The Parks Department and Budget and Research are exploring various ideas, including alternative operating structures, to correct this issue.

The three dedicated public safety funds, Neighborhood Protection, Public Safety Enhancement, and 2007 Public Safety Expansion, have been severely impacted by declines in sales tax revenues. In November 2010, the Mayor and City Council adopted a Public Safety Specialty Funds Balancing plan to balance these funds as soon as possible using an attrition approach. This plan was modified in January 2012 to account for changes in actual attrition rates.

General Fund Balance Analysis (In Thousands of Dollars)

| | 2010-11 | 2011-12 | | Estimate Over (Under) Budget | |
|----------------------------|--------------------|--------------------|--------------------|------------------------------|----------------|
| | Actuals | Budget | Estimate | Amount | Percent |
| Resources | | | | | |
| Beginning Balances | \$ 46,752 | \$ 74,413 | \$ 92,908 | \$ 18,495 | 24.9% |
| Revenue | 958,402 | 948,636 | 950,626 | 1,990 | 0.2% |
| Recoveries | 681 | 1,500 | 1,000 | (500) | (33.3)% |
| Transfers | 41,868 | 38,299 | 46,580 | 8,281 | 21.6% |
| Total Resources | \$1,047,703 | \$1,062,848 | \$1,091,114 | \$ 28,266 | 2.7% |
| Expenditures | | | | | |
| Operating Expenditures | 953,673 | 1,059,115 | 1,003,043 | (56,072) | (5.3)% |
| Capital | 1,122 | 3,733 | 3,586 | (147) | (3.9)% |
| Total Expenditures | \$ 954,795 | \$1,062,848 | \$1,006,629 | \$ (56,219) | (5.3)% |
| Ending Fund Balance | \$ 92,908 | \$ — | \$ 84,485 | \$ 84,485 | 100.0+% |

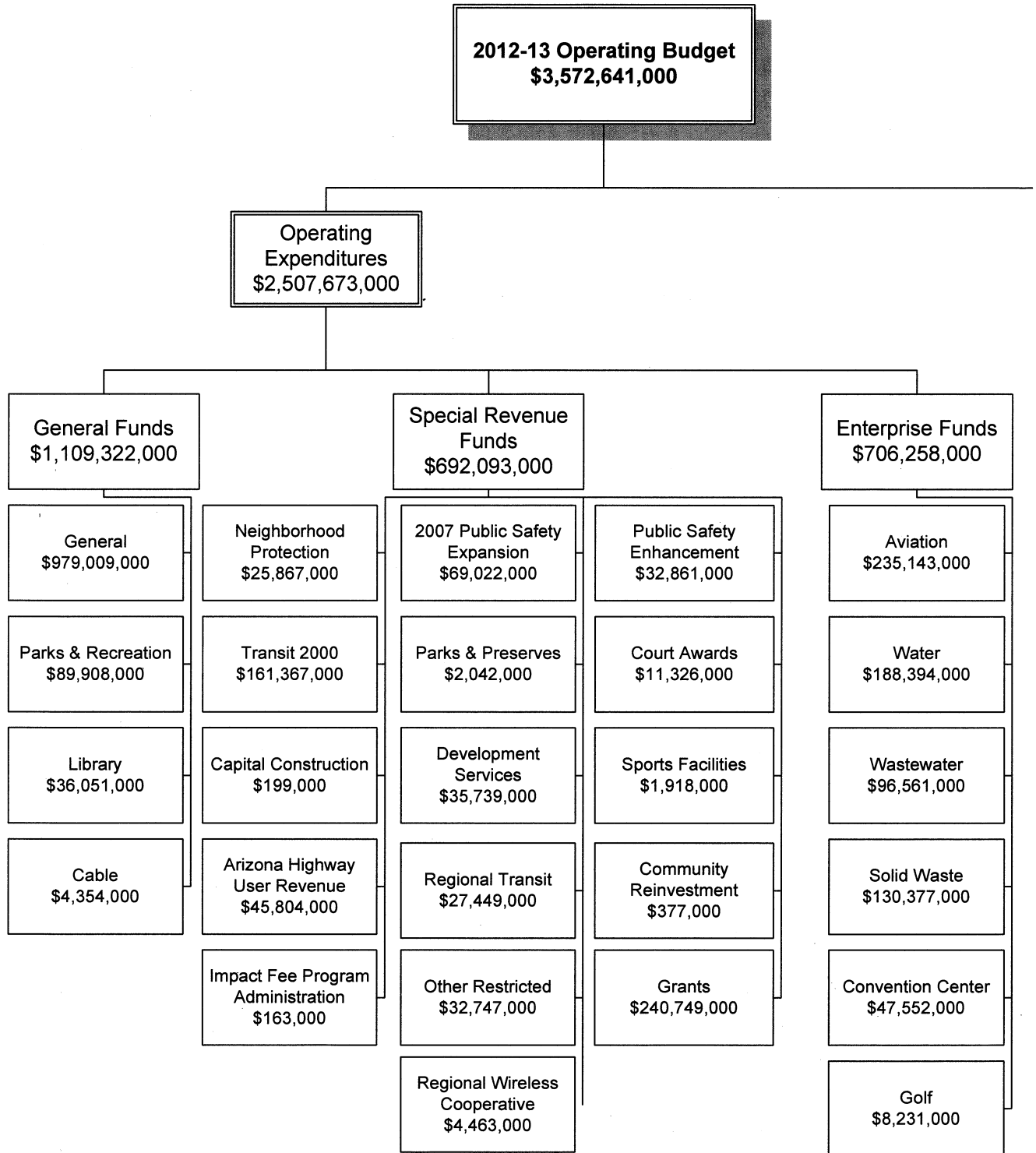
2012-13 Estimated Revenues Compared to 2011-12 Estimates (In Thousands of Dollars)

| Fund Types | 2010-11 Actuals | 2011-12 Estimate | 2012-13 Estimate | 2012-13 | |
|-----------------------|--------------------|---------------------|---------------------|------------------|-------------------|
| | | | | Amount Change | Percent Change |
| General | \$ 958,402 | \$ 950,626 | \$1,006,418 | \$55,792 | 5.9% |
| Special Revenue Funds | 930,842 | 893,497 | 903,338 | 9,841 | 1.1% |
| Enterprise Funds | 1,122,042 | 1,164,408 | 1,172,158 | 7,750 | 0.7% |
| Total | \$3,011,286 | \$3,008,531 | \$3,081,914 | \$73,383 | 2.4% |



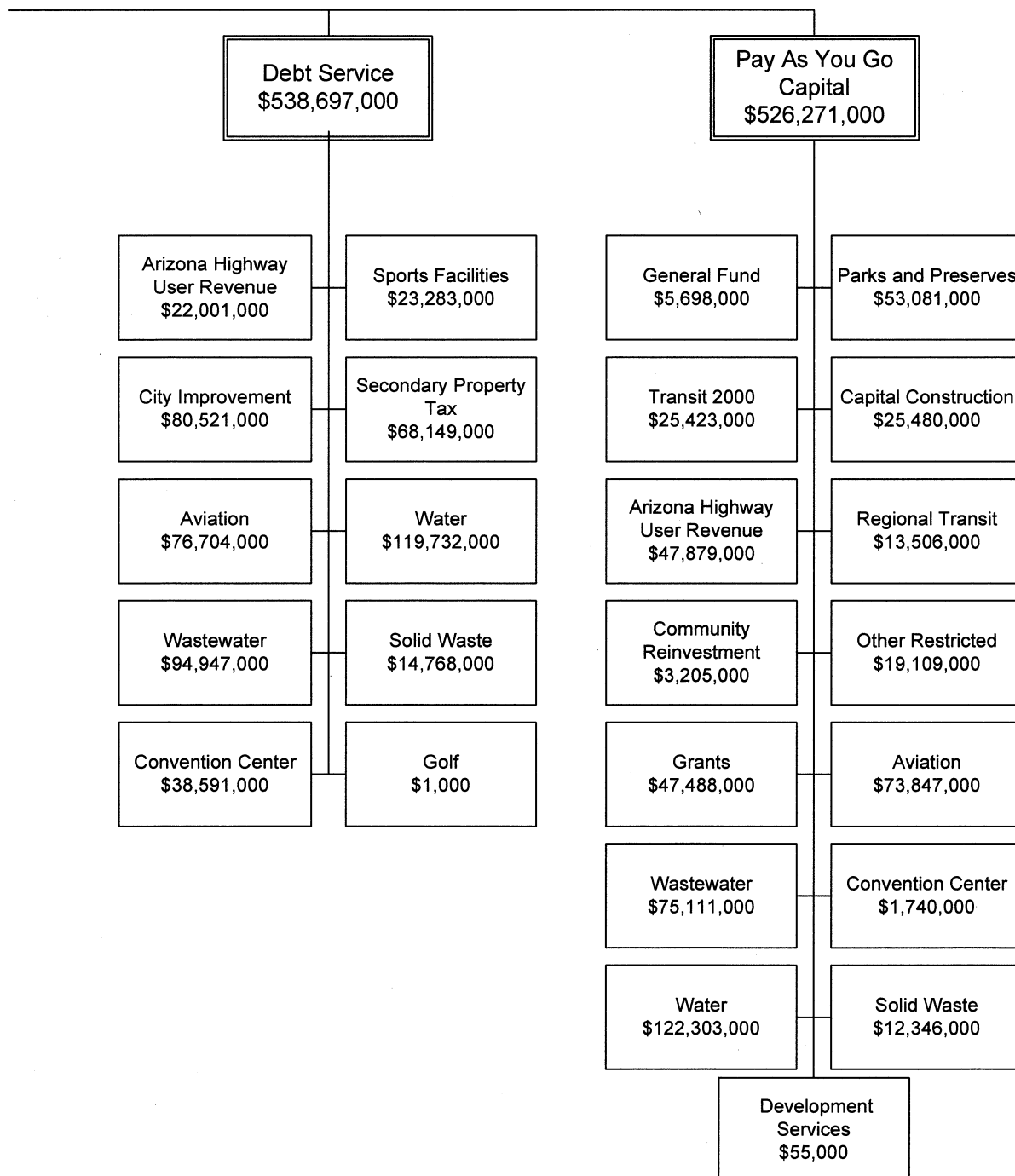


City of Phoenix Financial Organizational Chart





City of Phoenix Financial Organizational Chart







Services to the Community

Phoenix is the core of Maricopa County and the state's population and economic center. With its attractive climate, recreational opportunities, and affordable costs of living and doing business, the city has experienced sustained growth. The Phoenix area is slowly recovering from the national economic recession and growth has slowed in terms of population, employment and personal income. The city's area, just under 520 square miles, increases periodically with annexations.

Population in Phoenix has consistently outpaced the U.S. growth over the last 18 years, and according to the 2010 census, is just over 1.4 million making Phoenix the nation's sixth-largest city. The city's employment base is the foundation of a deep and diverse metropolitan area economy. The primary employment sectors in the Phoenix area consist of professional and business services, trade, government, education and health services, financial activities, leisure and hospitality, and construction. While the unemployment rate in greater Phoenix suffered during the economic downturn, jobs recovery is predicted to continue to improve over the next several years.

In only two years, the city went from a severe \$277 million General Fund budget shortfall in 2009-10/2010-11 to a structurally balanced budget for 2012-13. For the second straight year, no direct cuts to community services are part of balancing the city's budget. The balanced budget for 2012-13 proposes increases of \$6.5 million in direct services delivered to the community, such as increased street maintenance, expanded library and swimming pool hours, increased focus on addressing graffiti and illegal signs, public safety additions to improve ambulance

response and shift more officers to patrol, enhanced programming for youth recreation and senior centers, and other necessary services.

Noteworthy impacts to the General Fund in the 2012-13 budget include \$15.6 million for restoration of a portion of employee concessions and increased cost of employee health care insurance; \$9.9 million increase for pension costs for sworn and civilian employees; \$6.9 million in additional direct services to the community and new facilities operating costs; \$4.8 million to increase contingency fund over 2011-12 budget; \$1.4 million increase for costs for the replacement of failing firefighting self contained breathing apparatus (SCBA) equipment; and \$1.1 million in increased fuel costs.

Non-General Fund changes in the proposed budget include \$8.6 million for phase I of the airport's PHX Sky Train and \$406,000 for the Planning and Development Department to address new unfunded state mandates regarding license and permit issuance. Finally, the restructuring of Street Transportation's Arizona User Highway Revenue (AHUR) funded Capital Improvement Program (CIP) provides the ability to fund \$5 million in additional street maintenance in 2012-13.

The chart that follows indicates how major services provided to Phoenix residents have been adjusted in response to local economic and financial conditions. Because benchmarking is an important measure of the efficiency and effectiveness of services provided, we have also included multi-city comparisons of performance in several areas. Much of the data for these comparisons is taken from the 2010 International City/County Management Association's Center for Performance Measurement report.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

PUBLIC SAFETY

POLICE

Personnel Resources:

In 2001-02, the Police Department had 2,838 sworn officers and 909 civilian employees.

The 2011-12 budget included \$1.3 million in General Fund budget reductions. The reductions reflected the elimination of two vacant sworn management positions and 16.0 civilian FTE.

At the end of 2011-12, 302 of the 400 sworn positions funded by Proposition 1 will be filled.

The 2012-13 budget includes \$1.1 million in General Fund additions. The majority of the proposed additional resources are going to the Centralized Booking Unit to civilianize the function and allow sworn personnel to return to patrol related duties. The other additions are administrative in nature and will also allow sworn personnel to return to critical crime fighting and investigative duties. The total proposed additions are 23.7 civilian positions.

The budget additions listed above are offset with budget reductions totaling (\$737,000) and includes the elimination of (14.0) vacant civilian positions from various bureaus throughout the department.

In the 2012-13 budget, it is anticipated that the department will have 3,273 authorized sworn positions or 2.2 for every 1,000 residents, and 1,178.7 civilian employees.

Response Time Average:

Response time for 2001-02 Priority 1 emergency calls was an average of five minutes.

With slower population growth and a continued decrease in overall crime rates, budgeted response times for Priority 1 emergency calls have been consistently maintained. During this same time period, the department has maintained the percentage of 911 calls answered within 10 seconds at 93 percent.

Reliable response times data is currently unavailable due to issues with the Police Computer-Aided Dispatch (CAD) system. These issues are being addressed and a complete replacement of the Police Records Management System (PACE) is also underway.

City of Phoenix actual response times were unavailable for the 2010 ICMA data. Below are average response times for other benchmark cities.

Other Cities Average Response Times to Top Priority Calls:

- Oklahoma City – 7 min 50 sec
- Dallas – 6 min 58 sec
- Austin – 6 min 53 sec
- San Antonio – 5 min 32 sec
- Portland – Unavailable

The 2012-13 budget provides for an estimated five minute average response time for Priority 1 calls.





**PROGRAM SERVICE LEVEL
IN 2000-01**

**SERVICE CHANGES
THROUGH 2011-12**

**SERVICE CHANGES
FOR 2012-13**

PUBLIC SAFETY

FIRE

Response Time Average:

In 2001-02, the Fire Department maintained an average response time of 4 minutes 50 seconds for all fire and medical emergency calls.

Since 2001-02, response times have decreased 4 percent to 4 minutes 37 seconds for all fire and medical emergency calls. This 13 second decrease is at least partly attributed to staffing and deployment changes for paramedic engine companies and ambulances. The overall incident activity level increased 10 percent from 2001-02 to 2011-12.

The 2012-13 budget recommends retaining current emergency response staffing levels to preserve less than five minute average response time for all fire and medical emergency calls.

The 2010-11 budget included a \$9.0 million reduction. The budget cuts resulted in the elimination of 21.3 General-Funded civilian positions, including the fire marshal whose duties were reassigned. The budget reductions also included the elimination of two deputy chiefs, six battalion chiefs, seven fire captains, and 13 firefighters for a total of 28 sworn positions.

The 2012-13 budget includes additions for staff coverage in the Alarm Room (four civilian positions) and Operating costs for the new Dispatch and Emergency Operations Center. Reductions reflected in the 2012-13 budget include the elimination of 8.3 General Funded civilian positions as well as a reduction of the Banner contract for the Health Center.

The department reorganized operations in response to staff reductions and significant cuts were made in overtime. In addition, program reductions were made in contractual services, commodities and capital outlay.

The department eliminated three positions and re-classed two positions down in pay class as part of the City Manager's Reorganization.

In addition, four positions from the New Construction section were eliminated and one position from this section as well as the Site Planning section (three positions) was moved to the Planning and Development Services Department.

The fiscal year 2011-12 budget included a \$678,000 reduction and reflects the elimination of 4.7 General Funded civilian positions as well as the reduction of sworn and civilian overtime. In addition, program reductions were proposed in contractual services, commodities and capital outlay.

Based on 2010 ICMA data, city of Phoenix response times are consistent with those other benchmark cities as noted below:

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

- Austin – 88 percent
- Oklahoma City – 86 percent
- PHOENIX – 81 percent**
- San Antonio – 77 percent
- Dallas – Unavailable
- Long Beach – Unavailable





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

PUBLIC SAFETY

FIRE

Emergency Transportation:

In 2001-02, the city of Phoenix had a total of 20 full-time and nine part-time ambulances in service.

The city initiated the Emergency Transportation System in 1985-86 with 10 full-time and six part-time ambulances. In 1987-88, the Emergency Transportation System was increased to 12 full-time and six part-time ambulances. The addition of four ambulances funded with revenue from Proposition 301 and the conversion of the department's last medic units to ambulances resulted in 19 full-time and nine part-time ambulances in service during 1997-98.

The 2012-13 budget includes adding staff for an additional One and One Rescue (seven sworn positions) to meet state -mandated response times.

The 2000-01 budget included funding to add a full-time ambulance at Station 38 in Ahwatukee Foothills. Two part-time ambulances were added in mid-fiscal year 2002-03 to improve response times in fast growing, outlying areas of the city.

The 2004-05 budget included funding for two additional full-time ambulances. These additions increased the Emergency Transportation System to 22 full-time and 11 part-time ambulances.

The 2006-07 budget included funding one additional ambulance.

The 2008-09 budget added two part-time ambulances funded by Proposition 1.

The 2009-10 budget included the elimination of two part-time ambulances.

The 2010-11 budget included the elimination of two full-time ambulances and the reduction of part-time ambulance operational times. In-service hours for part-time ambulances were reduced from 12 hours to 10.8 hours per day. These changes decrease the Emergency Transportation System to 21 full-time and 11 part-time ambulances.

The 2011-12 budget included no changes in service for Emergency Transportation.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

TRANSPORTATION

PUBLIC TRANSIT

Service Miles/Hours:

In 2001-02, 15,792,000 annual bus service miles were provided on weekdays and weekends in the city of Phoenix.

Annual 2011-12 bus miles are estimated at 16,716,435 and Dial-a-Ride service hours are estimated at 257,896.

The following service changes were effective Jan. 25, 2012: extend service on Route 77 west along Baseline Road from 40th to 75th avenues; reduce the frequency of service from Baseline to Dobbins roads on Route 0 from 10 to 20 minutes; eliminate service from Seventh Avenue to Seventh Street along Baseline Road on Route 8; eliminate service on Route 19 from 27th to 40th avenues along Baseline Road; and change Route 35 turnoff onto Baseline Road from heading west to 40th Avenue to heading east to the 27th Avenue Park-and-Ride.

Annual 2012-13 bus miles are estimated at 16,747,242 and Dial-a-Ride service hours are estimated at 257,896.

The following service change will be effective on July 23, 2012: extend Route 50 on Camelback Road, from 67th to 107th avenues, with a 30 minute frequency.

The 2011-12 Public Transit Department operating budget included a new taxi-subsidy program, to help address the need for same-day transportation of Phoenix residents under the age of 65 who are certified for paratransit service under the Americans with Disabilities Act (ADA). Program participants were able to purchase up to four \$20 coupon books monthly.

Average Weekday Bus Ridership:

In 2001-02 the average weekday bus ridership was 118,000.

In the 2011-12 budget, weekday ridership is estimated at 132,820.

In the 2012-13 budget, weekday ridership is estimated at 134,812.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|--|---|--|
| TRANSPORTATION | | |
| STREET TRANSPORTATION | | |
| <p>Major and Collector Street Sweeping and Maintenance: In 2001-02, sweeping major and collector streets was scheduled for every 14 days.</p> | <p>In 2003-04, budget constraints reduced funding for making quick concrete repairs to infrastructure throughout the city. Funding for paving dirt alleys also was reduced as was funding for retrofitting sidewalk ramps. An asphalt crew responsible for repairing asphalt pavement on major, collector and local streets was eliminated.</p> <p>Continued budget constraints in 2004-05 reduced funding for retrofitting sidewalk ramps and neighborhood concrete repairs.</p> <p>Dust proofing of dirt alleys continued to see reduced funding in both 2004-05 and 2005-06.</p> <p>The 2007-08 budget added funding to improve the general maintenance of streets.</p> <p>The 2009-10 budget reduced funding for coordination of maintenance projects, eliminated all heater panel crews responsible for repairing failed street cuts and shifted this work to asphalt crews. It reduced by 25 percent the downtown hand crews that pick up trash, sweep sidewalks, and hand sweep portions of the street that cannot be reached by motor broom equipment within the boundaries of Third Avenue to Seventh Street and Van Buren to Jefferson streets. In addition, the budget eliminated one of three equipment operator positions responsible for operating equipment used on large paving repairs, resulting in a 33 percent reduction in repairs.</p> <p>The 2010-11 budget eliminated one of six equipment operators who were responsible for supporting the Street Cleaning Section. This reduced the section's ability to provide special street sweeping requests and event support. Reductions did not impact routine street sweeping which continued to be scheduled every 14 days. The budget also reduced the number of employees responsible for repairs of small maintenance equipment, eliminated two of four miscellaneous crews responsible for installation and maintenance of 1,000 permanent barricades throughout the city, eliminated a position responsible for placing sand on spills in the street, and reduced the downtown hand crew by an additional 50 percent.</p> <p>Reductions to 2011-12 Arizona Highway User Revenue Fund (AHUR), used in part for street maintenance, were brought about by the impact of the 2010 Census and cuts of nearly \$12 million made by the State of Arizona.</p> | <p>The 2012-13 budget includes no changes in service for major and collector sweeping and maintenance.</p> |
| <p>Residential Street Sweeping: In 2001-02, the city of Phoenix provided street sweeping service four times a year.</p> | <p>No changes were included in the 2011-12 budget.</p> | <p>No changes are included in the 2012-13 budget for residential street sweeping.</p> |





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

TRANSPORTATION

STREET TRANSPORTATION

Sealcoat:

In 2001-02, the city of Phoenix provided an estimated 100 miles of sealcoat.

In 2004-05, due to budget constraints and increased cost of materials, the number of sealcoat miles was reduced to 81 miles annually.

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

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

In 2009-10, funding was diverted to pilot the Fractured Aggregate Surface Treatment (FAST) program. The FAST application was used to sealcoat 12 miles of city streets.

The 2010-11 budget included funding for 41 miles of city streets to be sealcoated. The Fractured Aggregate Surface Treatment (FAST) pilot program was put on hold until 2011-12.

The 2011-12 budget included funding for 39 miles of city streets to be sealcoated.

Based on 2010 ICMA data, city of Phoenix paved road rehabilitation expenditures per capita compare favorably to those of other benchmark cities as noted below:

Paved Road Rehabilitation

Expenditures per Capita:

San Antonio – \$36.98

Oklahoma City – \$31.30

PHOENIX – \$31.24

Portland – \$19.27

Dallas – \$15.87

The 2012-13 budget includes 45 miles of streets to be sealcoated. It also includes 20 miles of the FAST program.

Asphalt Overlay:

In 2001-02, 140 miles of overlay were performed.

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

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

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

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

In 2009-10, 97 miles of city streets were overlaid with rubberized asphalt. This increase was due to a diversion of \$1 million in Capital Improvement Project (CIP) funds from other CIP projects to the overlay and sidewalk ramp contracts.

The 2010-11 budget provided for 85 miles of overlay, including 65 miles that were funded by the American Recovery and Reinvestment Act (ARRA).

The 2011-12 budget provided 164 miles of overlay. The increase in the number of miles of overlay is due to a carry over of Arizona Highway User Revenue Funds from the prior year.

The 2012-13 budget provides for 113 miles of overlay. The projected decrease in the number of miles of overlay is due to the elimination of the American Recovery and Reinvestment Act (ARRA) funding. This decrease in funding is partially offset by the restructuring of AHUR reserves which increases 2012-13 asphalt overlay funding by \$5 million.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|--|--|---|
| COMMUNITY DEVELOPMENT | | |
| HOUSING | | |
| Scattered Sites Housing Program: In 2001-02, the Housing Department had 450 units. | This homeownership program allows eligible tenants the opportunity to purchase their home. Between 1998-99 and 2007-08, the program's total inventory expanded to 480 units. The 2011-12 inventory of 423 units reflects the sale of 57 homes to eligible tenants over the past decade. | In the 2012-13 budget, the program is expected to maintain the current 423 Scattered Sites homes. |
| Affordable Housing Program: In 2001-02, this program had 1,034 units for families and individuals. | By the end of 2011-12, the Affordable Housing Program was expanded to a total of 3,115 city-owned units for families and individuals with the addition of the 483 units from the newly renovated units at Park Lee and the Symphony. | In the 2012-13 budget, the program is expected to maintain its current inventory of 3,115 affordable housing units for families and individuals. |
| Conventional Housing Program: This program has been in effect since 1951-52. In 2001-02, there were 2,176 units. | <p>In 2003-04, the program's beginning inventory before the Matthew Henson HOPE VI project was initiated was 2,176 units. Due to the reconstruction activities funded by the HOPE VI grant, 280 units became unavailable at the Matthew Henson housing site. One additional unit was transferred to the St. Vincent de Paul organization. The conventional housing inventory at the end of 2004-05 was 1,895 units.</p> <p>At the conclusion of the Matthew Henson HOPE VI project in 2008-09, the department had 2,113 public housing units. During this period, 14 original units at Matthew Henson were removed from the inventory and are being maintained for historical preservation</p> <p>Also in 2008-09, the Krohn West HOPE VI project was awarded and the McCarty on Monroe project was initiated which demolished 100 existing units for reconstruction. The removal of 76 units from the Krohn West HOPE VI project and the 24 units from McCarty on Monroe reduced the total conventional housing inventory to 2,013 at year end of 2008-09.</p> <p>The McCarty on Monroe project was completed in 2009-10, adding back 34 units. The 2009-10 year end inventory of conventional housing units was 2,047.</p> <p>In 2010-11, the department demolished 134 units and preserved four units located within in the East AMP to make way for the new Frank Luke addition, bringing the year end inventory of conventional housing units to 1,909.</p> <p>In 2011-12, 93 units at Marcos de Niza were converted to project-based Section 8 vouchers. Also in 2011-12, a total of 152 units were added at Summit, Frank Luke addition, and the Symphony. The year-end inventory of conventional housing units is estimated to be 1,968 units.</p> | In the 2012-13 budget, the program is expected to increase its inventory to 2,028 conventional housing units with the addition of 60 units at Frank Luke. |





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

COMMUNITY DEVELOPMENT

NEIGHBORHOOD SERVICES

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

In 2001-02, cases were resolved in an average of 83 days.

Over time, ongoing process improvements, streamlining and automation resulted in further case cycle time improvements despite an increasing caseload. Overall average case cycle time improved from 83 days in 2001-02 to 53 days in 2004-05.

In 2012-13, it is anticipated the case cycle time will be reduced to approximately 45 days.

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

Significant staffing and resource reductions in March 2009 caused case cycle times to increase, but only slightly, to 53 days. The increase was minimized by the implementation of an enhanced quality control program, supplemented by supervisory access to more detailed performance indicator reports.

The overall case cycle time improved to an average of 51 days during 2009-10. This is attributed to implementing program efficiencies.

The overall average case cycle time increased to 52 days in fiscal year 2010-11. The increase was due in part to the ongoing complexity of resolving violations at properties in the foreclosure process which caused delays in both administrative (abatement) and adjudication (court) cases.

In fiscal year 2011-12, additional performance standard and quality control measures were initiated along with ongoing process improvements and some division reorganization. These measures assisted in reducing overall average case cycle time back down to 51 days in March. It is anticipated that it will be further reduced to 50 days by the end of the fiscal year.

Based on 2010 ICMA data, city of Phoenix code enforcement expenditures per capita compares favorably to those of other benchmark cities as noted below:

Code Enforcement Expenditures

per Capita:

Dallas - \$11.63

Kansas City – \$9.24

San Antonio – \$5.70

PHOENIX – \$5.67

Oklahoma City - \$3.30

Long Beach - Unavailable





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

COMMUNITY DEVELOPMENT

ECONOMIC DEVELOPMENT

**Employment Growth Rate
Compared to Other Cities**

In 2001 Phoenix's employment growth rate was strong compared to the following benchmark cities:

- San Diego – 2.1%
- Fort Worth – 1.0%
- Los Angeles/Long Beach – 0.8%*
- PHOENIX – 0.7%**
- Dallas – 0.7%
- San Antonio – 0.6%
- Kansas City – 0.6%
- Austin – (0.5)%
- San Jose – (4.8)%

* Includes the metropolitan area.

The current issues inhibiting more robust growth in the economy are expected to continue through 2012. These include high levels of unemployment, large consumer debt loads, reduced income and wealth, weak housing and commercial real estate markets, rising health care costs and budget deficits.

Based on data from the Bureau of Labor Statistics, Phoenix had an increase in the Employment Growth Rate as compared to 45 percent of the following benchmark cities:

- San Jose – 3.0%
- San Diego – 2.2%
- Austin – 2.1%
- PHOENIX – 1.7%**
- Ft. Worth-Arlington – 1.7%
- Dallas – 1.5%
- Los Angeles/Long Beach – .8%
- San Antonio – .3%
- Kansas City – .3%

It is anticipated employment will continue to grow slightly in 2012-13.

COMMUNITY ENRICHMENT

HUMAN SERVICES

Head Start Program:

In 2001-02, the Human Services Department served 3,175 children.

The program is expected to serve 3,390 children during 2011-12, of which, 300 are included in the Early Head Start Program.

The program is expected to serve 3,390 children in 2012-13.

Senior Nutrition Program:

In 2001-02, the Human Services Department served 577,000 congregate and home-delivered meals.

For 2011-12, the program is expected to serve 600,000 congregate and home-delivered meals.

In the 2012-13 budget, it is anticipated that the number of congregate and home-delivered meals will be 615,000.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|---|--|--|
|---|--|--|

COMMUNITY ENRICHMENT

PARKS AND RECREATION

Swimming Pools:

In 2001-02, the city of Phoenix had 28 public swimming pools.

In 2003-04, Pecos Pool was opened, increasing the number of pools to 29.

No changes to the number of open pools are included in the 2012-13 budget.

In the 2009-10 budget eight pools were closed for infrastructure repairs on a rotating basis beginning in May 2009.

In the 2010-11 budget, Cortez Pool was closed indefinitely due to the need for significant structural repairs.

In the 2011-12 budget, eight pools previously closed for infrastructure repairs were re-opened. This increased the number of open pools to 28 out of 29.

Swimming Pool Season:

In 2001-02, swimming pools were open for 12 weeks during the summer months.

In 2003-04, budget considerations forced the city to reduce the swim season to 10 weeks. All pools closed in mid-August to coincide with the beginning of the school year.

In the fiscal year 2012-13 budget, open swim hours will be added at nine pools, representing all Council Districts and city regions, from 1 to 7 p.m. each day in August through the Labor Day holiday.

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

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

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

The 2009-10 budget reduced the swimming season by eliminating open swim hours during the last week in July. The 2009-10 budget also reduced daily open swim hours, and closed all city pools on Friday. Pools hours open to the public were changed from 1 to 7 p.m. instead of noon to 8 p.m. Also, fees were increased for general swim lessons and recreational teams.

No changes were included in the 2010-11 budget.

No changes were included in the 2011-12 budget.

Children's Summer Recreation Programs:

In 2001-02, the city of Phoenix provided recreation programs at 127 program sites.

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

No changes are included in the 2012-13 budget for children's summer recreation programs.

No changes were included in the 2008-09 budget.

The 2009-10 budget reduced summer PAC to 16 sites and increased fees.

Beginning June 2010, all summer PAC sites were eliminated.

No changes were included in the 2011-12 budget.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|---|--|--|
|---|--|--|

COMMUNITY ENRICHMENT

PARKS AND RECREATION

**School Recreation Program
During School Year:**

In 2001-02, funding was provided for an additional 33 sites, which were added for a total of 166.

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

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

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

The 2009-10 budget reduced the number of after school program sites to 42 (the department no longer uses program units in their definition of program sites). After the budget was approved, fees were increased and an additional 13 sites were added. Total sites operated were 55.

The 2010-11 budget further reduced after-school sites to 25 General Fund-supported sites and five full cost recovery sites effective June 2010.

No changes were included in the fiscal year 2011-12 budget.

In the 2012-13 budget, nine Phoenix Afterschool Centers (PAC) sites will be restored.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

COMMUNITY ENRICHMENT

LIBRARY

Central Library:

The new Burton Barr Central Library opened in May 1995. In 2001-02, Burton Barr Central Library provided 75 hours of service per week.

In April 2003, Central Library hours were reduced to 66 hours per week as a result of citywide budget reductions.

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

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

In March 2009, the hours of operation were reduced from 72 hours per week to 52 hours per week at Central Library. Programming for children, teens and adults was also reduced; and facilities maintenance projects were delayed.

In April 2010, customer service and Accessibility Center services at the Central Library were reduced.

In December 2010, the hours at Central Library were expanded by six hours per week. The library is currently open 58 hours per week.

The 2012-13 budget for the Burton Barr Central Library includes expanded morning hours. The Central Library will be open an additional 6 hours per week by opening at 9 a.m., instead of 11 a.m., on Tuesdays, Wednesdays and Thursdays.

Branch Libraries:

In the 2001-02 budget, every branch was open 75 hours per week, and total branch library service hours were 900 per week.

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

The new 15,000-square-foot Desert Broom Library serving the Desert View Village area opened in February 2005 for 66 hours per week, increasing total branch library service hours to 858 per week.

The new Palo Verde Library opened in January 2006, replacing the existing 10,000-square-foot library with a new 16,000-square-foot facility.

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

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

The renovation of Saguaro Library was completed during spring 2008 and opened to the public on June 6, 2008.

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

In March 2009, the hours of operation were reduced from 72 hours per week to 52 hours per week at 7 locations and to 48 hours per week at 8 locations. The budget for circulating materials and programming for children, teens and adults was also reduced; facilities maintenance projects were delayed.

The new Agave Library, located at 33rd Avenue and Pinnacle Peak Road, opened in June 2009.

The new 12,300-square-foot replacement for Harmon Library opened to the public in September 2009.

In April 2010, the hours of operation per week were reduced from 52 to 44 at seven branches and 48 to 40 at the remaining branches.

The 2012-13 budget includes expanded evening hours at eight branches: Ironwood, Cholla, Cesar Chavez, Palo Verde, Juniper, Agave, Yucca and Saguaro. They will be open an additional 6 hours per week, from 7 p.m. to 9 p.m. on Tuesdays, Wednesdays, and Thursdays.

College Depot will expand its programming to four branches libraries: Cesar Chavez, Cholla, Palo Verde, and South Mountain Community College.





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|-------------------------------------|------------------------------------|--------------------------------|
|-------------------------------------|------------------------------------|--------------------------------|

COMMUNITY ENRICHMENT

LIBRARY

Branch Libraries: *(continued)*

Additionally in April 2010, the staff and library materials at Century, Acacia, and Ocotillo branch libraries were reduced resulting in decreased direct customer service and increased time to access library materials. Administrative and support staff were also reduced resulting in slower processing and re-shelving of materials system-wide and less timely maintenance of facilities.

In December 2010, the hours at Mesquite Library were increased by six hours per week.

A new South Mountain Community Library, jointly operated by Maricopa County Community College District and the city of Phoenix, opened August 2011 on the campus of South Mountain Community College – open 72 hours per week.

Based on 2010 ICMA data, the Phoenix library system compared very favorably to other benchmark cities as noted below:

Cost per Item Circulated:

Austin – \$4.43

San Antonio – \$3.82

PHOENIX – \$1.92

Dallas – \$1.80

Long Beach – Unavailable





| PROGRAM SERVICE LEVEL IN 2000-01 | SERVICE CHANGES THROUGH 2011-12 | SERVICE CHANGES FOR 2012-13 |
|---|--|--|
|---|--|--|

ENVIRONMENTAL SERVICES

WATER SERVICES

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

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

In a March 2012 survey, Phoenix's average monthly water bill compared favorably to the following benchmark cities:

- San Diego – \$77.89
- Kansas City – \$62.75
- Austin – \$57.24
- San Jose – \$55.08
- Dallas – \$45.85
- Tucson – \$43.26
- PHOENIX – \$36.12**
- Albuquerque – \$31.81
- San Antonio – \$21.33

It is anticipated Phoenix water rates will continue this trend during 2012-13. The combined water and wastewater rate for 2012-13 will remain unchanged from the prior year.

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

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

In a March 2012 survey, Phoenix's average monthly wastewater bill compared favorably to the following benchmark cities:

- Austin – \$49.04
- San Diego – \$43.44
- Kansas City – \$34.59
- Tucson – \$34.08
- San Jose – \$33.83
- Dallas – \$30.82
- PHOENIX – \$22.34**
- San Antonio – \$21.60
- Albuquerque – \$16.81

It is anticipated Phoenix wastewater rates will continue this trend during 2012-13. The combined water and wastewater rate for 2012-13 will remain unchanged from the prior year.







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

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

Zero Base Budgeting Process

Enhancements were made to the city's budget presentation and community process this year to strengthen public engagement and demonstrate the city's commitment to transparency. In response to requests from the City Council and the community, the Budget and Research Department developed a Citywide Budget Information Packet and Inventory of Programs as part of its zero-based budget approach. This provided more detailed information on every city program, allowed City Council to review cost estimates for the following year at an earlier stage in the budget process, and created a more useful format for Phoenix residents to understand the city's budget. Also added to the budget process this year was a five-year General Fund forecast to enhance the City Council's ability to conduct long-term budget planning. Additional outreach and opportunities for residents to participate in the budget process were also provided, including an interactive online hearing hosted by the Mayor.

Each fall, departments start from zero and submit an estimate of the costs associated with providing their current levels of service for the following year (called the "base budget"). Budget and Research staff review these base budget estimates to ensure that only the funding needed to continue current service levels is included in the department's base budget for the following year. A department's base budget funding may differ from its current year funding for a variety of reasons. For example, an

increase or decrease in electricity or postage rates would be reflected in the base budget.

After these base budget requests are reviewed, departments typically are asked to identify 5 to 10 percent of their budget for potential elimination. These proposals are called base reductions and represent the department's lowest-priority activities. Departments also are asked to provide any requests for new or expanded programs. These are called supplemental budget requests. Departments can propose reducing or eliminating an existing program in order to fund the expansion of an existing program or adding a new program. Base reductions and supplemental requests include all operating and maintenance costs associated with a specific program or service. For example, costs for a swimming pool would include personnel costs for a lifeguard and other staff, chemicals for the pool, building maintenance and utilities.

When base reductions and supplemental requests are proposed, they are ranked together according to the department's priorities. These rankings are used by city management to assist in the creation of the proposed trial budget.

The City Council then provides input to the city manager for the preparation of the trial budget, which is reviewed with the City Council early each spring. The purpose of the trial budget is to enable the community and the City Council to comment on a balanced budget proposal well before the city manager is required to submit a recommended budget in May. Public hearings are conducted throughout the community during day and evening hours, at which residents are encouraged to provide their feedback. The proposed trial budget is also available online and residents can send comments by email. The City Manager recommended budget reflects the input received from the community and City Council. The City

Council makes final budget recommendations after the City Manager's recommended budget is reviewed.

2012-13 BUDGET PROCESS

Initial Budget Status

In September 2011, Budget and Research staff presented an early review and discussion of the 2011-12 budget to the City Council. At that time staff focused on the General Fund, providing financial results for the previous fiscal year. Staff reported that the 2010-11 fiscal year ended with higher than estimated resources and less than expected expenditures, resulting in a stronger starting position for fiscal year 2011-2012. The 2010-11 ending balance was \$92.9 million, an increase attributed to additional interest savings from debt restructuring and increased cost efficiencies and reductions. These savings put the city in a stronger position to withstand revenue shortfalls or unanticipated expenditures in 2011-12.

Staff also provided an update on proposed budget process enhancements to make available a more comprehensive presentation of the budget. An inventory of programs was discussed which would provide cost, staffing, fund source and service level information for every city program. Staff stated an updated inventory would be available in early 2012 and would include 2012-13 preliminary base budget information.

Budget Status Update

In January 2012, Budget and Research provided a 2012-13 preliminary General Fund estimate report and five-year forecast. The preliminary 2012-13 budget estimate showed resources and expenditures were structurally balanced. Additionally, the forecast projected a potential 2012-13 surplus of \$10-\$15 million of one time expenditure savings carried over from 2010-11.





The five-year forecast was developed to provide the Mayor, City Council, city management and the community a tool to enhance budgetary planning over multiple years. This financial best management practice provides policy-makers with a framework for strategic decision-making. In order to model potential future budgetary scenarios under varying economic conditions a range was provided for each year with the baseline forecast represented by the middle of the range. The baseline forecast predicted the General Fund was likely to remain structurally balanced throughout the forecast period.

On February 14, 2012, Budget and Research provided the 2011-12 budget and preliminary 2012-13 budget estimate information packet which included an updated citywide inventory of programs. This enhancement to the city's zero-based budget approach was created to better facilitate reviewing all costs of city programs and improve transparency. It was one component of a more detailed and comprehensive presentation of the city's budget. Other components included:

- A breakdown of citywide operating expenditures by specific category, fund source, and number of volunteer hours for each department.
- Comparison of annual actual expenditures for recent years by budget category.
- Key budget item explanations for specific areas of the budget which are known to be important to the City Council and the community.

Trial Budget

On March 27, 2012, the Mayor and Council were presented with the 2012-13 trial budget. The proposed structurally balanced 2012-13 General Fund budget totaled \$1.114 billion, which was approximately \$51 million, or 4.8 percent, more than the 2011-12 General Fund budget.

Seven important foundations were outlined as critical to the city achieving its budget goals: strong leadership by the Mayor and Council; excellent city employees; innovation and efficiency savings; transparency and community engagement; AAA bond rating and strong financial management; no increased General Fund user fees or taxes; and moderate economic growth.

Noteworthy impacts to 2012-13 General Fund expenditures that explain the increase from the 2011-12 budget include (approximate):

- \$15.6 million- restoration of a portion of employee compensation concessions along with increased cost of employee health care insurance
- \$9.9 million- increased pension costs for sworn and civilian employees.
- \$5.3 million in additional direct services to the community:
 - Additional Police civilian positions in central booking and administration allowing sworn police officers to be returned to direct patrol and investigative units
 - Additional sworn Fire personnel to enhance ambulance emergency response
 - Enhanced graffiti removal and illegal sign enforcement
 - Expansion of hours at several library branches
 - Extension of the College Depot program to additional library branches
 - Extension of the swimming pool season
 - Increased programming at parks, youth recreation and senior centers
 - Increased bus service
 - New technology for the citywide Volunteer Program expanding efficiency through valuable volunteers in service provision

- \$409,000 to operate new capital facilities
- \$5.5 million- increased cost of not using lease-purchase to replace previously planned capital maintenance and equipment
- \$4.8 million- increase to contingency fund over the 2011-12 amount
- \$4.5 million- increases to self-insurance reserve, long-term disability and tuition reimbursement funds to meet minimum funding levels
- \$2.3 million- increased jail costs to house prisoners; includes a Maricopa County Sheriff's Office per diem rate increase (includes both booking and housing rates) effective July 1, 2012. In 2012-13, the increased jail costs are offset by a one-time, \$2.6 million reimbursement payment by the Maricopa County Sheriff's Office to the city for per diem overcharges from 2004-05 through 2010-11.
- \$1.4 million- first year costs to lease-purchase over five years the replacement of failing firefighting self contained breathing apparatus (SCBA) equipment
- \$1.1 million- increased fuel costs
- \$445,000- transition to the General Fund of three police officer positions dedicated to infrastructure security and some Fire Department services previously paid by Water Services.

Offsetting these increased costs are \$4.1 million in proposed ongoing administrative efficiency reductions that are part of a continuing effort to reduce costs.

The Trial Budget included recommended changes to non-General Funds, including a \$8.6 million request for operation and maintenance of stage one of the PHX Sky Train, scheduled to begin in early 2013, funding of personal and contractual services in the Equal Opportunity Department to handle





increased federal monitoring specifically related to Aviation contracts, and adding an aviation supervisor position to support the growing after-hours demands at Deer Valley Airport. The Planning and Development Department proposed adding a total of \$406,000 to address several requirements including adding two positions to comply with a new unfunded state legislative mandate regarding license and permit issuance, a new budget supervisor position to help manage the department's uniquely complex budget and financial demands, and two positions to enhance city enforcement of illegal banners, flag signs and sandwich board signs on private property.

The Water Services Department noted decreased funding for Police infrastructure security and Fire Department services beginning in 2012-13 following a comprehensive review conducted by Budget and Research. Additionally, Water Services proposed adding funding of \$299,000 for contractual services and materials including a mobile field order system enabling wireless deployment of field activities, the operation of new aeration systems required for regulatory compliance, and for the operation and maintenance of a new granular activated carbon facility.

Community Input

The proposed budget was presented at 17 budget hearings conducted throughout the community from April 3 to 19. Following a presentation describing the proposed budget, residents were invited to comment. This included an interactive online hearing hosted by the Mayor, allowing residents to submit comments or questions live from a home computer or mobile device. In addition to the budget hearings, the budget was shared with the community on the city's website and through a tabloid entitled "Phoenix Budget for Community Review" that outlined the proposed service changes as well as a calendar of budget hearing dates. This information was made available electronically in addition to hard copies provided at senior centers, libraries, community centers and at budget hearings. The city also published where to find the electronic version in *The Arizona Republic*, *Arizona Informant* and *Presna Hispana*. Residents also were invited to send comments and questions through the city's website. The publicity of the trial budget allows the City Council and the community to comment on proposed measures for balancing the budget.

More than 500 comments were received from the community at 17 budget hearings by email, letters and through social media during Phoenix's first ever online budget hearing. Most citizens voiced support for the proposals already included, as well as identifying additional community needs including increasing street maintenance, expanding afterschool programs, extending the pool season, increasing park maintenance, addressing illegal signs, restoring library hours and public safety support. Based on the further funding resources described in the City Manager's Budget Message, the City Manager was able to recommend service additions to the Mayor and City Council beyond what was presented in the Trial Budget that closely corresponded to resident input.

City Manager's Budget and Council Action

On May 1, a revised budget package that reflected feedback from the community was presented to the Mayor and City Council for information and discussion only. The following changes were proposed in the City Manager's Budget to respond to the community's feedback about specific services:

Public Safety

- Restore a community prosecutor and seek ongoing grant funding to cover costs in future years
- Add two additional Police civilian support positions to allow sworn police officers to be returned to patrol and investigative units (as recommended by the Innovation and Efficiency Study of the Phoenix Police Department)

Education

- Restore nine Phoenix Afterschool Center (PAC) sites based on assessment of highest need as determined by the Parks and Recreation Department
- Expand hours at three additional library branches and extend the College Depot program to two additional library branches

Neighborhoods and Livability

- Expand enforcement of illegal signs to cover evening hours and weekends
- Increase maintenance of parks facilities and amenities such as restrooms and playground equipment

Infrastructure

- Increase citywide street maintenance and repair capital funding

Social Service Delivery

- Restore some city support for nonprofit homeless shelter

Innovation and Efficiency and Technology

- Add Channel 11 broadcasting of City Council subcommittee meetings to enhance transparency and community involvement





In addition to the increased General Fund services, the 2012-13 General Fund contingency would be increased by an additional \$58,000, bringing the total to \$40,658,000.

Funding also was proposed to be added for non-General Fund services including adding a contracts specialist position to oversee the administration of contract procurement for the Aviation Department and adding an economic development program manager to enhance community engagement and education for solid waste diversion programs.

On May 15, 2012, the City Council approved the budget, enabling staff with the Council direction necessary to prepare publications and post documents for tentative and final budget adoption actions.

Tentative Budget Adoption

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

Final Budget Adoption

A public hearing and final adoption occurred on June 19. Adoption of the property tax levy was scheduled no less than 14 days later on July 3 in accordance with state law.

The following chart is an overview of the 2012-13 budget calendar.

2012-13 Budget Calendar

| | |
|--------------------|--|
| January 24 | 2012-13 Preliminary General Fund Budget Estimate and Five Year Forecast; 2012-13 Budget Process Calendar |
| February 14 | Presentation of 2012-13 Budget Information Packet and Inventory of Programs |
| March 27 | Trial Budget |
| April 3 – April 19 | Community Budget Hearings |
| April 3 | 2012-17 Preliminary Capital Improvement Program |
| April 19 | 2006 Citizens Bond Executive Committee Meeting |
| May 1 | City Manager’s Recommended 2012-13 Budget |
| May 15 | Final Budget Recommendations and City Council Action to Balance the General Fund Budget |
| May 30 | Tentative Adoption of 2012-13 Budget and 2012-17 Capital Improvement Program |
| June 19 | Final Budget Adoption |
| July 3 | Property Tax Adoption |





General Budget and Financial Policies

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

The city's budget policies are extensions of these basic laws and follow generally accepted governmental budgeting and accounting practices and standards.

A BALANCED BUDGET IS REQUIRED

Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as "the primary property tax levy, when added together with all other available resources, must equal these expenditures." Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a "rainy day fund") can be included in the budget each year.

The City Charter also requires an annual balanced budget. The Charter further requires that "the total of proposed expenditures shall not exceed the total of estimated income and fund balances."

Annual Budget Adoption Requirements

The City Charter and Code and state statutes contain legal deadlines and actions that must be followed in adopting the budget. In cases where the deadlines conflict, the city meets the earlier of the two dates. The deadlines and formal actions prescribed by both, as well as the actual or planned dates for the 2012-13 budget development process are as follows:

| Action Required | City Charter Prescribed Deadline | Arizona State Statute Prescribed Deadline | 2012-13 Budget Dates |
|--|---|--|------------------------|
| City manager's recommended five-year Capital Improvement Program submitted to the City Council. | At least three months prior to final date for submitting the budget or a date designated by the City Council. | Capital Improvement Program not required. | April 3 |
| City manager's proposed budget for ensuing year presented to the Mayor and City Council. | On or before the first Tuesday in June or a date designated by the City Council. | City Manager budget not required. | May 1 |
| Post notice on the official city website if there will be an increase in either the primary or the secondary property levy, even if the combined levy is a decrease. | No requirement. | 60 days prior to Tax Levy Adoption. | May 3 |
| Post City Manager's proposed budget on the city's website and provide copies to libraries and City Clerk. | No requirement. | No later than 7 business days after the estimates of Revenue and Expenses are initially presented before the City Council. | May 10 |
| Publish general summary of budget and notice of public hearing that must be held prior to tentative budget adoption. | Publish in newspaper of general circulation at least two weeks prior to first public hearing. | No requirement. | Publish Week of May 14 |
| Publish notice of public hearing which must be held prior to adoption of five-year Capital Improvement Program by resolution. | Publish in newspaper of general circulation at least two weeks prior to first public hearing. | No requirement. | Publish Week of May 14 |





| Action Required | City Charter Prescribed Deadline | Arizona State Statute Prescribed Deadline | 2012-13 Budget Dates |
|---|---|--|-------------------------------------|
| Public hearing immediately followed by tentative budget adoption with or without amendment. | On or before the last day of June. | On or before the third Monday of July. | May 30 |
| Publish truth-in-taxation notice twice in a newspaper of general circulation (when required). | No requirement. | First, at least 14 but not more than 20 days before required public hearing; then at least seven days but not more than 10 days before required hearing. | Publish weeks of June 4 and June 11 |
| Publish summary of tentatively adopted budget and notice of public hearing which must precede final adoption. | No requirement. | Once a week for two consecutive weeks following tentative adoption. | Publish weeks of June 4 and 11 |
| Public hearing plus truth-in-taxation hearing (when required) immediately followed by final budget adoption. | No requirement. | No later than second Monday in August. | June 19 |
| Post a complete copy of the budget finally adopted on the city's website. | No requirement. | No later than seven days after adoption. | June 26 |
| Property Tax Levy Adoption. | No later than the last regularly scheduled Council meeting in July. | No sooner than fourteen days following final budget adoption and no later than the third Monday in August. | July 3 |

Amendments to the Budget After Final Adoption

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

In certain instances, however, the budget may be amended after adoption. All budget amendments require City Council approval. These are (1) transfers from any contingency appropriation, (2) increases in funds exempt from the Arizona State Constitution expenditure limit and (3) reallocations of amounts included in the original budget. An amount for contingencies is included in the General Fund and in many other restricted funds. Informal reservations of contingencies may be made throughout the fiscal year as approved by the City Council. Actual expenditures are recorded in the appropriate departmental budget. Then, at the end of the fiscal year, contingency amounts actually needed are transferred by City Council formal action to the appropriate departmental budget.

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

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





PROPERTY TAXES AND BONDED DEBT LIMIT

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

Primary Property Tax Restrictions

Primary property tax levies are restricted to an annual two percent increase plus an allowance for growth attributable to previously unassessed properties (primarily new construction). The primary levy may also additionally increase by an amount equal to annual tort liability claims. Growth in primary assessed valuation is restricted annually to the greatest of 10 percent, or 25 percent of the difference between primary values in the preceding valuation year and secondary values in the current valuation year, plus an allowance for previously unassessed properties. The City Charter requires that eight cents of the primary property tax levy be allocated to the Parks and Playground Fund. In addition, the City Charter limits the primary property tax rate to \$1.00 plus an amount that provides for the establishment and support of free public libraries and reading rooms.

Secondary Property Tax Restrictions

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

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

Bonded Debt Limit

Arizona cities can issue general obligation bonds for purposes of water, sewer, lighting, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, and street and transportation up to an amount not exceeding 20 percent of the secondary assessed valuation. General obligation bonds can be issued for all purposes other than those previously listed up to an amount not exceeding six percent of the secondary assessed valuation. An analysis of bonded debt limits is provided in the Debt Service chapter.

ANNUAL EXPENDITURE LIMITATION

Since fiscal year 1982-83, the city of Phoenix has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the city's actual 1979-80 expenditures adjusted for interim growth in population and inflation as measured by the gross domestic product implicit price deflator. The constitution exempts certain expenditures from the limitation. Constitutional exemptions generally don't apply to cities adopting a home rule option unless specifically approved by voters. The principal constitutional exemptions that could apply to the city of Phoenix are debt-service payments, expenditures of federal funds, certain state-shared revenues and other long-term debt obligations. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may be adjusted for the transfer of functions between governmental jurisdictions.

The constitution provides for four processes to exceed the expenditure limitation: (1) a local four-year home rule option, (2) a permanent adjustment to the 1979-80 base, (3) a one-time override for the following fiscal year, and (4) an accumulation for pay-as-you-go capital. All require voter approval.

City of Phoenix voters have approved eight local home rule options in 1981, 1985, 1991, 1995, 1999, 2003, 2007 and 2011. Before 1999, the home rule options generally excluded enterprise operations such as Aviation, Water, Wastewater and Solid Waste from the expenditure limitation. Beginning in 1999, the voters approved establishing the city's annual budget as the spending limit. The home rule option approved by voters Aug. 30,

2011, will be in effect for four fiscal years from 2012-13 through 2015-16 and will allow Phoenix residents to continue to control local expenditures. Finally, in 1981, the voters approved the permanent annual exclusion of the following amounts for pay-as-you-go capital: \$5 million for Aviation, \$6 million for Water, \$6 million for Wastewater and \$2 million for General Fund street improvements.

BUDGET BASIS OF ACCOUNTING

The city's budget basis of accounting is based on the modified accrual basis plus encumbrances. This method recognizes revenues in the period that they become available and measurable, and expenditures are recognized in the period the associated liability is incurred. This method differs from generally accepted accounting principles (GAAP) used for preparing the city's comprehensive annual financial report. The major differences between the modified accrual basis and the GAAP basis are listed below. A reconciliation of budgetary and GAAP fund balances is provided each year in the comprehensive annual financial report.

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

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





GENERAL FINANCIAL POLICIES

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

Form of Budget Adoption

1. Allocation of Appropriations - Funds appropriated by the City Council are allocated to programs, offices, departments, divisions, sections, projects and type of expenditure by the city manager or as delegated to the Budget and Research director to provide managerial control and reporting of budgetary operations.

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

3. Contingency Amounts - A contingency allowance (also known as a "rainy day fund") is appropriated to provide for emergencies, mid-year community service requests, and unanticipated expenditures and revenue shortfalls. Expenditures may be made from contingencies only upon approval by the City Council with recommendation by the city manager. Over the last 10 years, the city's contingency fund has been as low as 2.6 percent of General Fund expenditures, and will be at the highest level in 2012-13 at 3.7 percent. Best practices recommend a contingency fund of five percent of total expenditures. In order to better withstand future economic downturns the City Council has adopted a policy to gradually increase the contingency to five percent over multiple years.

Enterprise and Special Revenue funds have varying levels of contingency funding consistent with the variability in revenues and expenditures associated with the services provided.

4. Ordinances - Three budget ordinances are adopted each fiscal year: (1) the operating funds ordinance, (2) the capital funds ordinance and (3) the re-appropriated funds ordinance. The last ordinance is required because unexpended amounts, including those encumbered, lapse at the end of the fiscal year. Since all expended amounts must be included in the budget adoption ordinance, the city re-budgets all encumbrances outstanding at year's end.

Cost Allocation and Expenditure Policies

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

2. Central Services Cost Allocation - The Finance Department annually calculates the full cost of central services provided to Enterprise funds. Except for the Golf Fund, these allocated costs are recouped from the Enterprise funds through fund transfers to the General Fund.

3. Employee Compensation Costs - Costs for employee compensation including all wages, social security, industrial, health, life, unemployment, dental insurance and other personal allowances are allocated to each department. Annual amounts for cash conversion of vacation, compensatory time and sick leave are included in the budget. However, future values of compensated absences are not included in the budget but are disclosed in the notes to the comprehensive annual financial report at year's end.

4. Enterprise Cost Recovery - Aviation, Water, Wastewater and Solid Waste are fully self-supporting from rates, fees and charges and, as such, are budgeted and accounted for as Enterprise funds. Cost recovery includes direct operation and maintenance expenses, capital expenditures, debt service, indirect cost allocation, and in-lieu property taxes, where allowable. The Convention Center, while accounted for using enterprise accounting principles, is partially financed from rental and parking fees with the remainder coming from earmarked sales taxes. The Golf Fund, also accounted for using enterprise accounting principles, does not reimburse the General Fund for citywide indirect cost allocations. Finally, federal regulations preclude the Aviation Fund from paying in-lieu property taxes. By City Council policy, the Convention Center Fund does not pay in-lieu property taxes.

5. Internal Cost Accounting Allocation - Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs including appropriate overhead.

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





7. Pension Funding - In addition to other employee compensation amounts, pension amounts are allocated to each department. The required employer contribution is determined actuarially to fund full benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a 20-year period.

8. Self-Insurance Costs - With a few exceptions, the city is fully self-insured for general and automotive liability exposures. The major exceptions to self-insurance include airport operations, police aircraft operations and excess general and automotive liability for losses in excess of \$7.5 million. An independent actuary determines the self-insurance costs, which are combined with purchased policy costs and allocated to department budgets based on the previous five years' loss experience of each department.

Revenue Management

All local governments struggle to generate the funds necessary to provide, maintain and enhance the service demands of their community. Due to the legal limitations on property taxes in Arizona, and due to the pre-emption of city-imposed income, luxury and gas taxes, Arizona cities and towns largely rely on local sales taxes and state-shared sales, income and vehicle license taxes. In Phoenix, 43 percent of General Fund revenue comes from the local sales tax. This reliance on sales tax collections results in a highly cyclical revenue base. Significant decreases in total General Fund revenue and sales taxes in particular led to the City Council's February 2010 approval of a temporary sales tax on food for home consumption effective April 1, 2010, which is set by ordinance to expire on March 31, 2015.

Given our reliance on sales taxes, developing personal income is an important step in managing our revenue base. In recent years, considerable effort

has been devoted to attracting employers that will provide our residents with quality jobs and to developing a local workforce that will support the needs of quality employers. We also have worked to develop an employment base that is not as heavily concentrated in the highly cyclical construction industry. However, the recent unprecedented declines in construction activity and unemployment in all sectors had a significant negative impact on revenue.

Also important to managing our revenue base is the continued growth expected in catalog and Internet sales. Our use tax is an important tool in reducing the impact of this shift from sales in "Bricks and Mortar" stores. The development of our tourism-related sales tax base (hotels, restaurants and short-term car rentals) is another important hedge against future revenue loss due to growth in Internet and catalog sales. Tourism is another industry that suffered significant declines in the recent recession.

Finally, utility taxes levied against the sales of electricity, natural gas, telecommunications, water and sewer make up about 22 percent of our local sales tax base. Generally, utility taxes are not responsive to economic conditions and provide us with a fairly significant revenue source that remains stable during periods of economic downturn. In addition, several detailed revenue policies are listed below.

1. Privilege License and Use Taxes (Sales Tax) - The City Council may set the city sales tax rate by ordinance. The city sales tax rate on retail sales and most other categories is 2.0 percent. The Model City tax code exemption on food for home consumption was removed by City Council action in February 2010. It was last imposed in June 1980. The rate varies for certain other specialized taxing categories as outlined in the Operating Fund Revenues section of this document.

2. Property Taxes - By City Council policy, the combined city property tax rate is \$1.82 per \$100 of assessed valuation. In accordance with the Council-adopted policy, the primary property tax levy is annually set at the previous year's levy amount plus two percent and an amount associated with new property. The secondary levy is then set at an amount necessary to achieve a total \$1.82 tax rate.

3. In Lieu Property Taxes - In-lieu property taxes are charged to the Water, Wastewater and Solid Waste funds based upon acquisition or construction cost with the appropriate assessment ratio and current property tax rate applied. These amounts are calculated annually by the Finance Department.

4. Annual User Fee Review - The city auditor conducts a comprehensive user fee review to project cost recovery rates, and then compares the projections to the established cost recovery policy. The rates are based upon generally accepted full-cost accounting standards. The City Manager recommends expenditure reductions or fee adjustments to the City Council to maintain the established cost recovery policy.

5. Fines and Forfeitures - The Municipal Court has jurisdiction over establishing many of the fine and forfeiture fee schedules.

6. Parks and Recreation Fees and Charges - The Parks and Recreation Board has jurisdiction over establishing charges for miscellaneous recreational facilities and advising the City Council on fees to be set for golf courses, tennis centers and swimming pools.

7. Interest Earnings - Interest earnings from the investment of temporarily idle funds are credited to the fund generating the earnings.





FUND STRUCTURE

The budget presented here is made up of three distinct fund groups: General, Special Revenue and Enterprise funds.

All planned uses of these fund types are included in the annual budget. Fiduciary funds, which are described later in this section, are not included in the annual budget.

General Funds

General – These revenues come from four major sources: local sales (privilege license) taxes, local primary property taxes, state-shared revenues, and user fees and other revenues. State-shared taxes include state-shared sales, vehicle license and income taxes. User fees and other revenues include cable and ambulance fees as well as interest earnings and fines. General funds are used to provide the most basic of city services including police, fire, parks, library, municipal court and neighborhood services.

Parks – The City Charter requires that a portion of the primary property tax levy be used to support parks programs. To demonstrate compliance with this requirement, all parks revenues and expenditures are segregated in a separate fund.

Library – State law requires that funds received for library purposes are segregated in a separate Library Fund. Revenues include library fines and fees, which are used to help offset library expenditures.

Cable Communications – Included in this fund are the revenues and expenditures associated with administering cable television licensing and programming the government and education access channels.

Special Revenue Funds

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

Capital Construction – This fund is used to account for the 2 percent utility taxes on telecommunication services that are used for pay-as-you-go capital projects in the city's right-of-way.

City Improvement – This fund is used to account for debt payments incurred as a result of facilities built by the Civic Improvement Corporation.

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

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

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

Excise Tax – The Excise Tax Fund is used to account for tax revenues ultimately pledged to pay principal and interest on various debt obligations.

Grant Funds – Grant funds include Federal, State and local agency awards. These are Community Development Block Grant funds, Public Housing funds, Human Services funds and various other smaller grant allocations. Grant funds can be applied only to grant-eligible expenditures.

Neighborhood Protection – These funds are used to account for the revenues and expenditures associated with a voter-approved 0.1 percent increase in the sales tax in 1993. Revenue from the tax increase is earmarked for police and fire neighborhood protection programs, and police Block Watch programs. The Police Department is allocated 70 percent, Fire Department 25 percent and Block Watch Programs 5 percent of revenues.

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

Parks and Preserves – This fund is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in 1999 for a ten-year period. In 2008, voters approved a 30-year extension to July 1, 2038. The funds are used to purchase state trust lands for the Sonoran Desert Preserve open space, and the development and improvement of regional and neighborhood parks to enhance community recreation.





Public Safety Enhancement – These funds are used to account for the revenues and expenditures associated with a voter-approved 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements in March 2005. The Police Department, including the Office of Emergency Management, is allocated 62 percent and the Fire Department 38 percent of revenues.

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

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

Regional Wireless Cooperative (RWC) – This fund accounts for revenues and expenditures associated with the Regional Wireless Cooperative (RWC), which is an independent, multi-jurisdictional organization that manages and operates a regional radio communications network built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around Central Arizona's Valley of the Sun. Phoenix operates and maintains the network and is also responsible for accounting, budgeting, procurement and contracting for the RWC. Costs are shared among the RWC member organizations.

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

Sports Facilities – This fund accounts for revenues generated from a 1.0 percent hotel/motel tax and a 2.0 percent tax on short-term vehicle rentals. These funds are designated for payment of debt service and other expenditures related to the downtown sports arena.

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

Enterprise Funds

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

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

Fiduciary Funds

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





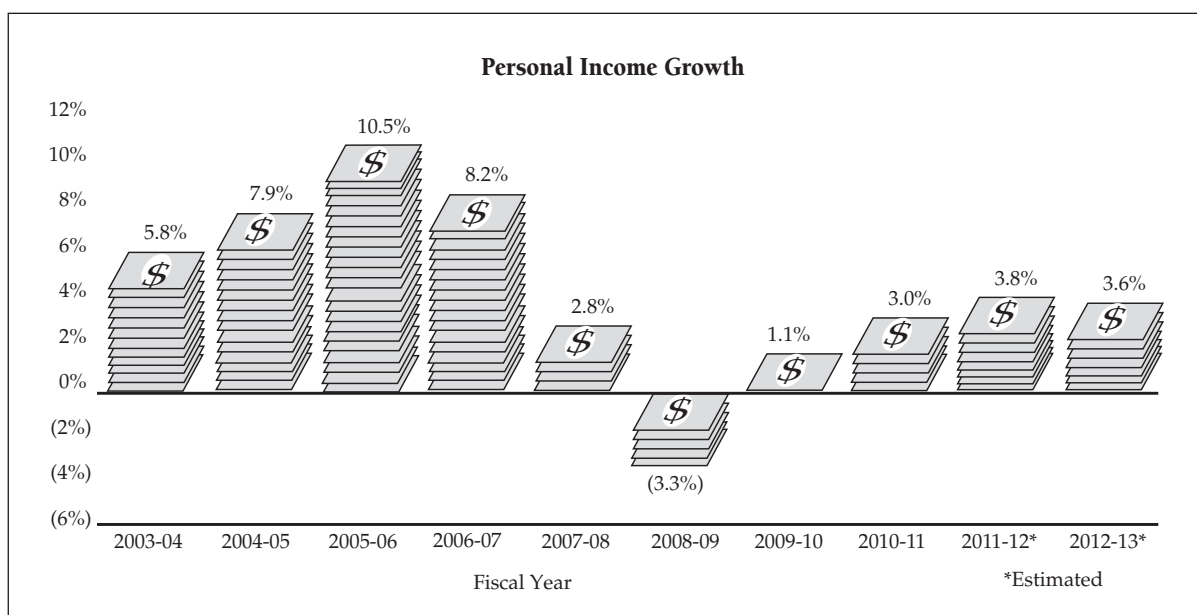


Revenue Estimates

Revenue estimates for 2012-13 are based on assumptions about the local economy, population changes, activity levels, underlying estimates for cost-recovery rates and fees, and on the continuation of current state revenue collection and sharing practices. In addition, other revenue estimates are developed using the most current information from outside entities that establish such fees. Examples of revenues derived from fees set by outside entities include portions of court fines and fees, and ambulance fees. Finally, consistent with the property tax policy adopted by Council in December 2011, the primary property tax levy remains at the maximum allowable amount. The current combined primary and secondary property tax rate remains the same at \$1.82 in accordance with Council policy through 2012-13.

State and local economic growth began to stabilize in the latter part of 2009-10 after the recession and the economy continues to recover, however at a slower pace than prior economic recoveries. Economists are predicting the current economic recovery to continue, with a full recovery not anticipated until 2015 or 2016. There are several factors preventing a more typical pace of recovery, including continued problems in the housing market, slow job growth and low levels of net migration. City sales tax revenues are increasing which is a positive sign, but they remain below the peak levels reached in fiscal year 2006-07. Personal income is one of many indicators used for estimating state and local sales taxes, and state-shared income taxes. Consistent with projections by local economists, the chart below shows that personal income is expected to grow by 3.6 percent in 2012-13, which is down slightly from the 3.8 percent estimated for 2011-12.

Several other economic indicators are used to develop revenue forecasts including the consumer price index, unemployment, population, gasoline sales, housing unit data, wage and salary related information, retail sales and disposable income. A forecasting software program is used to create several statistical models using data from the University of Arizona's Forecasting Project. These models assist with the estimation process and serve as a reasonableness test for projections. The estimation process also includes information gathered throughout the year from national and local publications, as well as opinions from professionals in economics and finance from state government, universities and the private sector.





FIVE YEAR EXCISE TAX FORECAST

Excise taxes include local sales taxes, state-shared sales and income taxes, and sales tax license fees and permits. Excise taxes represent a significant portion of General Fund revenues. In addition to providing General Fund resources, local sales taxes also provide non-General Fund resources to programs such as Transit, Parks and Preserves, Convention Center and public safety.

The following table details the five year excise tax revenue forecast. Included in the forecast are several economic assumptions including moderate growth for city and state sales tax rates; growth in population, but at a smaller rate than prior years; increases in personal income and job growth; decreased unemployment; marginal increases in consumer spending and continued stabilization of the housing

market. Factors which will hinder a robust recovery include low levels of net migration, slow job growth, and slow absorption of housing units due to a lack of homebuyers and available credit. The forecast also includes no further periods of recession, no change to state shared revenue formulas, continuation of the current revenue base, and a 2 percent food for home consumption tax effective April 1, 2010, through March 31, 2015.

FIVE YEAR EXCISE TAX REVENUE FORECAST (In Thousands of Dollars)

| | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | |
|--|------------------|------------------|-------------|--------------------|--------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--|
| | Actual | Estimate | %Change | Estimate | %Change | Estimate | %Change | Estimate | %Change | Estimate | %Change | |
| Privilege License Tax | | | | | | | | | | | | |
| Privilege License Tax ¹ | 289,278 | 307,816 | 6.4% | 329,743 | 7.1% | 358,128 | 8.6% | 376,819 | 5.2% | 374,927 | -0.5% | |
| Police Neighborhood Protection ¹ | 17,741 | 18,873 | 6.4% | 20,280 | 7.5% | 22,044 | 8.7% | 22,990 | 4.3% | 23,354 | 1.6% | |
| Police Block Watch ¹ | 1,274 | 1,341 | 5.3% | 1,449 | 8.1% | 1,575 | 8.7% | 1,642 | 4.3% | 1,668 | 1.6% | |
| Fire Neighborhood Protection ¹ | 6,372 | 6,704 | 5.2% | 7,243 | 8.0% | 7,873 | 8.7% | 8,211 | 4.3% | 8,340 | 1.6% | |
| Police - 2007 Public Safety Expansion ¹ | 40,544 | 43,128 | 6.4% | 46,348 | 7.5% | 50,379 | 8.7% | 52,541 | 4.3% | 53,373 | 1.6% | |
| Fire - 2007 Public Safety Expansion ¹ | 10,136 | 10,782 | 6.4% | 11,587 | 7.5% | 12,595 | 8.7% | 13,135 | 4.3% | 13,343 | 1.6% | |
| Parks and Preserves ¹ | 25,345 | 26,962 | 6.4% | 28,972 | 7.5% | 31,491 | 8.7% | 32,842 | 4.3% | 33,362 | 1.6% | |
| Transit 2000 ¹ | 101,379 | 107,847 | 6.4% | 115,886 | 7.5% | 125,965 | 8.7% | 131,370 | 4.3% | 133,451 | 1.6% | |
| Convention Center Excise Tax | 37,835 | 40,424 | 6.8% | 42,987 | 6.3% | 47,293 | 10.0% | 51,758 | 9.4% | 55,974 | 8.1% | |
| Sports Facilities Excise Tax | 14,076 | 14,809 | 5.2% | 15,672 | 5.8% | 17,168 | 9.5% | 18,767 | 9.3% | 20,284 | 8.1% | |
| Privilege License Fees (Annual) | 2,237 | 2,330 | 4.2% | 2,450 | 5.2% | 2,521 | 2.9% | 2,594 | 2.9% | 2,669 | 2.9% | |
| PLT Application & Other Fees | 206 | 205 | -0.5% | 230 | 12.2% | 255 | 10.9% | 280 | 9.8% | 305 | 8.9% | |
| Government Lease Property Excise Tax | 417 | 450 | 7.9% | 475 | 5.6% | 500 | 5.3% | 525 | 5.0% | 550 | 4.8% | |
| Subtotal (PLT) | \$546,840 | \$581,671 | 6.4% | \$623,322 | 7.2% | \$677,787 | 8.7% | \$713,474 | 5.3% | \$721,600 | 1.1% | |
| Utility & Franchise | | | | | | | | | | | | |
| Utility & Franchise Tax | 84,489 | 87,278 | 3.3% | 90,934 | 4.2% | 94,762 | 4.2% | 99,519 | 5.0% | 106,014 | 6.5% | |
| Jail Tax ² | 13,589 | 13,600 | 0.1% | 6,950 | -48.9% | 7,124 | 2.5% | 7,302 | 2.5% | 7,484 | 2.5% | |
| Storm Water Management | 4,585 | 4,565 | -0.4% | 4,588 | 0.5% | 4,634 | 1.0% | 4,703 | 1.5% | 4,774 | 1.5% | |
| Capital Construction | 15,486 | 16,723 | 8.0% | 17,230 | 3.0% | 18,314 | 6.3% | 19,527 | 6.6% | 21,037 | 7.7% | |
| Police Public Safety Enhancement | 14,744 | 14,744 | 0.0% | 15,006 | 1.8% | 15,332 | 2.2% | 15,791 | 3.0% | 16,421 | 4.0% | |
| Fire Public Safety Enhancement | 9,037 | 9,037 | 0.0% | 9,197 | 1.8% | 9,396 | 2.2% | 9,677 | 3.0% | 10,064 | 4.0% | |
| Subtotal (Utility & Franchise) | \$141,930 | \$145,947 | 2.8% | \$143,905 | -1.4% | \$149,562 | 3.9% | \$156,519 | 4.7% | \$165,794 | 5.9% | |
| Licenses & Permits | | | | | | | | | | | | |
| Licenses & Permits | 3,092 | 2,878 | -6.9% | 2,897 | 0.7% | 2,966 | 2.4% | 3,094 | 4.3% | 3,233 | 4.5% | |
| State Sales Tax ^{3,4} | 111,787 | 115,183 | 3.0% | 119,646 | 3.9% | 128,232 | 7.2% | 138,670 | 8.1% | 150,644 | 8.6% | |
| State Income Tax ^{3,4} | 143,647 | 122,012 | -15.1% | 147,655 | 21.0% | 153,000 | 3.6% | 162,000 | 5.9% | 174,000 | 7.4% | |
| TOTAL | \$947,296 | \$967,691 | 2.2% | \$1,037,425 | 7.2% | \$1,111,547 | 7.1% | \$1,173,757 | 5.6% | \$1,215,271 | 3.5% | |

¹Includes a 2.0% food for home consumption tax effective 04/01/10 through 03/31/15.

²Effective July 2012 the City Council voted to reduce the jail tax by 50%.

³Assumes 2010 Census population for state shared revenues.

⁴Assumes no change to State shared revenue formulas or legislation that could impact state income or sales tax collections.

Note:

* Assumes no further period of recession and modest revenue growth for the forecast period.

* Assumes no change to current revenue base as provided in applicable state statutes and city ordinances.

* Assumes no future fee increases or new sources of revenue.





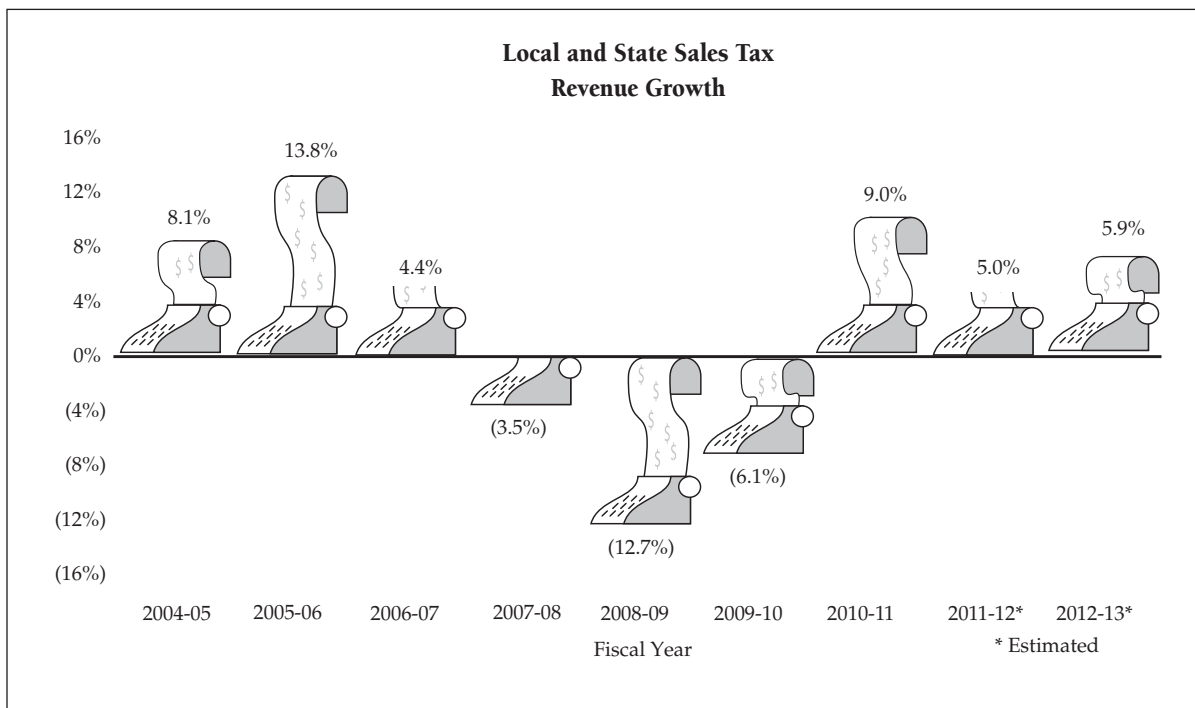
GENERAL FUNDS

Total 2012-13 General Fund revenues are estimated to be \$1,006.4 million or 5.9 percent more than 2011-12 estimates of \$950.6 million. General Fund revenues consist of four major categories: local taxes, state-shared revenues, primary property taxes and user fees. Following are descriptions of the revenue sources within these four categories and explanations of 2012-13 revenue estimates.

Local and state sales tax collections represent approximately 54 percent of General Fund revenues. Local sales taxes for 2012-13 are expected to grow by 6.5 percent over 2011-12 estimates. This is an increase from the 5.7 percent growth rate in local sales taxes estimated in 2011-12. Phoenix's share of state sales taxes for 2012-13 is expected to grow by 3.9 percent over 2011-12 estimates. This is increased from the 3.0 percent growth in Phoenix's share anticipated in 2011-12.

Combined local and state sales tax revenues for 2012-13 are expected to grow by 5.9 percent over 2011-12 estimates. Combined rates of growth since 2004-05 are provided in the chart below.

The table on the next page details estimated General Fund revenues by major category.





GENERAL FUND REVENUE BY MAJOR SOURCE

(In Thousands of Dollars)

| Revenue Source | 2010-11 Actual | % of Total | 2011-12 Estimate | % of Total | 2012-13 Budget | Increase/(Decrease) | | |
|--------------------------------------|-------------------|---------------|---------------------|---------------|-------------------|---------------------|-----------------------|--------|
| | | | | | | % of | From 2011-12 Estimate | Amount |
| Local Taxes | | | | | | | | |
| Sales Tax | \$ 373,767 | 39.0% | \$ 395,094 | 41.6% | \$ 420,677 | 41.8% | \$ 25,583 | 6.5% |
| Privilege License Fees | 2,426 | 0.3% | 2,530 | 0.3% | 2,675 | 0.3% | 145 | 5.7% |
| Other G.F. Excise Taxes ¹ | 14,023 | 1.5% | 14,055 | 1.5% | 7,430 | 0.7% | (6,625) | -47.1% |
| Subtotal | \$ 390,216 | 40.7% | \$ 411,679 | 43.3% | \$ 430,782 | 42.8% | \$ 19,103 | 4.6% |
| State-Shared Revenue | | | | | | | | |
| Sales Tax ² | 111,787 | 11.7% | 115,183 | 12.1% | 119,646 | 11.9% | 4,463 | 3.9% |
| State Income Tax ² | 143,647 | 15.0% | 122,012 | 12.8% | 147,655 | 14.7% | 25,643 | 21.0% |
| Vehicle License Tax | 48,298 | 5.0% | 46,000 | 4.8% | 47,000 | 4.7% | 1,000 | 2.2% |
| Subtotal | \$ 303,732 | 31.7% | \$ 283,195 | 29.8% | \$ 314,301 | 31.2% | \$ 31,106 | 11.0% |
| Primary Property Tax | 130,913 | 13.7% | 126,763 | 13.3% | 131,921 | 13.1% | 5,158 | 4.1% |
| User Fees/Other Revenue | | | | | | | | |
| Licenses & Permits | 3,092 | 0.3% | 2,878 | 0.3% | 2,897 | 0.3% | 19 | 0.7% |
| Cable Communications | 9,584 | 1.0% | 9,386 | 1.0% | 9,386 | 0.9% | - | 0.0% |
| Fines and Forfeitures | 21,322 | 2.2% | 21,870 | 2.3% | 22,009 | 2.2% | 139 | 0.6% |
| Court Default Fee | 1,160 | 0.1% | 1,110 | 0.1% | 1,150 | 0.1% | 40 | 3.6% |
| Fire | 47,789 | 5.0% | 48,715 | 5.1% | 52,677 | 5.2% | 3,962 | 8.1% |
| Hazardous Materials Inspect Fee | 1,291 | 0.1% | 1,300 | 0.1% | 1,300 | 0.1% | - | 0.0% |
| Library Fees | 1,243 | 0.1% | 1,313 | 0.1% | 1,313 | 0.1% | - | 0.0% |
| Parks and Recreation | 7,496 | 0.8% | 6,883 | 0.7% | 7,888 | 0.8% | 1,005 | 14.6% |
| Planning | 1,124 | 0.1% | 894 | 0.1% | 894 | 0.1% | - | 0.0% |
| Police | 16,125 | 1.7% | 14,946 | 1.6% | 12,318 | 1.2% | (2,628) | -17.6% |
| Street Transportation | 5,253 | 0.5% | 5,177 | 0.5% | 3,959 | 0.4% | (1,218) | -23.5% |
| Other Service Charges | 12,234 | 1.3% | 11,715 | 1.2% | 10,737 | 1.1% | (978) | -8.3% |
| Other | 5,828 | 0.6% | 2,802 | 0.3% | 2,886 | 0.3% | 84 | 3.0% |
| Subtotal | \$ 133,541 | 13.9% | \$ 128,989 | 13.6% | \$ 129,414 | 12.9% | \$ 425 | 0.3% |
| TOTAL GENERAL FUND | \$ 958,402 | 100.0% | \$ 950,626 | 100.0% | \$ 1,006,418 | 100.0% | \$ 55,792 | 5.9% |

¹Effective July 2012 the City Council voted to reduce the Jail Tax by 50%.

²Includes the impact of the 2010 Census which decreases the City's population percentage from 30.33% to 28.78% for state shared sales tax and from 30.30% to 28.75% for state shared income tax, effective 2011-12.





LOCAL SALES TAXES AND FEES

This major revenue category consists of various local sales taxes, privilege license fees, use tax, and franchise taxes and fees. The proposed 2012-13 estimate is \$430.8 million, which is \$19.1 million or 4.6 percent greater than the 2011-12 estimate of \$411.7 million. The assumptions used to estimate local sales taxes follow.

Local Sales Tax

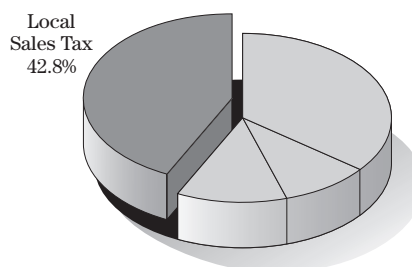
The city of Phoenix’s local sales tax consists of 15 general categories that are collected based on a percentage of business income accruing in each category. To protect local businesses, Phoenix also levies a use tax on purchases where no sales taxes were paid.

Of the 15 categories collected, all except advertising provide General Fund resources and contribute to voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising category are restricted to the Convention Center Fund and/or the Sports Facilities Fund. Effective April 1, 2010, the temporary Phoenix Emergency Privilege

Sales Tax on Food provides for the taxation of the sale of food for home consumption under the retail classification at a rate of 2 percent. The tax will sunset on March 31, 2015, and provides resources to the General Fund and the voter-approved Neighborhood Protection, 2007 Public Safety Expansion, Parks and Preserves and Transit 2000 Funds. Beginning in May 2005, 2 percent of utilities sales tax collections paid by those utilities with a

franchise agreement were directed to the newly established Public Safety Enhancement Fund. Finally, an additional 2 percent tax on the telecommunications category provides resources for the Capital Construction Fund. The table on the following page provides a listing of the local sales tax categories, indicating the specific tax rates for each fund and the total tax rate for each category.

GENERAL FUNDS
Total Revenues – \$1,006.4 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

| | 2007 | | | | | | | | | |
|--|-------------------|-------------------------|-------------------------|---------------------------|-------------------|--------------|-------------------|-------------------|----------------------|-------|
| | General Fund | Neighborhood Protection | Public Safety Expansion | Public Safety Enhancement | Parks & Preserves | Transit 2000 | Convention Center | Sports Facilities | Capital Construction | Total |
| Advertising | – | – | – | – | – | – | 0.5% | – | – | 0.5% |
| Contracting | 0.7% | 0.1% | 0.2% | – | 0.1% | 0.4% | 0.5% | – | – | 2.0% |
| Job Printing | 0.7% | 0.1% | 0.2% | – | 0.1% | 0.4% | 0.5% | – | – | 2.0% |
| Publishing | 0.7% | 0.1% | 0.2% | – | 0.1% | 0.4% | 0.5% | – | – | 2.0% |
| Transportation/Towing | 0.7% | 0.1% | 0.2% | – | 0.1% | 0.4% | 0.5% | – | – | 2.0% |
| Restaurants/Bars | 0.7% | 0.1% | 0.2% | – | 0.1% | 0.4% | 0.5% | – | – | 2.0% |
| Leases/Rentals/ Personal Property Short-Term Motor Vehicle Rental | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | – | – | 2.0% |
| Commercial Rentals | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | 2.0% | – | 4.0% |
| Lodging Rentals | 1.3% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | – | – | 2.1% |
| Lodging Rentals Under 30 Days | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | 2.0% | 1.0% | – | 5.0% |
| Lodging Rentals 30 Days and Over | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | – | – | 2.0% |
| Retail | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | – | – | 2.0% |
| Amusements | 1.2% | 0.1% | 0.2% | – | 0.1% | 0.4% | – | – | – | 2.0% |
| Utilities | 2.7% ¹ | – | – | 2.0% ² | – | – | – | – | – | 4.7% |
| Telecommunications | 2.7% | – | – | – | – | – | – | – | 2.0% | 4.7% |

¹The General Fund portion of the utilities category includes the 2.0 percent franchise fee paid by utilities with a franchise agreement.

²The Public Safety Enhancement designated 2.0 percent sales tax applies only to those utilities with a franchise agreement.





The General Fund portion of the local sales tax estimate is \$420,677,000 for 2012-13. This is an increase of \$25,583,000 or 6.5 percent from the 2011-12 estimate of \$395,094,000. The increase in local sales tax revenue is based on the assumption the economic recovery will continue at a modest pace. Estimated growth of 8.0 percent is projected in the retail sales category. Projected increases in other categories include 4.0 percent for utility and franchise; 7.0 percent for restaurants and bars; and 8.0 percent for hotel/motel room rentals.

As shown in the pie chart to the right, the retail category represents approximately 44 percent of the local General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 3.6 percent for 2012-13.

The tax on food for home consumption, which was effective April 1, 2010, is projected to generate approximately \$30.3 million in General Fund revenue in 2011-12 and \$33.0 million in 2012-13.

General Fund sales tax revenue is collected on three rental categories: leases and rentals of personal property, commercial real property rentals and apartment rentals. For 2012-13, these categories are expected to increase 0.0 percent, 3.5 percent and 10.0 percent respectively. These three categories combined are approximately 17 percent of local General Fund sales tax revenue.

The contracting category is expected to grow by 7.0 percent in 2012-13. Due to the collapse of the housing market and significant reductions in commercial construction during and immediately following the recession, contracting sales tax is expected to increase by only 4.0 percent in 2011-12. For 2012-13, economic indicators such as job creation and population growth indicate residential and commercial construction activity will improve from 2011-12. This category represents approximately 4 percent of the local General Fund sales tax revenue.

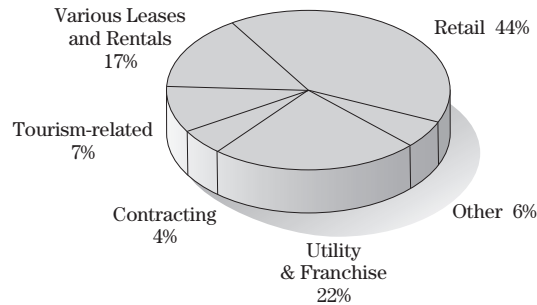
The restaurants and bars category is expected to increase 7.0 percent and the hotel/motel category is expected to increase 8.0 percent in 2012-13. These two categories, combined with revenue from short-term motor vehicle rentals, are

closely related to tourism activity. The expected growth rate for these categories for 2011-12 are 9.0 percent and 8.0 percent respectively. Revenues from these tourism-related activities represent approximately 7 percent of local General Fund sales tax revenue.

The utility tax category is approximately 22 percent of local General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2012-13 estimate for utility sales and franchise tax revenue is \$90,671,000, which is an increase of 3.7 percent over the 2011-12 estimate. The increase is due to expected modest increases in account growth as the economy continues to improve.

A use tax is assessed on the purchase of tangible personal property, which is stored, used or consumed within the city, and for which a local sales tax has not been paid at an equivalent rate to the city of Phoenix rate. The tax also applies to items purchased for resale and subsequently used or consumed in the business. The 2012-13 estimate of \$17,369,000 for use tax is 8.0 percent or \$1,287,000 more than the 2011-12 estimate. This category is subject to fluctuations in purchasing practices, as well as economic drivers. The use tax category is approximately 4.1 percent of local General Fund sales tax revenue.

GENERAL FUNDS Local Sales Taxes



The following table shows General Fund sales tax collections since 2008-09. The amounts shown exclude the two additional utility tax items that are collected based on water service accounts.

GENERAL FUND SALES TAXES (In Thousands of Dollars)

| Fiscal Year | Revenues | % Change From Previous Year |
|----------------|-----------|-----------------------------|
| 2008-09 | \$358,249 | (12.3)% |
| 2009-10 | 338,533 | (5.5) |
| 2010-11 | 373,767 | 10.4 |
| 2011-12 (Est.) | 395,094 | 5.7 |
| 2012-13 (Est.) | 420,677 | 6.5 |





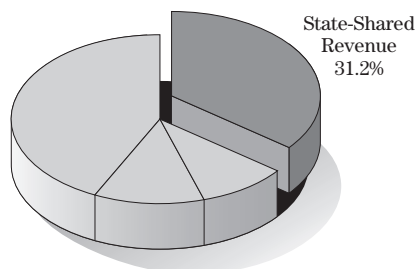
Privilege License Fees

The city charges a \$20 fee to process an application for a privilege tax license and assesses a \$50 annual fee for existing licenses. These fees are intended to recover the costs associated with administering a fair and efficient sales tax system. This category also includes a \$2 per unit (\$50 maximum) annual fee on each apartment complex for non-transient lodging. The recommended 2012-13 estimate for privilege license fee revenue of \$2,680,000 represents a 5.7 percent increase from the 2011-12 estimate of \$2,535,000. The increase is based on the assumption that as the economy continues to improve the number of applications will increase.

Other General Fund Excise Taxes

The jail tax collected on water service accounts was implemented on Oct. 1, 1990, and provides resources to help offset jail costs paid to Maricopa County for misdemeanor defendants. The City Council voted to reduce the jail tax 50 percent effective July 2012. The 2012-13 estimate is \$6,950,000 for this category.

GENERAL FUNDS
Total Revenues – \$1,006.4 Million



STATE-SHARED REVENUES

This major revenue category consists of the city’s share of the state sales tax, the state income tax and vehicle license tax. The 2012-13 estimate for this category is \$314.3 million, which is \$31.1 million or 11.0 percent more than the 2011-12 estimate of \$283.2 million. The increase is due to a projected increase of 21.0 percent in state-shared income taxes, which reflects better than anticipated collections, and moderate growth in state sales taxes. State-shared vehicle license tax revenue for 2012-13 is estimated to increase at 2.2 percent over the 2011-12 estimate.

State Sales Tax

The state sales tax rate on most taxable activities is 6.6 percent. The revenues are split between a “distribution base,” of which Phoenix receives a share, and a “combined non-shared” category, which is allocated entirely to the state. With exceptions for some categories, the distribution base consists of either 20 or 40 percent of collections depending on the tax classification. The 0.6 percent education tax included in the total tax rate is not included in the distribution base. In June 2010, the voters of Arizona approved Proposition 100 which increased the tax rate by 1.0 percent for 36 months and is

STATE SALES TAXES
(In Thousands of Dollars)

| Fiscal Year | Cities' Share of State Collections | | Phoenix's Share | | |
|----------------|------------------------------------|----------|-------------------|-----------|----------|
| | Total | % Change | Percent | Amount | % Change |
| 2008-09 | \$387,051 | (13.4)% | 30.3% | \$116,275 | (14.0)% |
| 2009-10 | 356,998 | (7.8) | 30.3 | 106,916 | (8.0) |
| 2010-11 | 373,259 | 4.6 | 30.0 ¹ | 111,787 | 4.6 |
| 2011-12 (Est.) | 396,518 | 6.2 | 28.8 | 115,183 | 3.0 |
| 2012-13 (Est.) | 414,165 | 4.5 | 28.8 | 119,646 | 3.9 |

¹Impact of 2010 Census population changes became effective in June 2011. 2011-12 and 2012-13 reflect a full year at the reduced percentage share.





not included in the distribution base. Under the current formula, incorporated cities receive 25 percent of the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2012-13 is estimated at 28.78 percent.

The city's share of the state sales tax for 2012-13 is expected to be \$119,646,000, which is \$4,463,000 or 3.9 percent more than the 2011-12 estimate of \$115,183,000. This estimate is based on the assumption that, similar to the local economy, the state economy will continue to improve in 2012-13. At the state level, retail sales are anticipated to increase 4.0 percent over the current fiscal year. The table on page 91, shows the cities' share of state sales taxes, Phoenix's allocation and annual increase/decrease since 2008-09. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year.

State Income Tax

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

The 15 percent portion of the state income tax, which will be distributed to Arizona cities and towns in 2012-13, is expected to be \$513.6 million. The distribution represents actual individual and corporate income tax collections by the state in the 2010-11 fiscal year. The anticipated \$513.6 million is a 21.0 percent increase from the previous fiscal year. The increase is attributable to higher than

estimated individual and corporate income tax collections possibly caused by fewer mortgage interest deductions and increases in capital gains taxes. Phoenix's total distribution for 2012-13 is estimated at \$147,655,000 and is an increase of \$25,643,000 or 21.0 percent from the 2011-12 estimate of \$122,012,000.

The following table shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase/decrease since 2008-09. Similar to sales tax sharing, population is changed only on the basis of a census count with periodic corrections made throughout the year.

**STATE INCOME TAX
(In Thousands of Dollars)**

| Fiscal Year | % Shared w/Cities | Cities' Share of State Collections | | Phoenix's Share | | |
|----------------|-------------------|------------------------------------|----------|-------------------|-----------|----------|
| | | Total | % Change | Percent | Amount | % Change |
| 2008-09 | 15.0% | \$727,677 ¹ | 6.3% | 30.3% | \$220,806 | 6.3% |
| 2009-10 | 15.0 | 628,656 | 13.6 | 30.3 | 190,546 | (13.7) |
| 2010-11 | 15.0 | 473,927 | (24.6) | 30.3 | 143,647 | (24.6) |
| 2011-12 (Est.) | 15.0 | 424,573 | (10.4) | 28.8 ² | 122,012 | (15.1) |
| 2012-13 (Est.) | 15.0 | 513,584 | 21.0 | 28.8 | 147,655 | 21.0 |

¹Distribution set by the legislature of \$717.1 million, plus one-time distribution of \$10.5 million.
²Impact of 2010 Census population changes.





Vehicle License Tax

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

Currently, 37.61 percent of collections are allocated to the Arizona Highway User Revenue Fund. The remainder is allocated by percentage to various state funds as well as to the counties and cities. The state is responsible for distributing funds to cities according to their relative population within the county. Based on the 2010 Census, Phoenix's percentage of population within Maricopa County is approximately 40.9 percent, down from 42.6 percent based on the 2005 Census.

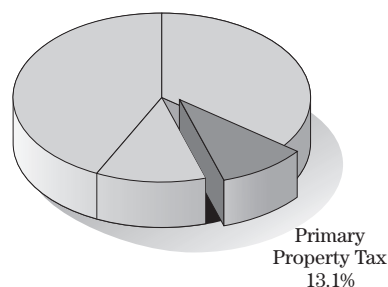
Phoenix's share of the vehicle license tax for 2012-13 is anticipated to be \$47,000,000 which is \$1,000,000 or 2.2 percent more than the 2011-12 estimate of \$46,000,000.

The following table shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2008-09.

PRIMARY PROPERTY TAX

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

GENERAL FUNDS
Total Revenues – \$1,006.4 Million



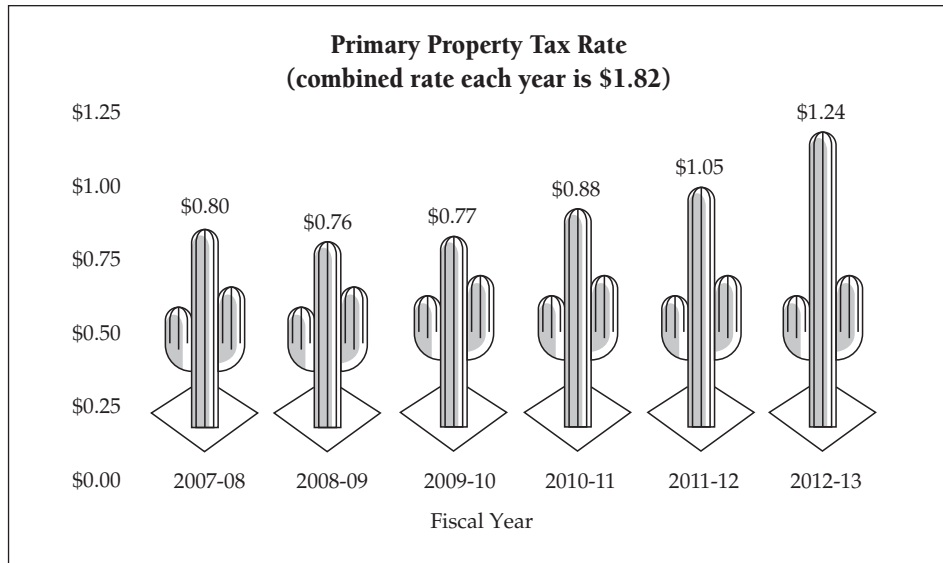
PRIMARY PROPERTY TAX

| Fiscal Year | Primary Assessed | | Primary Levy (in Thousands) | % | Rate per \$100 Assessed Valuation |
|----------------|----------------------------|-------------|--------------------------------|-------|---|
| | Valuation (in Millions) | % Change | | | |
| 2008-09 | \$14,665 | 13.8% | \$111,568 | 7.6% | \$.7608 |
| 2009-10 | 16,062 | 9.5 | 123,095 | 10.3 | .7664 |
| 2010-11 | 15,103 | (6.0) | 133,390 | 8.4 | .8832 |
| 2011-12 (Est.) | 12,232 | (19.0) | 128,955 | (3.3) | 1.0542 |
| 2012-13 (Est.) | 10,803 | (11.7) | 133,929 | 3.9 | 1.2397 |

VEHICLE LICENSE TAX (In Thousands of Dollars)

| Fiscal Year | Amount Distributed by Maricopa County | Phoenix's Share | | Increase/(Decrease) | |
|----------------|---|-----------------|----------|---------------------|---------|
| | | Percent | Amount | Amount | Percent |
| 2008-09 | \$125,890 | 42.6% | \$53,629 | \$(5,615) | (9.5)% |
| 2009-10 | 116,197 | 42.6 | 49,500 | (4,129) | (7.7) |
| 2010-11 | 113,519 | 42.6 | 48,298 | (1,202) | (2.4) |
| 2011-12 (Est.) | 112,414 | 40.9 | 46,000 | (2,298) | (4.8) |
| 2012-13 (Est.) | 114,858 | 40.9 | 47,000 | 1,000 | 2.2 |





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

Before 1996-97, the maximum levy allowed by the Arizona Constitution had been levied each year. Leading up to 1996-97, due to a number of years of declining assessed valuations, deferral of the property tax-supported Capital Improvement Program was necessary. A new revenue policy also was established. This policy called for a maximum and minimum allowable combined primary and secondary property tax rate.

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

The chart above shows the changes in the primary property tax rate since 2008-09. Because the levy is capped at 2 percent regardless of the growth in property values, the primary property tax rate trended down in 2008-09 as assessed values were rising. However, due to the decline in property values that occurred as a result of the recent recession, that trend has reversed.

In accordance with the Council adopted policy, the 2012-13 primary property tax levy is \$133,929,000, which is the maximum amount allowed by the Arizona Constitution not including allowable tort liability claims. The 2012-13 levy does not include any amount for allowable tort liability claims. The levy is a 3.9 percent increase over the 2011-12 levy of \$128,955,000. The change in the primary

levy reflects increases allowed by the State Constitution and directed by City Council policy, and includes an estimated \$2,395,000 for collections associated with new properties entering the rolls, plus \$2,579,000 for the 2 percent increase over the prior year levy. The primary assessed valuation of \$10.80 billion is approximately 11.7 percent below the 2011-12 primary assessed valuation of \$12.23 billion.

Historically, actual property tax collections are slightly lower than the amount levied. For 2012-13, actual collections for primary property tax are estimated to be \$131,921,000 or 98.5 percent of the levy amount.

The 2012-13 levy results in an estimated primary property tax rate of \$1.2397 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$0.5803 to maintain a total property tax rate of \$1.82 per \$100 of assessed valuation.

The table on the previous page shows primary assessed valuation, primary property tax revenues and primary rates since 2008-09.





USER FEES/OTHER REVENUES

This major revenue category consists of licenses and permits, fines and forfeitures, cable television fees, parks and libraries fees, various user fees designed to recover the costs of providing specific city services, and other miscellaneous General Fund revenue sources. The 2012-13 estimate for this category is \$129.4 million, which is \$0.4 million or 0.3 percent more than the 2011-12 estimate of \$129.0 million. Following are descriptions of the various categories and explanations of the revenue estimates.

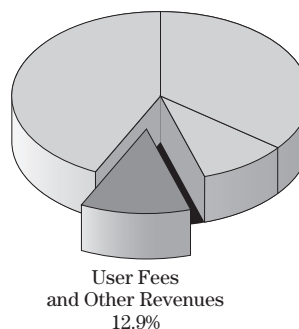
Licenses and Permits

This category consists of various business permit application and annual fees including liquor license applications, amusement machines, annual liquor licenses and other business license applications and fees. The 2012-13 estimate of \$2,897,000 is slightly higher than the 2011-12 estimate of \$2,878,000. It is assumed that as the economy continues to improve, growth in this category will be realized.

Cable Communications

The city imposes up to a 5 percent fee on the gross receipts of cable television licensees in return for the use of streets and public rights of way by cable companies in the provision of cable television service. The 2012-13 estimate of \$9,386,000 is unchanged from the 2011-12 estimate. The projection assumes no change in the customer base for the current cable provider. Cable providers also make annual payments to the Educational Access Account, which are adjusted annually by the consumer price index.

GENERAL FUNDS
Total Revenues – \$1,006.4 Million



Fines and Forfeitures

This category is comprised of various sanctions including traffic moving violations, criminal offense fines, parking violations, driving under the influence and defensive driving program revenues. The 2012-13 estimate is \$22,009,000, which is 0.6 percent higher than the 2011-12 estimate of \$21,870,000 and assumes very modest growth.

Court Default Fee

A \$25 default fee was implemented in 1993-94 in order to recover court costs associated with defendants who fail to appear for court appearances or fail to pay previously imposed sanctions on civil traffic violations. The 2012-13 estimate for this revenue category is \$1,150,000, which is 3.6 percent greater than the 2011-12 estimate of \$1,110,000 and assumes modest growth.





Fire

The Fire Department receives fees from various services. The majority of the revenue comes from emergency transportation service (ETS). This user fee includes basic life support and advanced life support services and related charges for mileage and supplies for the provision of ambulance service. The 2012-13 estimate for ETS is \$41,100,000, which is \$3,550,000 or 9.5 percent greater than the 2011-12 estimate of \$37,550,000. The projected increase is due to anticipated growth in the number of transports and an assumed inflationary rate increase based on information from the Arizona Department of Health Services.

Other Fire revenue sources include fire prevention inspection fees, computer-aided dispatch (CAD) and various other services provided to the community. The 2012-13 estimate for other fire services is \$11,577,000 which is \$412,000 or 3.7 percent more than the 2011-12 estimate of \$11,165,000. The increase is based on historical growth rates and assumes modest growth in 2012-13.

Hazardous Materials Permit and Inspection Fee

Because incidents involving hazardous materials have increased over the years, a hazardous materials permit and inspection fee was established in October 2001. Revenues from this category are used to recover direct costs incurred for inspecting businesses that use hazardous materials. Upon review in 2003-04, the annual permit fee amount was raised. This annual permit now varies from \$400 to \$1,650 and depends on the volume of hazardous materials stored on site. The proposed 2012-13 estimate is \$1,300,000, which is unchanged from the 2011-12 estimate. Since the recession the number of inspections has stabilized and is not expected to increase in 2012-13.

Library Fees

Library fee and fine revenue for 2012-13 is expected to be \$1,313,000, which is unchanged from the 2011-12 estimate. Library revenue has not grown since the recent economic recession.

Parks and Recreation Fees

This category includes parks concession revenues, swimming pool revenues, fees for the use of various park facilities such as ball fields, recreation programs and cell towers, activities at Municipal Stadium, Maryvale Stadium and the Papago Baseball Facility, and other miscellaneous park fees. The 2012-13 estimate of \$7,888,000 is \$1,005,000 or 14.6 percent above the 2011-12 estimate of \$6,883,000. The increase in 2012-13 is primarily due to an expected increase in cell tower revenue at South Mountain Park.

Planning

User fees in this category include revenue from the sale of codes and plans, rezoning fees and zoning adjustment fees for use permits and variances. The 2012-13 estimate of \$894,000 remains unchanged from the 2011-12 estimate. Activity levels for rezoning and zoning cases have declined in recent months and are not anticipated to increase in 2012-13.

Police

The Police Department receives revenues for various services and programs. Police services are provided on a fee-per-hour basis for school and athletic events as well as other activities where a law enforcement presence is desired. In addition, a false alarm program includes both permit fees and assessments for false alarm responses. For 2012-13, the estimate of \$12,318,000 is 17.6 percent less than the 2011-12 estimate of \$14,946,000. The decrease is due to a one time payment from Maricopa County in 2011-12 for reimbursement by the Sheriff's Office for per diem overcharges from 2004-05 through 2010-11.

Street Transportation

This user fee category includes permit fees for utility construction in the public rights of way as well as utility ordinance inspections. The 2012-13 estimate of \$3,959,000 is \$1,218,000 or 23.5 percent less than the 2011-12 estimate of \$5,177,000. The decrease is due to pavement cut revenue estimated to be received for one time projects by Southwest Gas in 2011-12.

Other Service Charges

Revenue in this category is composed of several non-tax sources including interest income, parking meter revenue, in lieu property taxes, sales of surplus and abandoned property, and various rental, parking and concession categories. The 2012-13 estimate of \$10,737,000 is \$978,000 or 8.3 percent less than the 2011-12 estimate of \$11,715,000. The decrease is due to anticipated declines in rental income and parking meter revenue as a result of a City Council policy change in February 2012 to reduce parking meter hours.

All Other Fees

This fee category consists of miscellaneous service charges in the Finance, Housing, Human Services and Neighborhood Services departments and miscellaneous categories. The 2012-13 estimate of \$2,886,000 is \$84,000 or 3.0 percent more than the 2011-12 estimate of \$2,802,000. The increase is due to revenue expected from a new marketing partnership with Utility Service Partners for a new service line protection program, which is an optional warranty program for residential sewer and/or water lines.





NON-GENERAL FUNDS

Non-General Fund revenues consist of two major categories: Special Revenue and Enterprise funds. The following sections provide descriptions of the various revenue sources in each category and explanations of 2012-13 revenue estimates. The table on the next page provides the 2011-12 and 2012-13 estimates and 2010-11 actual revenue amounts for revenues within these two categories.

SPECIAL REVENUE FUNDS

This category consists of several revenue sources that are earmarked for specific purposes. Included in this category are voter-approved sales taxes for Neighborhood Protection, Parks and Preserves, Transit 2000, Public Safety Enhancement, and 2007 Public Safety Expansion. Also included in this category are revenue from Court Awards, Development Services, Capital Construction, Sports Facilities, Arizona Highway User Revenue funds, Public Transit, Community Reinvestment, Secondary Property Tax, grant funds and other revenues.

Neighborhood Protection Sales Tax

This 0.1 percent sales tax rate was approved by the voters in October 1993 and implemented in December 1993. As presented to the voters, the 0.1 percent increase is specifically earmarked for Police neighborhood protection programs (70 percent), Police Block Watch programs (5 percent) and Fire neighborhood protection programs (25 percent). The 2012-13 estimate of \$28,972,000 is \$2,054,000 or 7.6 percent greater than the 2011-12 estimate of \$26,918,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$37,000 is estimated for combined net interest earnings in 2012-13.

2007 Public Safety Expansion Tax

The 2007 Public Safety Expansion sales tax is a 0.2 percent sales tax approved by voters in September 2007 and implemented in December 2007. Revenues are allocated 80 percent to Police and 20 percent to Fire. The funds are to be used for hiring additional police personnel and firefighters; to hire crime scene investigation teams to improve evidence collection; and to improve fire protection services, improve response times, and increase paramedic and other emergency medical services. The 2012-13 estimate is \$57,935,000 or 7.5 percent more than the 2011-12 estimate of \$53,910,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, (\$35,000) is estimated for interest earnings in 2012-13 due to the negative ending fund balance in this fund.

Public Safety Enhancement Sales Tax

The Public Safety Enhancement sales tax was implemented on May 1, 2005, and is made up of the 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The fund is allocated between Police and Fire needs. The Police Public Safety Enhancement Fund is allocated 62 percent of revenues and is dedicated to Police and Emergency Management needs. The Fire Public Safety Enhancement Fund is allocated 38 percent of the revenues collected and is dedicated to Fire needs. The 2012-13 estimate of \$24,203,000 is \$422,000 or 1.8 percent greater than the 2011-12 estimate of \$23,781,000.

Parks and Preserves Sales Tax

The Parks and Preserves sales tax is a 0.1 percent sales tax rate increase approved by voters in September 1999 and implemented in November 1999. Revenues from the 0.1 percent tax are allocated to park improvements and acquisition of desert preserves. This tax was renewed by voters for a 30-year period in May 2008. Sixty percent of the revenues are to be used for parks and recreation and forty percent for desert preserves. The 2012-13 estimate of \$28,972,000 is \$2,010,000 or 7.5 percent more than the 2011-12 estimate of \$26,962,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. Also, \$500,000 is estimated for interest earnings in 2012-13.

Transit 2000 Funds

The Transit 2000 tax is a 0.4 percent sales tax approved by the voters in March 2000 and implemented in June 2000. The 0.4 percent tax is specifically earmarked for transit programs and improvements. The 2012-13 estimate of \$115,886,000 is \$8,039,000 or 7.5 percent greater than the 2011-12 estimate of \$107,847,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2012-13 fare box revenue estimate of \$45,379,000 is 3.2 percent greater than the 2011-12 estimate. The increase is primarily attributable to anticipated increases in ridership. The 2012-13 estimate also includes interest earnings and other miscellaneous revenue of \$8,145,000 which is a 11.1 percent decrease from 2011-12 estimate of \$9,157,000. The decrease is primarily attributable to decreased interest earnings.





NON-GENERAL FUND REVENUE BY MAJOR SOURCE

(In Thousands of Dollars)

| Revenue Source | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget | Increase/(Decrease) From 2011-12 Estimate | |
|------------------------------------|---------------------|---------------------|---------------------|--|-------------|
| | | | | Amount | Percent |
| SPECIAL REVENUE FUNDS | | | | | |
| Neighborhood Protection | \$ 25,345 | \$ 26,935 | \$ 29,009 | \$ 2,074 | 7.7% |
| 2007 Public Safety Expansion | 50,728 | 53,875 | 57,900 | 4,025 | 7.5% |
| Public Safety Enhancement | 23,781 | 23,781 | 24,203 | 422 | 1.8% |
| Parks and Preserves | 25,961 | 27,462 | 29,472 | 2,010 | 7.3% |
| Transit 2000 | 153,199 | 160,979 | 169,410 | 8,431 | 5.2% |
| Court Awards | 2,947 | 8,902 | 11,327 | 2,425 | 27.2% |
| Development Services | 31,798 | 33,000 | 33,990 | 990 | 3.0% |
| Capital Construction | 15,638 | 16,867 | 17,405 | 538 | 3.2% |
| Sports Facilities | 14,679 | 15,167 | 16,092 | 925 | 6.1% |
| Arizona Highway User Revenue | 105,587 | 89,979 | 102,211 | 12,232 | 13.6% |
| Regional Transit Revenues | 42,175 | 33,557 | 34,490 | 933 | 2.8% |
| Community Reinvestment | 8,881 | 3,637 | 3,564 | (73) | -2.0% |
| Secondary Property Tax | 154,339 | 99,757 | 68,149 | (31,608) | -31.7% |
| Regional Wireless Cooperative | 1,759 | 4,203 | 4,628 | 425 | 10.1% |
| Impact Fee Program Admin | 159 | 247 | 203 | (44) | -17.8% |
| Court Special Fees | 2,285 | 2,265 | 2,208 | (57) | -2.5% |
| Monopole Rental | 130 | 140 | 140 | - | 0.0% |
| Tennis Center | 23 | 23 | 23 | - | 0.0% |
| Vehicle Impound Program | 3,096 | 3,021 | 2,423 | (598) | -19.8% |
| Heritage Square | 22 | 24 | 24 | - | 0.0% |
| Affordable Housing Program | 2,356 | 3,095 | 3,064 | (31) | -1.0% |
| Other Restricted (gifts/trusts) | 21,401 | 21,949 | 21,725 | (224) | -1.0% |
| <u>Grants</u> | | | | | |
| Public Housing Grants | 79,769 | 85,575 | 79,732 | (5,843) | -6.8% |
| Human Services Grants | 45,109 | 48,214 | 42,898 | (5,316) | -11.0% |
| Community Development | 17,590 | 18,303 | 34,363 | 16,060 | 87.7% |
| Criminal Justice | 12,453 | 15,489 | 7,689 | (7,800) | -50.4% |
| Public Transit Grants | 18,850 | 16,826 | 19,321 | 2,495 | 14.8% |
| Other Grants | 70,782 | 80,225 | 87,675 | 7,450 | 9.3% |
| Subtotal - Grants | \$ 244,553 | \$ 264,632 | \$ 271,678 | \$ 7,046 | 2.7% |
| Total Special Revenue Funds | \$ 930,842 | \$ 893,497 | \$ 903,338 | \$ 9,841 | 1.1% |
| ENTERPRISE FUNDS | | | | | |
| Aviation | 332,593 | 342,055 | 350,069 | 8,014 | 2.3% |
| Water System | 353,323 | 380,955 | 379,108 | (1,847) | -0.5% |
| Wastewater System | 225,789 | 235,277 | 231,107 | (4,170) | -1.8% |
| Solid Waste | 143,134 | 143,163 | 144,972 | 1,809 | 1.3% |
| Convention Center | 61,495 | 56,860 | 60,696 | 3,836 | 6.7% |
| Golf Courses | 5,708 | 6,098 | 6,206 | 108 | 1.8% |
| Total Enterprise Funds | \$ 1,122,042 | \$ 1,164,408 | \$ 1,172,158 | \$ 7,750 | 0.7% |
| TOTAL NON-GENERAL FUND | \$ 2,052,884 | \$ 2,057,905 | \$ 2,075,496 | \$ 17,591 | 0.9% |





Court Awards Funds

The city of Phoenix receives funds as a result of participation in the arrest and/or prosecution of certain criminal cases. These funds, referred to as Court Awards funds, represent court-ordered forfeitures of seized assets. Their use is limited to police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2012-13 is \$11,327,000, which is \$2,425,000 or 27.2 percent greater than the 2011-12 estimate of \$8,902,000. The increase is due to surplus funds from prior years that are programmed to be spent in 2012-13.

Development Services

Revenues in this user fee category include building permits and plans review, subdivision and site plan fees, sign permit fees and engineering permits and plan review fees. These fees are used to fully support the activities of Development Services. The 2012-13 estimate is \$33,990,000, which is \$990,000 or 3.0 percent more than the 2011-12 estimate of \$33,000,000. This increase assumes a gradual increase in permit and review activity as the economy continues to improve.

Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998 and is intended to reimburse Phoenix residents for the use of their public rights of way by the telecommunications industry. The 2012-13 estimate is \$17,230,000, or a 3.0 percent increase over the 2011-12 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program. The 2012-13 estimate also includes interest earnings of \$175,000.

ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

| Fiscal Year | AHUR Distribution | Increase/(Decrease) | |
|----------------|-------------------|---------------------|---------|
| | | Amount | Percent |
| 2008-09 | \$109,620 | (\$15,669) | (12.5%) |
| 2009-10 | 103,979 | (5,641) | (5.1) |
| 2010-11 | 104,908 | 929 | 0.9 |
| 2011-12 (Est.) | 89,329 | (15,579) | (14.9) |
| 2012-13 (Est.) | 101,561 | 12,232 | 13.7 |

Sports Facilities

Sports facilities revenues consist of a 1 percent portion of the 5.0 percent hotel/motel tax category, a 2 percent tax on short-term motor vehicle rentals, and interest revenue generated by the fund. The 2012-13 estimate is \$15,672,000, which is \$863,000 or 5.8 percent more than the 2011-12 estimate of \$14,809,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2012-13 estimate includes \$6.6 million for the hotel/motel portion and \$9.0 million for the short-term car rental portion. Also, \$420,000 is estimated in 2012-13 for interest revenue.

Arizona Highway User Revenue

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

A new distribution formula for Arizona Highway User Revenue (AHUR) was passed by the Legislature and signed by

the governor in May 1996 (effective July 1, 1996). It was intended to be revenue neutral to cities. This distribution formula provides 27.5 percent to incorporated cities and towns (distributed one-half on the relative population of the cities and towns and one-half on the county origin of sales/relative population of the counties) and 3 percent to cities over 300,000 population (Phoenix, Tucson and Mesa). As a result of the 2010 Census, Phoenix's share was adjusted. For 2012-13, it is anticipated that Phoenix will receive \$81.3 million from the 27.5 percent share and \$20.2 million from the 3 percent share.

The total 2012-13 AHUR estimate of \$102,211,000 is \$12,232,000 or 13.6 percent above the 2011-12 estimate of \$89,979,000. Included in the estimate are interest earnings and other income of \$650,000 in 2012-13 and \$650,000 in 2011-12. The allocation for Phoenix is estimated at an overall increase of 13.7 percent. Changes estimated at the state level include gasoline tax collections increasing by 2.8 percent, motor carrier tax collections (trucking) increasing by 6.7 percent, vehicle license tax collections increasing by 6.0 percent and vehicle registrations including commercial carriers increasing by 3.1 percent. The above table shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2008-09.





Regional Transit Revenues

This category includes revenue from the Regional Public Transportation Authority (RPTA) for the regional transportation plan, other state funding agencies, and the sale of bus service provided to other jurisdictions. The 2012-13 estimate of \$34,490,000 is \$933,000 or 2.8 percent higher than the 2011-12 estimate of \$33,557,000. The increase is due to additional regional transit funds to fund ADA Dial-A-Ride.

Community Reinvestment

The 2012-13 estimate of \$3,564,000 is \$73,000 or 2.0 percent lower than the 2011-12 estimate of \$3,637,000 and represents estimated revenues to be received through various economic redevelopment agreements in the downtown area.

SECONDARY PROPERTY TAX

| Fiscal Year | Secondary Assessed Valuation | | Secondary Levy | | Rate per \$100 Assessed Valuation |
|----------------|------------------------------|----------|----------------|----------|-----------------------------------|
| | (in Millions) | % Change | (in Thousands) | % Change | |
| 2008-09 | \$18,856 | 17.3% | \$199,724 | 22.4% | \$1.0592 |
| 2009-10 | 18,861 | 0.0 | 198,722 | (0.5) | 1.0536 |
| 2010-11 | 16,092 | (14.7) | 150,753 | (24.1) | 0.9368 |
| 2011-12 (Est.) | 12,344 | (23.3) | 94,529 | (37.3) | 0.7658 |
| 2012-13 (Est.) | 10,850 | (12.1) | 62,961 | (33.4) | 0.5803 |

Secondary Property Tax

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

As discussed in the General Fund revenue section, the estimated 2012-13 primary property tax rate is \$1.2397. To maintain our current \$1.82 total rate, the resulting secondary rate is \$0.5803 per \$100 of assessed value for 2012-13. The 2012-13 secondary property tax levy of \$62,961,000 is based on this rate and secondary assessed valuation of \$10.85 billion. This resulting levy is a decrease of \$31,568,000, or 33.4 percent less than the 2011-12 levy of \$94,529,000. This decrease is primarily due to a decrease in assessed values.

Also included in the 2012-13 estimate is \$100,000 in interest earnings and \$5,088,000 in bond interest subsidies.

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2008-09. The total property tax rate of \$1.82 for 2012-13 has remained unchanged since 1995-96.

Impact Fee Program Administration

In 1987, the City Council established an Impact Fee Program. Impact fees are charged to new development in the city's peripheral planning areas. Impact fees assess new development for its proportionate costs of public infrastructure that will be required due to the development. Impact fees may only be used to pay for the identified public infrastructure. In conjunction with the Impact Fee Program, an administrative fee collected as a percentage of the gross impact fee is also charged. This administrative fee pays for the costs of administering the overall Impact Fee Program.

Beginning in 2004-05, the revenue from the administrative fee and the related costs were significant enough to require separate accounting. The 2011-12 and 2012-13 revenue estimates are \$247,000 and \$203,000 respectively.





Other Restricted Fees

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

The 2012-13 estimate of \$29,607,000 is \$910,000 or 3.0 percent less the 2011-12 estimate of \$30,517,000. The decrease is primarily due to projected declines in vehicle impound revenues caused by contract and statute changes.

Public Housing Grants

The 2012-13 Public Housing grants revenue included in the annual operating budget is \$79,732,000 which is a 6.8 percent decrease from 2011-12 of \$85,575,000. This decrease is due to a reduction in HOME program funds from the federal government. The HOME program is aimed at increasing the availability of affordable rental housing and expanding home ownership opportunities for first-time homebuyers. Other items in this category include housing subsidies, interest income and housing assistance payments.

Human Services Grants

The 2012-13 revenue estimate of \$42,898,000 is \$5,316,000 or 11.0 percent less than the 2011-12 estimate of \$48,214,000. The decrease is due to a reduced amount of grant revenue for the Federal Head Start Program and the Homeless Prevention and Rapid Response Program, which were funded by the American Recovery and Reinvestment Act (ARRA). Grant revenue from the Arizona Department of Economic Security is also expected to be lower in 2012-13. This

category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants and Head Start funds.

Community Development Block Grant

Each year since 1974, the city has received Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. These funds are used to support a variety of projects and programs that must meet the following national objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet other urgent community development needs. The 2012-13 CDBG entitlement is \$34,363,000 which is \$16,060,000 or 87.7 percent more than the 2011-12 estimate of \$18,303,000. The increase is due to an increase in CDBG grants from the federal government.

Criminal Justice Grants

The 2012-13 grant revenue for criminal justice programs is estimated to be \$7,689,000 which is \$7,800,000 or 50.4 percent less than the 2011-12 estimate of \$15,489,000. The decrease is due to a reduction in federal grant funding. This category includes Police, Court and Law department grants. Grants include funding for the Police Department training academy, drug trafficking prevention and other crime related prevention programs.

Public Transit Grants

The 2012-13 Federal Transit Administration Grant estimate is \$19,321,000 reflecting an increase of \$2,495,000 or 14.8 percent above the 2011-12 estimate of \$16,826,000. The increase is due to additional grant funds available primarily to support capital budget projects.

Other Grants

The 2012-13 budget also includes \$87,675,000 for federal, state and other grants which is \$7,450,000 or 9.3 percent more than the 2011-12 estimate of \$80,225,000. The increase is due to an increase in Workforce Investment Act funds and ARRA grants for the Neighborhood Stabilization Program. This category includes funding for the neighborhood stabilization program, various parks and recreation and library activities as well as programs such as workforce development.

ENTERPRISE FUNDS

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

Aviation

Aviation revenue estimates include landing fees, concession revenues and interest income at Sky Harbor International, Deer Valley and Goodyear airports. Total Aviation revenue for 2012-13 is anticipated to be \$350,069,000, which is \$8,014,000 or 2.3 percent greater than the 2011-12 estimate of \$342,055,000. The 2012-13 estimate anticipates conservative growth in airline, landing and parking fees and passenger activity.

The table on the next page shows Aviation revenue by major category and annual percent change since 2008-09.





SUMMARY OF AVIATION REVENUES
(In Thousands of Dollars)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 (Est.) | 2012-13 (Est.) |
|-------------------------|------------|------------|-----------|-------------------|-------------------|
| Airline Operation | \$ 103,068 | \$ 101,188 | \$109,943 | \$ 113,500 | \$ 117,260 |
| Concessions and Rentals | 161,110 | 159,358 | 169,162 | 175,850 | 178,656 |
| Rental Car Facility | 33,948 | 36,135 | 39,229 | 40,000 | 41,200 |
| Interest | 8,584 | 3,263 | 1,463 | 1,620 | 1,620 |
| Other/Federal Grants | 6,107 | 3,426 | 7,938 | 6,429 | 6,601 |
| Goodyear | 1,504 | 1,703 | 1,632 | 1,635 | 1,623 |
| Deer Valley | 2,731 | 3,015 | 3,226 | 3,021 | 3,109 |
| Total Aviation Revenue | \$317,052 | \$308,088 | \$332,593 | \$342,055 | \$350,069 |
| Change From Prior Year | (5.7%) | (2.8%) | 8.0% | 2.8% | 2.3% |

SUMMARY OF WATER SYSTEM REVENUES
(In Thousands of Dollars)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 (Est.) | 2012-13 (Est.) |
|----------------------------------|-----------|-----------|-----------|-------------------|-------------------|
| Water Sales | \$240,068 | \$254,732 | \$261,634 | \$282,500 | \$281,500 |
| Environmental Consumption Charge | 41,015 | 45,852 | 47,293 | 50,000 | 48,500 |
| Raw Water Charge | 15,943 | 19,066 | 22,026 | 25,500 | 25,250 |
| Interest | 8,270 | 6,243 | 3,410 | 2,275 | 2,647 |
| Development Fees | 1,859 | 1,606 | 1,218 | 1,600 | 2,000 |
| Combined Service Fees | 2,905 | 3,126 | 3,102 | 6,000 | 6,000 |
| Val Vista | 7,171 | 8,314 | 6,585 | 8,449 | 7,711 |
| All Other | 10,948 | 6,648 | 8,055 | 4,631 | 5,500 |
| Total Water Revenue | \$328,179 | \$345,587 | \$353,323 | \$380,955 | \$379,108 |
| Change From Prior Year | (1.1%) | 5.3% | 2.2% | 7.8% | (0.5%) |





Water System

Water system revenues include water sales, development fees, various water service fees, resource acquisition fees, fees paid by other jurisdictions for the operation of the Val Vista Water Treatment Plant and other miscellaneous fees. Total water system revenue for 2012-13 is projected to be \$379,108,000, which is \$1,847,000 or 0.5 percent less than the \$380,955,000 estimate for 2011-12. The 2012-13 estimate reflects a small increase in the number of accounts but lower consumption per account.

The table on the previous page shows water system revenues by major category since 2008-09.

Wastewater System

Wastewater system revenues include monthly sewer service charge revenues, which are based on water consumption rates, development fees, the sale of wastewater treatment services to other jurisdictions, the sale of effluent and other miscellaneous fees. The wastewater system is expected to generate revenue of \$231,107,000 in 2012-13, which is \$4,170,000 or 1.8 percent less than the 2011-12 estimate of \$235,277,000. The decrease is due to an extra payment received in 2011-12 from the sale of by-products to other cities.

The table below shows Wastewater revenue by major category and annual percent change since 2008-09.

Solid Waste

This category includes revenues from the monthly residential collection and landfill tipping fees. The 2012-13 estimate of \$144,972,000 is an increase of \$1,809,000 or 1.3 percent greater than the 2011-12 estimate of \$143,163,000. The increase is due to additional revenue expected from a recycling facility resuming production in 2012-13, which was not in production due to necessary retrofits in 2011-12.

SUMMARY OF WASTEWATER SYSTEM REVENUES (In Thousands of Dollars)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 (Est.) | 2012-13 (Est.) |
|---------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| Sewer Service Charge | \$145,716 | \$150,955 | \$161,054 | \$157,728 | \$157,380 |
| Environmental Charges | 32,834 | 34,655 | 36,598 | 35,463 | 35,192 |
| Development Fees | 1,640 | 1,485 | 1,059 | 1,400 | 1,800 |
| Interest | 7,370 | 4,132 | 2,956 | 2,145 | 1,855 |
| Multi-City | 15,932 | 17,452 | 17,460 | 19,774 | 19,392 |
| Other | 6,830 | 14,400 | 6,662 | 18,767 | 15,488 |
| Total Wastewater Revenue | \$210,322 | \$223,079 | \$225,789 | \$235,277 | \$231,107 |
| Change From Prior Year | (0.9%) | 6.1% | 1.2% | 4.2% | (1.8%) |





Convention Center

The majority of Convention Center revenues are from earmarked sales taxes including a 0.5 percent tax on advertising, a 0.5 percent portion of the 2.0 percent tax on restaurant and bar sales, construction, publishing, printing, and transportation and towing, plus a 2 percent portion of the 5.0 percent hotel/motel tax on rooms rented for 30 days or less.

Earmarked sales taxes are expected to produce \$42,987,000 in 2012-13, an increase of 6.3 percent above the 2011-12 estimate of \$40,424,000. Convention Center operating revenues are expected to be \$14,958,000, parking revenue is expected to be \$2,398,000, and interest revenue is expected to be \$353,000, for total revenue estimates of \$60,696,000. This is \$3,836,000 or 6.7 percent more than the 2011-12 total estimated revenue of \$56,860,000. The increase is due to anticipated increases in operating revenue and sales tax. Tax estimates are consistent with General Fund sales tax estimates for the categories included in Convention Center.

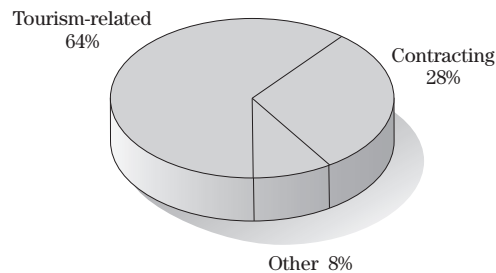
The table above shows the Convention Center excise tax collections since 2008-09.

Overall growth rates differ from General Fund sales taxes due to the smaller number of categories, differing proportions of the total and their more volatile nature. As shown in the following pie chart, contracting and tourism represent 92 percent of the sales tax revenue to this fund. Both industries are considered volatile; and both have experienced dramatic changes in the last several years, but are expected to continue to improve in 2012-13. In the General Fund, however, contracting and tourism represent only 11 percent of the sales tax revenue. Because of this, any changes to these more volatile industries have a greater impact in this fund's sales tax revenue than in the General Fund's sales tax revenue.

CONVENTION CENTER SALES TAXES (In Thousands of Dollars)

| Fiscal Year | Amount Collected | Increase/(Decrease) | |
|----------------|------------------|---------------------|---------|
| | | Amount | Percent |
| 2008-09 | \$45,380 | \$(12,746) | (21.9)% |
| 2009-10 | 34,801 | (10,579) | (23.3) |
| 2010-11 | 37,835 | 3,034 | 8.7 |
| 2011-12 (Est.) | 40,424 | 2,589 | 6.8 |
| 2012-13 (Est.) | 42,987 | 2,563 | 6.3 |

2012-13 CONVENTION CENTER Earmarked Sales Taxes



The growth rate anticipated for 2011-12 reflects the assumption the current economic recovery will continue, however at a slow pace and will continue for 2012-13.

Golf Courses

Revenue sources in the Golf Course category include greens fees, golf cart rentals and pro shop sales at city-run golf courses which include Aguila, Cave Creek, Encanto, Maryvale and Palo Verde. The 2012-13 estimate of \$6,206,000 is \$108,000 or 1.8 percent above the 2011-12 estimate of \$6,098,000. This is due to an anticipated increase in overall golf revenue as the economy continues to improve.





General Government

MAYOR

Program Goal

The Mayor is elected on a nonpartisan ballot to represent the entire city for a four-year term that expires in January 2016. The Mayor represents the city in all official capacities and provides leadership to the City Council, administrative staff and the community at large. The Mayor recommends policy direction for the city and chairs all City Council meetings.

Budget Allowance Explanation

The Mayor's 2012-13 operating budget allowance of \$1,692,000 is \$265,000 or 18.6 percent more than the 2011-12 estimated expenditures and reflects the addition of an executive level position to provide guidance on public policy and financial management issues.

Mayor Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Community Attitude Survey | | | |
| Percent of citizens regarding the quality of life in Phoenix as positive ² | 91% | 91% | 91% |
| Citizen Interaction | | | |
| Number of citizen cases tracked using <i>CitizenServe</i> | 11,241 | 4,000 | 4,000 |

¹Based on 10 months of actual experience.

²Based on 2010 Community Attitude Survey which is administered in even-numbered years.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$1,353,000 | \$1,427,000 | \$1,692,000 |
| Total Positions | 11.5 | 11.5 | 12.5 |
| Source of Funds: | | | |
| General | \$1,338,000 | \$1,427,000 | \$1,692,000 |
| Other Restricted | 15,000 | — | — |





CITY COUNCIL

Program Goal

The City Council is composed of eight council members elected by districts on a nonpartisan ballot. Four-year terms for council members from even-numbered districts expire in January 2014. Terms for council members from odd-numbered districts expire in January 2016. The City Council serves as the legislative and policy-making body of the municipal government and has responsibilities for enacting city ordinances, appropriating funds to conduct city business and providing policy direction to the administrative staff. Under the provisions of the City Charter, the City Council appoints a city manager, who is responsible for carrying out its established policies and administering operations.

Budget Allowance Explanation

The 2012-13 City Council operating budget allowance of \$3,646,000 is \$341,000 or 10.3 percent more than 2011-12 estimated expenditures and reflects the addition of an executive level position to provide guidance on public policy and financial management issues and other normal inflationary increases.

City Council Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Community Attitude Survey | | | |
| Percent of citizens who regard the city of Phoenix as a good place to live. ² | 91% | 91% | 91% |
| Citizen Interaction | | | |
| Number of citizen cases tracked using <i>CitizenServe</i> . | 2,607 | 1,000 | 1,000 |

¹Based on 10 months actual experience.

²Based on 2010 Community Attitude Survey which is administered in even-numbered years.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$3,217,000 | \$3,305,000 | \$3,646,000 |
| Total Positions | 30.0 | 30.0 | 31.0 |
| Source of Funds: | | | |
| General | \$3,217,000 | \$3,305,000 | \$3,646,000 |



Phoenix City Council





CITY MANAGER

Program Goal

The City Manager provides professional administration of the policies and objectives established by the Mayor and City Council, develops alternative solutions to community problems for Mayor and City Council consideration and plans programs that meet the future public needs of the city. Deputy city managers oversee and provide assistance to city departments to ensure achievement of their departmental objectives and the objectives of the city government as a whole.

Budget Allowance Explanation

The City Manager's Office 2012-13 operating budget allowance of \$2,587,000 is \$409,000 or 18.8 percent more than 2011-12 estimated expenditures. The increase is due to the creation of a citywide youth and education manager, a maintenance agreement for new volunteer management software, a full year of costs for a chief innovation executive and normal inflationary factors.

City Manager's Office Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Public satisfaction with city services ² | 88% | 83% | 83% |
| Percent of employees agreeing that the city is a good place to work ³ | 97% | 93% | 93% |
| Number of citywide operational improvements worked on during the year | N/A | 5 | 5 |

¹Based on 10 months actual experience.

²Based on 2010 Community Attitude Survey which is administered in even-numbered years.

³Based on 2011 Employee Attitude Survey which is administered in odd-numbered years.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$1,955,000 | \$2,178,000 | \$2,587,000 |
| Total Positions | 18.0 | 18.0 | 19.0 |
| Source of Funds: | | | |
| General | \$1,661,000 | \$1,886,000 | \$2,306,000 |
| Water | 294,000 | 292,000 | 281,000 |

REGIONAL WIRELESS COOPERATIVE (RWC)

Program Goal

The Regional Wireless Cooperative (RWC) is an independent, multi-jurisdictional organization which manages and operates a regional radio communications network built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around Central Arizona's Valley of the Sun. Formerly known as the Phoenix Regional Wireless Network, the RWC has expanded to service a still growing list of cities, towns, and fire districts, along with many other area entities who serve public safety needs. The RWC was formed through a governance structure founded on the principle of cooperation for the mutual benefit of all members.

Budget Allowance Explanation

The RWC 2012-13 operating budget allowance of \$4,463,000 is \$223,000 or 5.3 percent more than 2011-12 estimated expenditures. The increase reflects a major software system upgrade to be completed in 2012-13.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-----------|-------------|-------------|
| Operating Expense | \$956,000 | \$4,240,000 | \$4,463,000 |
| Total Positions | 4.0 | 4.0 | 4.0 |
| Source of Funds: | | | |
| RWC | \$956,000 | \$4,240,000 | \$4,463,000 |





GOVERNMENT RELATIONS

Program Goal

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

Budget Allowance Explanation

The Government Relations 2012-13 operating budget allowance of \$1,265,000 is \$888,000 or 41.2 percent less than 2011-12 estimated expenditures. This decrease reflects the one-time funding for the National League of Cities conference hosted by the city in 2011-12 as well as the reduction of consultant funding related to technical assistance with state and federal legislative issues.

PUBLIC INFORMATION

Program Goal

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

Budget Allowance Explanation

The Public Information 2012-13 operating budget allowance of \$2,749,000 is \$126,000 or 4.8 percent more than 2011-12 estimated expenditures. The increase is primarily due to additional funding for contracted services to enhance the phoenix.gov website and provide accessibility for mobile devices, and operating costs to televise 60 annual City Council subcommittee meetings.

Government Relations Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Number of governments, communities, regional and private sector agencies, neighborhood associations, commissions and organizations communicated with during the year. | 500 | 500 | 500 |
| Number of Arizona state legislative bill versions and amendments evaluated and prepared to support or oppose. | 3,500 | 3,500 | 3,500 |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$1,242,000 | \$2,153,000 | \$1,265,000 |
| Total Positions | 6.0 | 6.0 | 6.0 |
| Source of Funds: | | | |
| General | \$1,211,000 | \$1,351,000 | \$1,265,000 |
| Other Restricted | 31,000 | 802,000 | — |

Public Information Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|-----------|----------------------|-----------|
| Percent of news releases that generate media coverage | 81% | 81% | 81% |
| New PHX 11 programs produced per year ² | 288 | 290 | 350 |
| Percent of news distributed to stakeholders by 5 p.m. daily | 93% | 93% | 93% |
| Percent of email responses to public inquiries within one day | 98% | 98% | 98% |
| Average response time to public records requests (days) | 3.7 | 3.7 | 4.0 |
| Phoenix.gov page visits (monthly average) | 1,120,000 | 1,120,000 | 1,120,000 |

¹Based on 10 months actual experience.

²Increase in fiscal year 2012-13 is due to proposed funding to televise 60 annual City Council subcommittee meetings.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|----------------------|-------------|-------------|-------------|
| Operating Expense | \$2,597,000 | \$2,623,000 | \$2,749,000 |
| Total Positions | 23.5 | 22.8 | 22.8 |
| Source of Funds: | | | |
| Cable Communications | \$2,285,000 | \$2,318,000 | \$2,437,000 |
| General | — | — | 1,000 |
| Other Restricted | 312,000 | 305,000 | 311,000 |





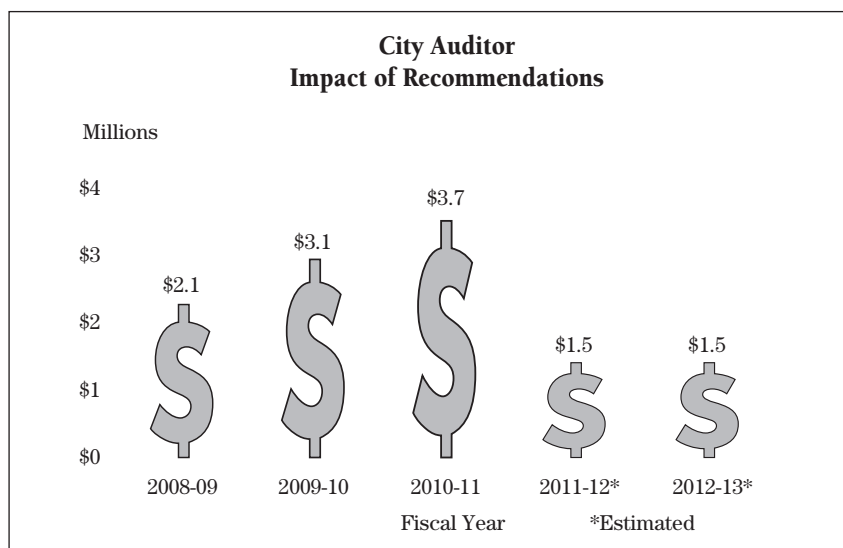
CITY AUDITOR

Program Goal

The City Auditor Department supports the city manager and elected officials in meeting residents' needs for quality government, products and services by providing independent and objective feedback on the city's programs, activities and functions. The city auditor's work is vital in maintaining trust and confidence that city resources are used effectively and honestly. The City Auditor budget also funds an annual independent audit conducted by outside auditors in accordance with the City Charter. This includes an audit of city accounting and financial records, the federal single audit, review of the City of Phoenix Employees' Retirement System, external audits of specific activities and review of business systems for possible improvements.

Budget Allowance Explanation

The City Auditor 2012-13 operating budget allowance of \$2,367,000 is \$232,000 or 10.9 percent more than 2011-12 estimated expenditures. The increase is primarily due to an increase in costs for external auditing services and the addition of auditing services for technology audits to ensure compliance with legal, efficiency and industry standards.



City Auditor Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Percent of audit plan completed | 65% | 80% | 80% |
| Performance audit and management reports issued ² | 136 | 145 | 120 |
| Average audit cycle time (calendar days) ² | 166 | 180 | 180 |
| Economic impact of audits as a result of identified improvements or cost savings (millions) | \$3.7 | \$1.5 | \$1.5 |
| Hearing rulings issued timely according to time frames listed in the City Code | 100% | 100% | 100% |

¹Based on 10 months actual experience.

²Number of audit reports issued and average cycle time can vary due to the size and complexity of audits conducted.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$2,655,000 | \$2,135,000 | \$2,367,000 |
| Total Positions | 26.5 | 26.5 | 26.5 |
| Source of Funds: | | | |
| General | \$2,655,000 | \$2,135,000 | \$2,367,000 |





EQUAL OPPORTUNITY

Program Goal

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

Budget Allowance Explanation

The Equal Opportunity 2012-13 operating budget allowance of \$2,868,000 is \$225,000 or 8.5 percent more than 2011-12 estimated expenditures. The increase is primarily due to the addition of three computer software programs for the Small and Disadvantaged Business Enterprise program, a reduced vacancy rate for 2012-13 and normal inflationary increases.

Equal Opportunity Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Discrimination complaints in employment, public accommodations, housing and Americans with Disabilities Act (ADA) accessibility, investigated and closed | 178 | 166 | 166 |
| Percentage of discrimination complaints investigated timely ² | 76% | 74% | 74% |
| Outreach presentations to small and disadvantaged small business advocacy organizations | 13 | 16 | 16 |
| Number of disadvantaged business enterprises (DBEs) certified based on target of 80 firms | 77 | 80 | 80 |
| Number of small business enterprises (SBEs) certified based on target of 730 firms | 737 | 714 | 714 |
| Construction subcontracts monitored for participation of DBE subcontractors and non-DBE certified construction subcontracts ³ | 900 | 1,800 | 1,800 |

¹Based on 10 months actual experience.

²Timelines may be dictated by state and federal enforcement agencies and not by city timelines.

³In 2010-11, new U.S. federal requirements mandate the city monitor DBE-certified and non-certified subcontractors on certain federally-funded construction projects. This requirement increased the number of subcontracts that are required to be monitored.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|-------------|-------------|-------------|
| Operating Expense | \$2,720,000 | \$2,643,000 | \$2,868,000 |
| Total Positions | 26.0 | 26.0 | 27.0 |
| Source of Funds: | | | |
| General | \$2,336,000 | \$2,238,000 | \$2,446,000 |
| Community Development | | | |
| Block Grant | 237,000 | 245,000 | 249,000 |
| Federal and State | | | |
| Grants | 134,000 | 147,000 | 158,000 |
| Other Restricted | 13,000 | 13,000 | 15,000 |





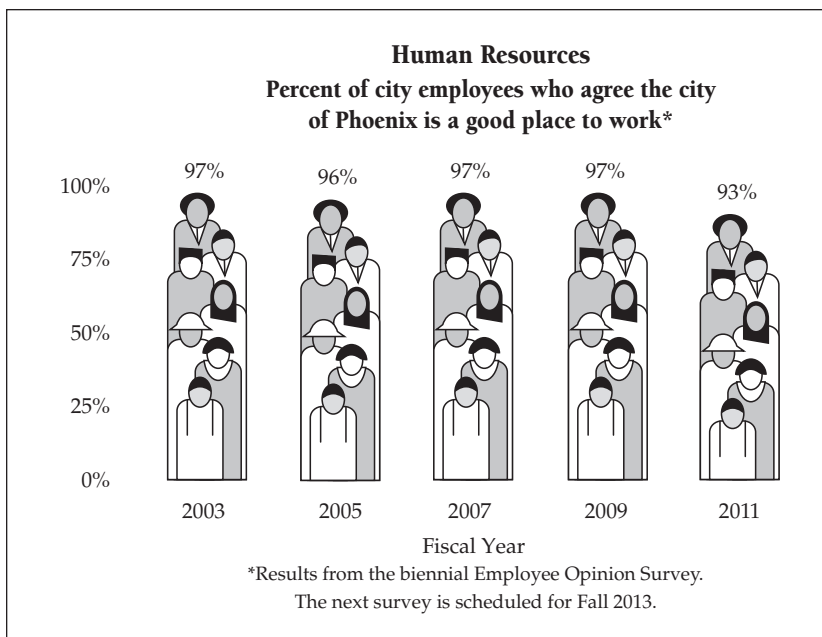
HUMAN RESOURCES

Program Goal

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

Budget Allowance Explanation

The Human Resources Department 2012-13 operating budget allowance of \$11,971,000 is \$788,000 or 7.0 percent more than 2011-12 estimated expenditures. The increase is primarily due to increased debt service for facility renovations.



Human Resources Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Percentage of hiring managers satisfied with applicants placed on hiring eligible list (target is 80%) ² | — | 80% | 80% |
| Annualized employee turnover rate | 5.6% | 6.0% | 6.0% |
| Employee performance evaluations completed on time (target is 90%) | 89% | 90% | 90% |
| The number of employee suggestions received | 174 | 120 | 145 |

¹Based on 10 months actual experience.

²New measure established in 2011-12.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|--------------|--------------|
| Operating Expense | \$9,692,000 | \$11,183,000 | \$11,971,000 |
| Total Positions | 77.1 | 95.1 | 95.1 |
| Source of Funds: | | | |
| General | \$9,240,000 | \$10,696,000 | \$10,511,000 |
| City Improvement | 165,000 | 85,000 | 1,054,000 |
| Other Restricted | 287,000 | 402,000 | 406,000 |





PHOENIX EMPLOYMENT RELATIONS BOARD

Program Goal

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

Budget Allowance Explanation

The Phoenix Employment Relations Board 2012-13 operating budget allowance of \$113,000 is \$12,000 or 11.9 percent more than 2011-12 estimated expenditures. The increase is primarily due to increases in contracted hearing officers and transcription services for hearings, which is partially offset by reduced personal services costs in 2012-13.

RETIREMENT SYSTEMS

Program Goal

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

Budget Allowance Explanation

The Retirement Systems 2012-13 gross operating budget allowance of \$1,751,000 is \$60,000 or 3.5 percent more than 2011-12 estimated expenditures. The increase is primarily due to an increase for legal services and normal inflationary increases.

Phoenix Employment Relations Board Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Number of cases filed annually ² | 2 | 6 | 9 |

¹Based on 10 months actual experience.

²Number of cases filed varies depending upon specific issues encountered.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-----------|-----------|-----------|
| Operating Expense | \$118,000 | \$101,000 | \$113,000 |
| Total Positions | 1.0 | 1.0 | 1.0 |
| Source of Funds: | | | |
| General | \$118,000 | \$101,000 | \$113,000 |

Retirement Systems Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| General city retirements | 450 | 420 | 430 |
| Public safety retirements | 350 | 217 | 230 |
| General city and public safety member contacts | | | |
| Appointments | 1,091 | 910 | 950 |
| Walk-in service | 2,601 | 2,580 | 2,560 |
| Telephone calls | 9,754 | 7,260 | 8,120 |
| Overall member satisfaction survey as rated on a scale of 1 to 4, with 4 being the best. | 3.91 | 3.94 | 3.90 |
| Success of educational classes as rated on a scale of 1 to 4, with 4 being the best. | 3.73 | 3.70 | 3.70 |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|---|-------------|-------------|-------------|
| Operating Expense (Gross ⁴) | \$1,651,000 | \$1,691,000 | \$1,751,000 |
| Total Positions | 14.0 | 14.0 | 14.0 |
| Source of Funds: | | | |
| General (Gross ⁴) | \$1,651,000 | \$1,691,000 | \$1,751,000 |

⁴Gross costs are recovered through citywide assessments to all city departments.





LAW

Program Goal

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

Budget Allowance Explanation

The Law Department 2012-13 operating budget allowance of \$20,780,000 is \$568,000 or 2.8 percent more than 2011-12 estimated expenditures. The increase reflects additional funds needed to continue Community Prosecution positions currently covered by an expiring ARRA grant, the partial restoration of employee concessions, and other normal inflationary adjustments. Also included in the proposed budget is the funding needed to continue a Community Prosecutor position. These increases are partially offset with General Fund reductions which include the elimination of two administrative support positions.

Law Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Criminal cases sent to diversion | 4,238 | 4,000 | 4,000 |
| Pre-trial disposition conferences set | 57,857 | 58,000 | 58,000 |
| New civil cases opened in the fields of condemnation, collection, taxes and civil litigation, excluding liability and other cases assigned to outside counsel | 835 | 800 | 8000 |
| Number of defendants submitted for charging review | 43,997 | 41,000 | 41,000 |
| Number of civil cases closed, including those assigned to outside counsel and handled through the alternative dispute resolution process | 592 | 500 | 500 |
| Ordinances and resolutions for City Council adoption drafted and reviewed | 1,033 | 900 | 900 |
| Number of jury trials prosecuted | 222 | 200 | 200 |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|--------------|--------------|--------------|
| Operating Expense | \$19,695,000 | \$20,212,000 | \$20,780,000 |
| Total Positions | 204.0 | 206.0 | 208.0 |
| Source of Funds: | | | |
| General | \$18,030,000 | \$18,354,000 | \$19,348,000 |
| Court Awards | 282,000 | 302,000 | 302,000 |
| Federal and State Grants | 1,331,000 | 1,503,000 | 1,077,000 |
| Other Restricted | 52,000 | 53,000 | 53,000 |





INFORMATION TECHNOLOGY

Program Goal

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

Budget Allowance Explanation

The Information Technology Services 2012-13 operating budget allowance of \$37,159,000 is \$5,606,000 or 17.8 percent more than 2011-12 estimated expenditures. The increase reflects the carryover of funds for PC replacements, a scheduled increase in debt service payments for critical system upgrades and the partial restoration of employee concessions. Also included in the budget are additional costs related to infrastructure maintenance.

The increase is partially offset by budget reductions including the elimination of a telecommunications operator which will reduce switchboard services, a user support specialist position that supports network management projects, and an information technology application programmer III position that supports applications written in DELPHI software language. The budget also eliminated the after-hours repair service for the city's phone system and reduced the disaster recovery services contract.

Information Technology Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|------------|----------------------|------------|
| Percentage of on-time operations center services | 99.0% | 99.0% | 99.0% |
| Number of ITS-supported network devices | 17,560 | 17,560 | 17,560 |
| Critical systems availability percentage: | | | |
| Enterprise network | 99.9% | 99.9% | 99.9% |
| Business systems | 99.0% | 99.0% | 99.0% |
| Internet services | 100.0% | 99.8% | 99.0% |
| Telephone network | 99.9% | 99.9% | 99.9% |
| Microwave network | 100.0% | 100.0% | 100.0% |
| Number of visits to phoenix.gov ² | 14,536,701 | 15,200,000 | 16,020,000 |
| Average cycle time of telephone service requests | < 13 days | < 13 days | < 13 days |
| Average cycle time of wireless communication repairs | 0.89 hours | 0.89 hours | 0.89 hours |
| Units of portable and mobile radio equipment ³ | 29,487 | 29,487 | 29,487 |

¹Based on 10 months actual experience.

²Current increase due to offering live streaming video for council meetings and an anticipated increase due to the redesign of phoenix.gov.

³Includes all portable and mobile radios support on behalf of all RWC members as well as support of portable and mobile radios for Fire's VHF system.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------------|-------------|--------------|--------------|
| Operating Expense ⁴ | \$3,482,000 | \$31,553,000 | \$37,159,000 |
| Total Positions | 191.0 | 182.0 | 179.0 |
| Source of Funds: | | | |
| General | \$2,805,000 | \$30,767,000 | \$35,300,000 |
| City Improvement | 205,000 | 190,000 | 1,256,000 |
| Other Restricted | 50,000 | 250,000 | 250,000 |
| Aviation | 199,000 | 160,000 | 163,000 |
| Water | 223,000 | 186,000 | 190,000 |

⁴2010-11 actuals reflect net costs; most costs are charged to other departments for services provided. Beginning in 2011-12, most costs will stay in ITS and be charged to departments via Central Service Cost Allocation.





CITY CLERK AND ELECTIONS

Program Goal

The City Clerk Department maintains orderly and accessible records of all city activities and transactions including posting all public meeting notifications; preparing agendas and minutes for City Council formal meetings; providing for effective administration of city elections and annexations; administering liquor, bingo and regulatory license services; and providing printing, typesetting, document imaging and mail delivery services to all city departments.

Budget Allowance Explanation

The City Clerk 2012-13 operating budget allowance of \$5,969,000 is \$1,006,000 or 14.4 percent less than 2011-12 estimated expenditures. The decrease is due to the non-recurring 2011-12 costs of a regularly scheduled citywide election and two City Council district run-off elections. Also proposed in the 2012-13 budget is the elimination of the department's subscription for hard-back copies of the Arizona Revised Statutes.

City Clerk Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Number of Council formal and special meeting agenda items | 2,094 | 1,900 | 1,900 |
| Open meeting law notices posted | 2,943 | 2,800 | 2,800 |
| Percent of open meeting law notices posted in accordance with state law ² | 100% | 100% | 100% |
| Total printing and copy impressions (millions) ³ | 33.9 | 34.0 | 26.1 |
| City Council regular and special elections held | 0 | 2 | 0 |
| License services applications and contacts | 22,206 | 19,200 | 19,200 |
| Records imaged and available for public access online | 114,911 | 112,000 | 112,000 |

¹Based on 10 months actual experience.

²Includes meeting notices and meeting result postings as required by state law.

³Assumes the outsourcing of water bill printing in October 2012.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$4,187,000 | \$6,975,000 | \$5,969,000 |
| Total Positions | 67.0 | 66.0 | 66.0 |

Source of Funds:

| | | | |
|------------------|-------------|-------------|-------------|
| General | \$4,186,000 | \$6,975,000 | \$5,969,000 |
| Other Restricted | 1,000 | - | - |





FINANCE

Program Goal

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

Budget Allowance Explanation

The 2012-13 Finance Department operating budget allowance of \$20,558,000 is \$122,000 or 0.6 percent more than 2011-12 estimated expenditures. This is primarily due to normal inflationary factors.

Finance Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Sales tax and franchise fees collected (millions) | \$675 | \$710 | \$710 |
| Average real estate acquisition cycle time (months) | 15.0 | 17.0 | 17.0 |
| Average property damage claims cycle time (days) | 41 | 40 | 40 |
| Average invitation for bid (IFB) cycle time (days) | 93 | 95 | 95 |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|--------------|--------------|--------------|
| Operating Expense | \$20,844,000 | \$20,436,000 | \$20,558,000 |
| Total Positions | 249.2 | 236.2 | 236.2 |
| Source of Funds: | | | |
| Aviation | 153,000 | 302,000 | 315,000 |
| City Improvement | 6,000 | 135,000 | 185,000 |
| General | \$18,401,000 | \$17,522,000 | \$17,603,000 |
| Other Restricted | 482,000 | 549,000 | 379,000 |
| Public Housing | - | (1,000) | 3,000 |
| Sports Facilities | 108,000 | 109,000 | 129,000 |
| Wastewater | 720,000 | 733,000 | 759,000 |
| Water | 974,000 | 1,087,000 | 1,185,000 |





BUDGET AND RESEARCH

Program Goal

The Budget and Research Department ensures effective, efficient allocation of city resources to enable the City Council, City Manager and city departments to provide quality services to our residents.

Budget Allowance Explanation

The Budget and Research Department's 2012-13 operating budget allowance of \$3,007,000 is \$31,000 or 1.0 percent less than 2011-12 estimated expenditures and reflects a one-time software purchase made in 2011-12 as well as reduced spending in several other line items in 2012-13.

Budget and Research Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

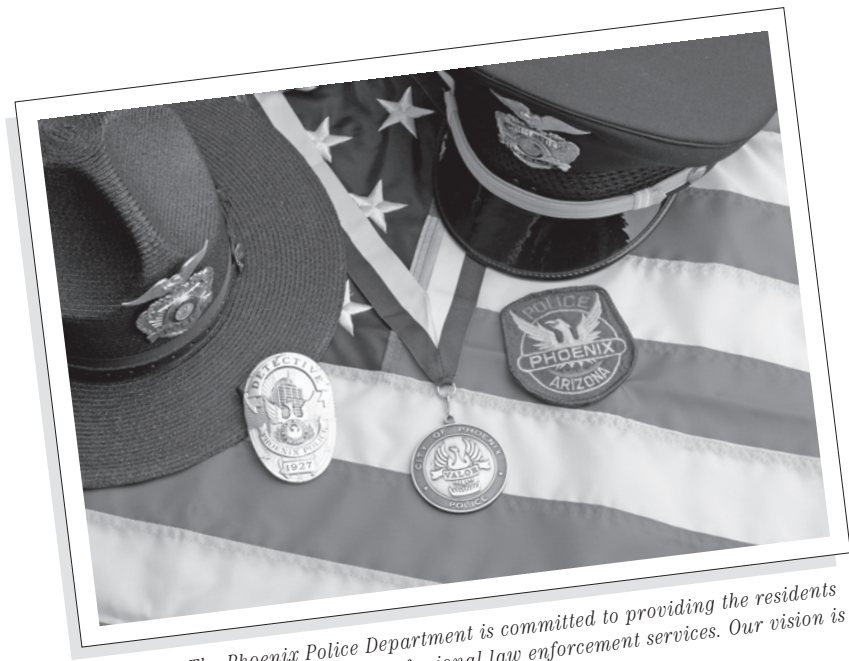
| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|-------------|
| Percent variance of actual versus estimated expenditures for each major fund (data for the General Fund is shown) | -1.4% | 0% \pm 1% | 0% \pm 1% |
| Percent variance of actual versus estimated revenues for each major fund (data for the General Fund is shown) | -0.27% | 0% \pm 1% | 0% \pm 1% |
| Percent of Requests for Council Action processed within 24 hours | 87% | 75% | 75% |
| Capital Improvement Program expenditures as a percentage of estimate | 52.8% | 65% | 65% |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$3,169,000 | \$3,038,000 | \$3,007,000 |
| Total Positions | 26.0 | 25.0 | 25.0 |
| Source of Funds: | | | |
| General | \$3,169,000 | \$3,038,000 | \$3,007,000 |





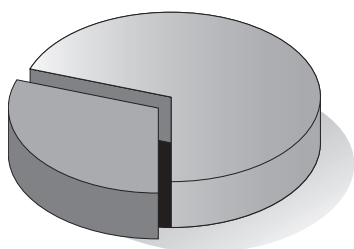
Mission: The Phoenix Police Department is committed to providing the residents of Phoenix with quality and professional law enforcement services. Our vision is to make Phoenix the safest major city in the nation.





Public Safety

The Public Safety Program Represents 33.6% of the Total Budget.



The Public Safety program budget includes the Police Department, Fire Department and Emergency Management.

POLICE

Program Goal

The Police Department provides the community with a law enforcement system that integrates and uses all departmental, civic and community resources for police services and protection of the lives and property of our residents.

Budget Allowance Explanation

The Police Department 2012-13 operating budget allowance of \$576,656,000 is \$28,490,000 or 5.2 percent more than 2011-12 estimated expenditures. This reflects increases in debt service payments for capital projects and vehicles, additional

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Average Response Time (Minutes) ² | | | |
| Priority 1 – Emergency | N/A | N/A | N/A |
| Priority 2 – Non-Emergency | N/A | N/A | N/A |
| Priority 3 – All Others | N/A | N/A | N/A |
| Telephone Callbacks ³ | N/A | N/A | N/A |
| Percentage of phone calls to 9-1-1 and Crime Stop answered within 10 seconds ⁴ | | | |
| | 88% | 94% | 92% |
| Cases accepted by the county attorney for issuance of complaint | | | |
| | 28,155 | 23,000 | 23,000 |
| Moving violation citations issued | | | |
| | 226,867 | 216,000 | 216,000 |
| Traffic accidents | | | |
| | 22,742 | 23,000 | 23,000 |
| Percentage of cases cleared: | | | |
| Murder | 61% | 82% | 75% |
| Rape | 19% | 24% | 23% |
| Robbery | 20% | 22% | 22% |
| Aggravated Assault | 44% | 43% | 44% |
| Burglary | 5% | 5% | 5% |
| Theft | 22% | 21% | 21% |
| Auto Theft | 5% | 6% | 6% |
| Arson | 22% | 13% | 16% |

¹Based on 10 months actual experience.

²Due to changes with the new CAD system implemented March 2010, call response time data has demonstrated inconsistencies that are currently being resolved.

³The number of calls and response times for incidents handled by callback are impacted by the working hours and vacancy levels of this unit. The department began transitioning away from using Callback officers and instead to using an online reporting system on January 16, 2012.

⁴Police Communications staff was increased in fiscal year 2009-10 in preparation for the opening of two new precincts in early fiscal year 2010-11. Changes in the percent of calls answered within 10 seconds may be affected by: new employee training, the transition from one communications facility to two, an anticipated learning curve as the department converted to the new CAD system in March 2010, and the reassignment of staff to operate new precinct duties.





Court Awards funding, fuel costs, jail service expenses, Computer Aided Dispatch (CAD) system maintenance, partial restoration of employee concessions, and budget additions.

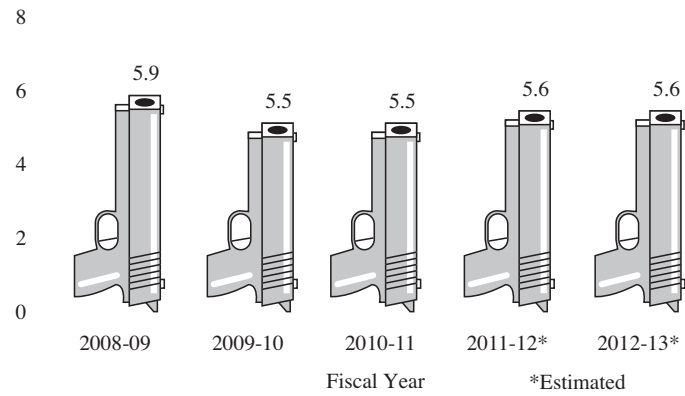
The budget additions include 23.7 civilian positions that are being added to assume support and administrative roles from sworn staff in the Central Booking Unit and other areas within the department. These additions are a result of the Police Department's efficiency study and will allow sworn staff to return to more critical patrol-related duties.

The 2012-13 budget additions are partially offset with General Fund reductions and reduced and expiring Federal and State Grant funds. The General Fund reductions include the elimination of fourteen vacant civilian support positions.

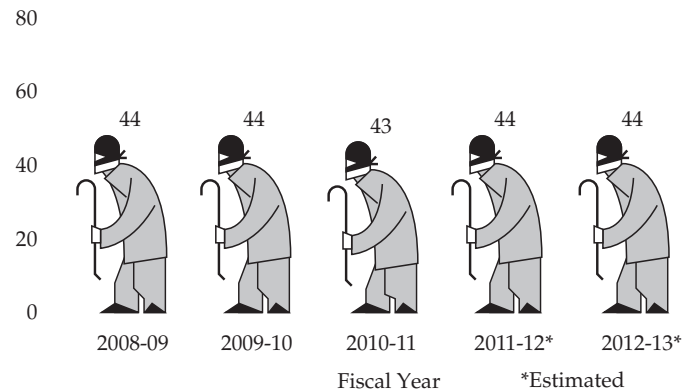
Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|---------------------------|---------------|---------------|---------------|
| Operating Expense | \$534,049,000 | \$548,166,000 | \$576,656,000 |
| Total Positions | 4,496.7 | 4,440.7 | 4,450.4 |
| Source of Funds: | | | |
| General | \$419,576,000 | \$426,117,000 | \$450,337,000 |
| Public Safety | | | |
| Expansion | 50,862,000 | 50,619,000 | 54,671,000 |
| Neighborhood Protection | 21,301,000 | 20,769,000 | 21,680,000 |
| Public Safety Enhancement | 18,990,000 | 19,395,000 | 21,149,000 |
| Court Awards | 4,392,000 | 8,600,000 | 11,024,000 |
| Federal and State Grants | 11,200,000 | 13,986,000 | 6,612,000 |
| City Improvement | 1,917,000 | 2,660,000 | 5,548,000 |
| Other Restricted | 4,021,000 | 4,231,000 | 4,485,000 |
| Sports Facilities | 1,106,000 | 1,105,000 | 1,150,000 |
| Convention Center | 684,000 | 684,000 | — |

Police — Violent Crimes per 1,000 Residents



Police — Property Crimes per 1,000 Residents





FIRE

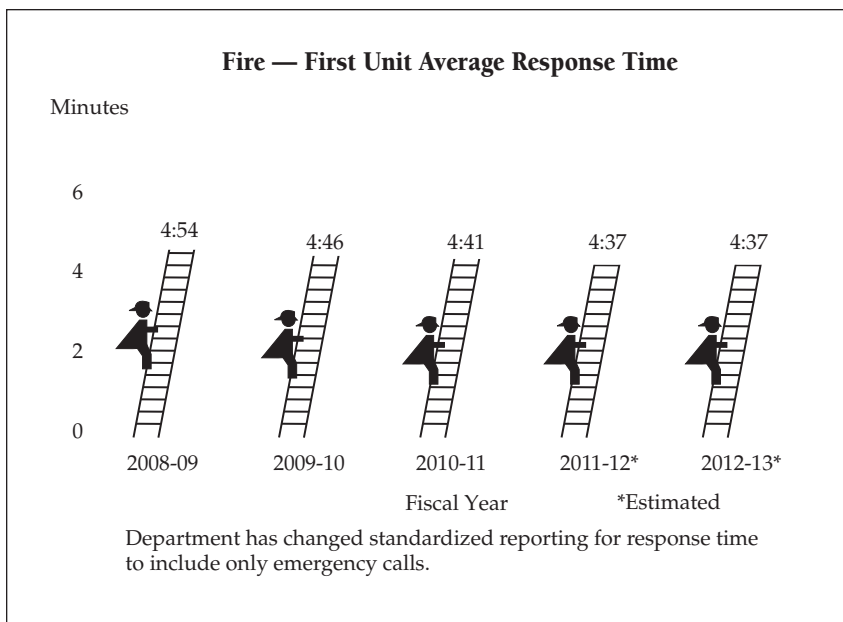
Program Goal

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

Budget Allowance Explanation

The Fire Department 2012-13 operating budget allowance of \$291,668,000 is \$21,203,000 or 7.8 percent more than 2011-12 estimated expenditures. This increase reflects the addition of seven sworn positions needed to maintain state-mandated ambulance response times, four civilian positions added to the Alarm Room as part of the process to gradually increase staffing to national standards, and operating costs for the opening of the new Dispatch and Emergency Operations Center which will be opening in fiscal year 2012-13. The budget also reflects a scheduled increase in debt service payments for equipment and a partial restoration of employee concessions.

These increases are partially offset by budget reductions of \$789,000. The reductions include the elimination of 8.3 civilian support positions as well as a reduction to the Banner contract for the Fire Department Health Center.



Fire Department Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Percent of fire and emergency medical call responses within four minutes | 36.8% | 37.0% | 37.0% |
| Patient transports to Valley hospitals via emergency medical vehicles | 68,685 | 70,500 | 71,500 |
| Percentage of time Advanced Life Support (ALS) medical calls are responded to with paramedic units within five minutes | 62.0% | 62.5% | 62.5% |
| Number of fire investigations to determine cause only | 829 | 862 | 896 |
| Number of calls by type: | | | |
| Emergency Medical | 136,163 | 143,200 | 143,500 |
| Fire | 13,893 | 14,000 | 14,000 |
| Other (mountain/swift water/trench/tree rescues/other) | 5,442 | 5,500 | 5,500 |

¹Based on 10 months actual experience.

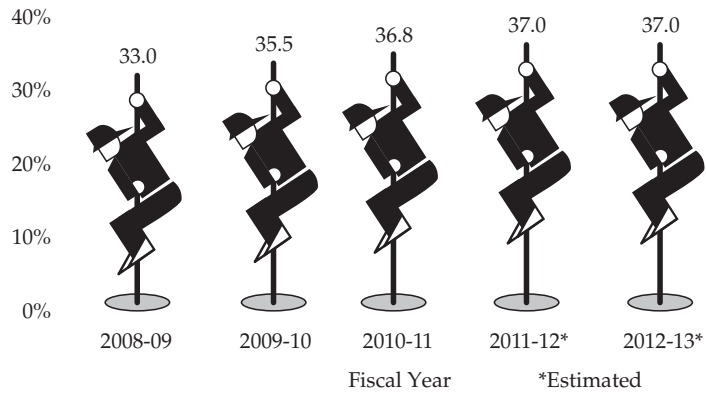




Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|---------------------------|---------------|---------------|---------------|
| Operating Expense | \$257,454,000 | \$270,465,000 | \$291,668,000 |
| Total Positions | 2,008.2 | 2,003.7 | 2,006.4 |
| Source of Funds: | | | |
| General | \$220,071,000 | \$225,609,000 | \$244,148,000 |
| Public Safety Enhancement | 10,290,000 | 10,831,000 | 11,316,000 |
| Neighborhood Protection | 5,162,000 | 4,401,000 | 4,187,000 |
| Public Safety Expansion | 10,937,000 | 13,574,000 | 14,351,000 |
| Development Services | 1,205,000 | 1,044,000 | 1,185,000 |
| Federal and State Grants | 6,584,000 | 9,355,000 | 8,820,000 |
| Other Restricted | 2,869,000 | 4,662,000 | 4,793,000 |
| City Improvement | 336,000 | 989,000 | 2,868,000 |

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



EMERGENCY MANAGEMENT

Program Goal

The Emergency Management Program provides the city with the capability to plan for, mitigate, respond to and recover from large-scale community emergencies and disasters as a result of human-caused, technological or natural hazards.

Budget Allowance Explanation

The Emergency Management 2012-13 operating budget allowance of \$1,402,000 is \$974,000 more than 2011-12 estimated expenditures and reflects the addition of a new federal grant for large-scaled emergency preparedness and regional inter-agency public safety training.



The Phoenix Fire Department received 156,348 calls, including 13,893 fire calls and 136,163 medical assistance calls in fiscal year 2010-11.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|---------------------------|-----------|-----------|-------------|
| Operating Expense | \$496,000 | \$428,000 | \$1,402,000 |
| Total Positions | 5.0 | 4.0 | 4.0 |
| Source of Funds: | | | |
| General | \$43,000 | \$21,000 | \$16,000 |
| Public Safety Enhancement | 442,000 | 407,000 | 396,000 |
| Federal & State Grants | 11,000 | — | 990,000 |







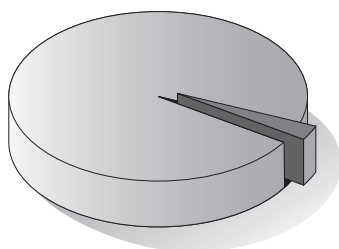
Phoenix Municipal Court handles cases that range from minor traffic violations to Class 1 misdemeanors carrying a maximum penalty of six months in jail and a \$2,500 fine. Annually, the court processes an average of 350,000 cases including 80,000 criminal charges.





Criminal Justice

The Criminal Justice Program Represents 2.5% of the Total Budget.



The Criminal Justice program budget includes the Municipal Court, Public Defender and City Prosecutor.

MUNICIPAL COURT

Program Goal

The Municipal Court provides, with integrity, to all individuals who come before this court: equal access, professional and impartial treatment, and just resolution of all court matters.

Budget Allowance Explanation

The Municipal Court's 2012-13 operating budget allowance of \$43,438,000 is \$6,920,000 or 18.9 percent more than 2011-12 estimated expenditures. The increase reflects an additional \$6.2 million in City Improvement funds to repair and maintain the Municipal Court Building and partial restoration of employee concessions. These increases are partially offset by the elimination of four administrative support positions.

Expenditure and Position Summary

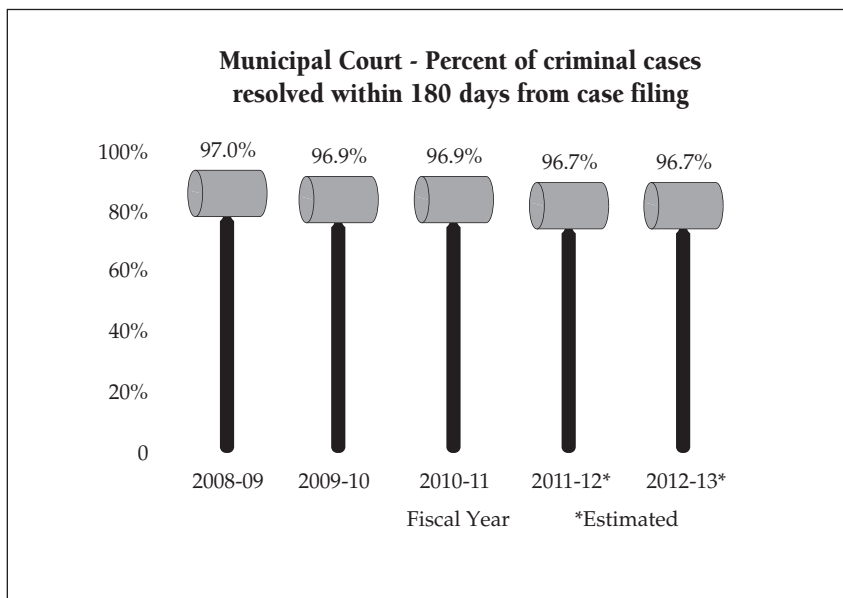
| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|--------------|--------------|--------------|
| Operating Expense | \$32,398,000 | \$36,518,000 | \$43,438,000 |
| Total Positions | 315.4 | 314.0 | 310.0 |
| Source of Funds: | | | |
| General | \$28,667,000 | \$29,505,000 | \$30,422,000 |
| Other Restricted | 1,935,000 | 6,537,000 | 6,791,000 |
| City Improvement | 1,796,000 | 476,000 | 6,225,000 |

Municipal Court Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|-------------|----------------------|-------------|
| Criminal filings | 82,181 | 75,000 | 75,000 |
| Civil filings | 211,496 | 214,000 | 218,000 |
| Average number of days from arraignment to hearing for minor traffic cases | 36.5 | 35.0 | 35.0 |
| Number of criminal cases with a pending trial date at year end | 3,384 | 3,400 | 3,400 |
| Percent of trials/hearings appealed | 4.8% | 4.1% | 3.8% |
| Average cycle time for sending out restitution and bail refund checks | 1.4 days | 1.7 days | 2.5 days |
| Average hold time for incoming information calls to the Customer Call Center | 4.3 minutes | 5.0 minutes | 5.0 minutes |

¹Based on 10 months actual experience.





PUBLIC DEFENDER

Program Goal

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

Budget Allowance Explanation

The Public Defender Program's 2012-13 operating budget allowance of \$4,780,000 is \$71,000 or 1.5 percent more than the 2011-12 estimated expenditures and reflects normal inflationary increases.

Public Defender Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Defendants charged with misdemeanor crimes represented in Phoenix Municipal Court | 13,714 | 14,000 | 14,000 |
| Defendants represented at Jail Court (first appearance after arrest), and K-Court (second appearance after arrest for those not bonding out after their first appearance) | 27,500 | 28,000 | 29,000 |

¹Based on 10 months actual experience.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$4,657,000 | \$4,709,000 | \$4,780,000 |
| Total Positions | 9.0 | 9.0 | 9.0 |
| Source of Funds: | | | |
| General | \$4,657,000 | \$4,709,000 | \$4,780,000 |







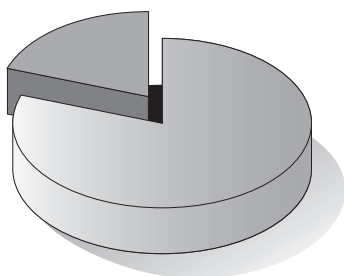
The Street Transportation Department is responsible for approximately 5,000 miles of arterial and collector streets. Last fiscal year, crews resurfaced and sealed 127 streets, and filled about 20,000 potholes.





Transportation

The Transportation Program Represents 21.3% of the Total Budget.



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

STREET TRANSPORTATION

Program Goal

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

Street Transportation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Routine street maintenance requests for service completed within 2-21 days (target is 90%) | 88% | 87% | 85% |
| Percent of all traffic signal control cabinets inspected annually | 95% | 91% | 91% |
| Routine traffic operation requests for service completed within 30 days (target is 95%) | 93% | 95% | 95% |
| Construction project complaints or inquiries addressed within five working days (target is 98%) | 100% | 95% | 95% |
| Number of days to review and respond to street light requests (target is five working days) | 1.5 | 2.8 | 2.0 |
| Number of days to review private development plans (target is 10 working days) | 1.1 | 1.1 | 1.5 |
| Utility plan review turnaround time within 10 working days (target is 90%) | 97% | 96% | 97% |
| Complete requests for sign and crosswalk work within 45 days (target is 90%) | 83% | 83% | 83% |

¹Based on 10 months actual experience.



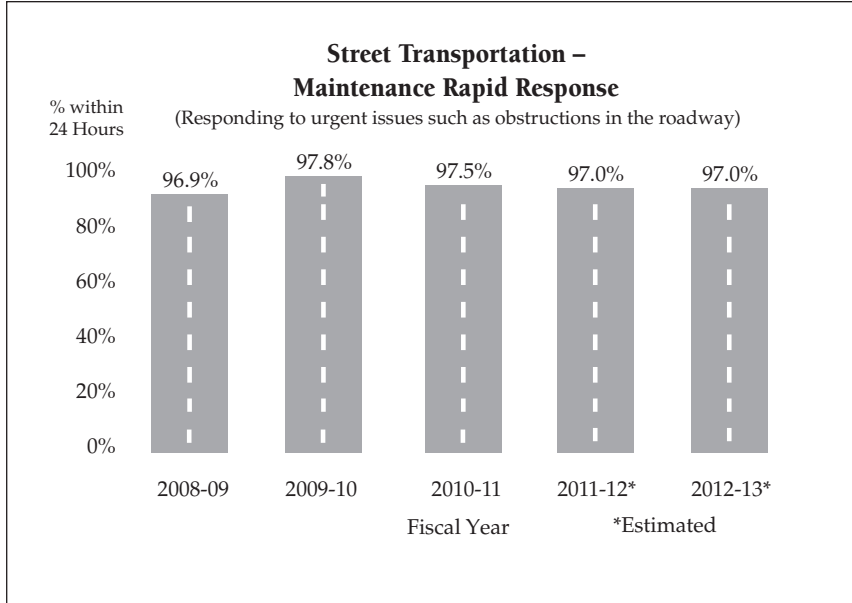


Budget Allowance Explanation

The Street Transportation 2012-13 operating budget allowance of \$72,762,000 is \$3,544,000 or 5.1 percent more than 2011-12 estimated expenditures. This increase is primarily due to transitioning the purchase of replacement vehicles from financing to all cash and the partial restoration of employee concessions. The proposed budget also includes the addition of a position to provide contract procurement oversight on multiple Aviation capital projects.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|------------------------------|--------------|--------------|--------------|
| Operating Expense | \$64,937,000 | \$69,218,000 | \$72,762,000 |
| Total Positions | 667.0 | 673.0 | 674.0 |
| Source of Funds: | | | |
| General | \$18,502,000 | \$19,771,000 | \$22,454,000 |
| Arizona Highway User Revenue | 43,704,000 | 45,528,000 | 45,804,000 |
| Cable Communications | 1,161,000 | 1,410,000 | 1,450,000 |
| City Improvement | 47,000 | 129,000 | 682,000 |
| Capital Construction | 129,000 | 129,000 | 129,000 |
| Federal and State Grants | 3,000 | 62,000 | 25,000 |
| Other Restricted | 1,391,000 | 2,189,000 | 2,218,000 |





AVIATION

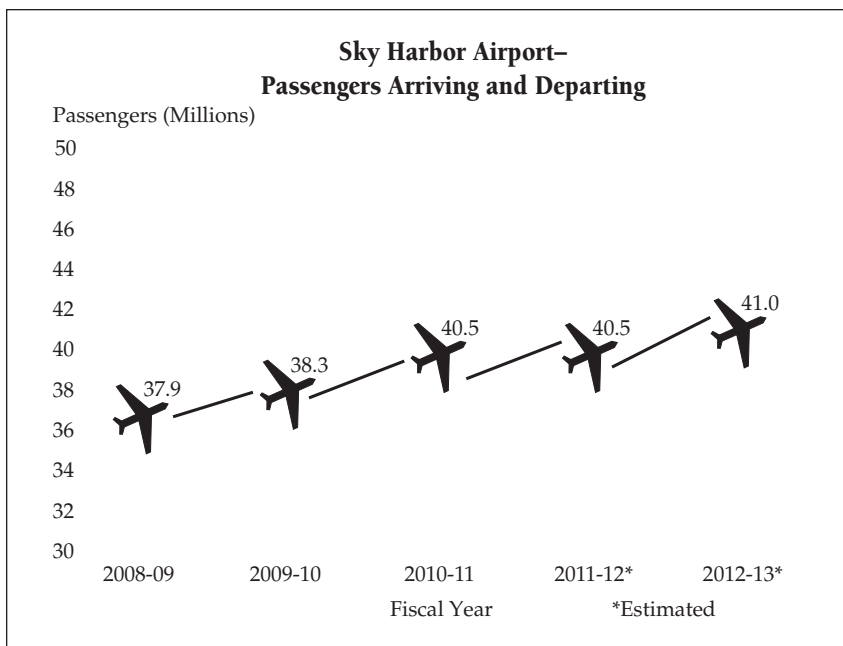
Program Goal

The Aviation Department provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial aviation in a safe, efficient and convenient manner.

Budget Allowance Explanation

The Aviation Department's 2012-13 operating budget allowance of \$220,543,000 is \$17,292,000 or 8.5 percent more than 2011-12 estimated expenditures. This increase reflects the start up and partial year operating costs for the new PHX Sky Train™, partial restoration of employee concessions, and other normal inflationary increases.

The budget also reflects the addition of seventeen support positions needed to maintain and operate the PHX Sky Train™. In addition, one support position is being added to the Deer Valley Airport to assist with increased demand.



Aviation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|-----------|----------------------|------------------|
| Airline rental rates (cost per square foot): | | | |
| Terminal 2 | \$76.08 | \$78.84/106.68 | N/A ² |
| Terminal 3 | \$79.32 | \$90.12/106.68 | N/A ² |
| Terminal 4 | \$89.88 | \$97.32/106.68 | N/A ² |
| Gross sales per departing passenger: | | | |
| Terminal 2 | \$7.73 | \$7.75 | \$7.80 |
| Terminal 3 | \$8.97 | \$9.00 | \$9.10 |
| Terminal 4 | \$8.53 | \$8.60 | \$8.90 |
| Aircraft takeoffs and landings | 941,057 | 942,000 | 945,000 |
| Total international passengers | 2,185,376 | 2,200,000 | 2,215,000 |
| Air cargo processed (in tons) | 293,199 | 301,000 | 305,000 |

¹Based on 10 months actual experience. Terminal rates effective July 2011 and January 2012.

²Airline rental rates for 2012-13 have not yet been finalized.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|---------------|---------------|---------------|
| Operating Expense | \$195,874,000 | \$203,251,000 | \$220,543,000 |
| Total Positions | 841.0 | 851.0 | 869.0 |
| Source of Funds: | | | |
| Aviation | \$195,874,000 | \$203,251,000 | \$220,543,000 |





PUBLIC TRANSIT

Program Goal

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

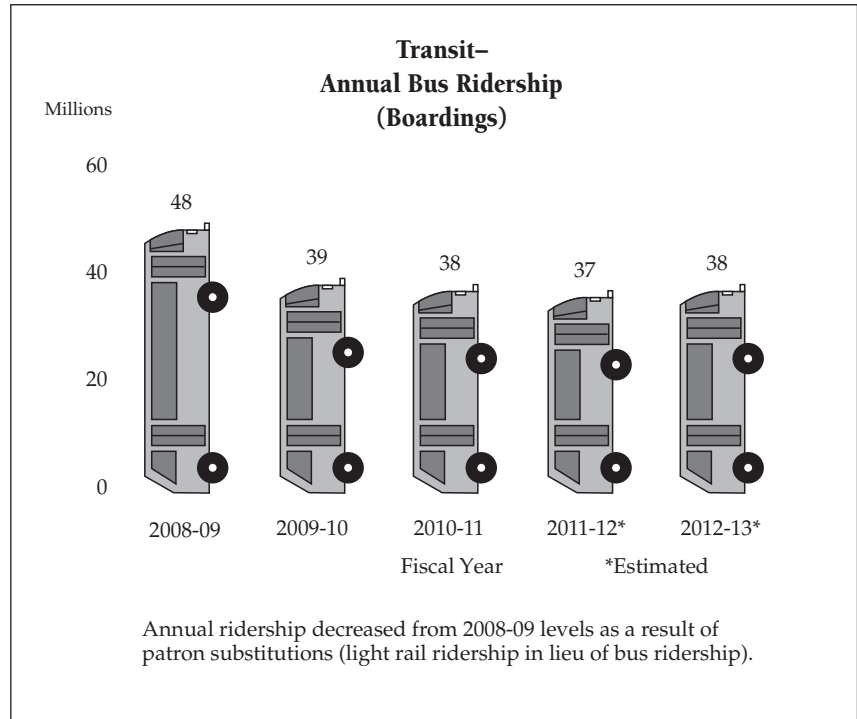
Budget Allowance Explanation

The Public Transit 2012-13 operating budget allowance of \$257,471,000 is \$12,771,000 or 5.2 percent more than 2011-12 estimated expenditures. This increase is primarily due to increases in the price of fuel, a contractual increase in the cost per mile of bus service, a scheduled increase in debt service payments for light rail bonds, and normal inflationary increases. The increase is partially offset by a reduction in regional fare media purchases.

The 2012-13 budget also includes an extension of Route 50 from 67th to 107th Avenues on Camelback Road. The extension adds an additional 151,235 annual revenue miles of service.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|---------------------------|---------------|---------------|---------------|
| Operating Expense | \$230,322,000 | \$244,700,000 | \$257,471,000 |
| Total Positions | 141.5 | 136.5 | 136.5 |
| Source of Funds: | | | |
| General | \$19,048,000 | \$18,912,000 | \$19,559,000 |
| Transit 2000 | 124,296,000 | 140,718,000 | 151,367,000 |
| Regional Transit | 19,969,000 | 23,175,000 | 27,449,000 |
| Federal Transit Authority | 20,887,000 | 13,500,000 | 8,304,000 |
| City Improvement | 46,122,000 | 48,395,000 | 50,792,000 |



Public Transit Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

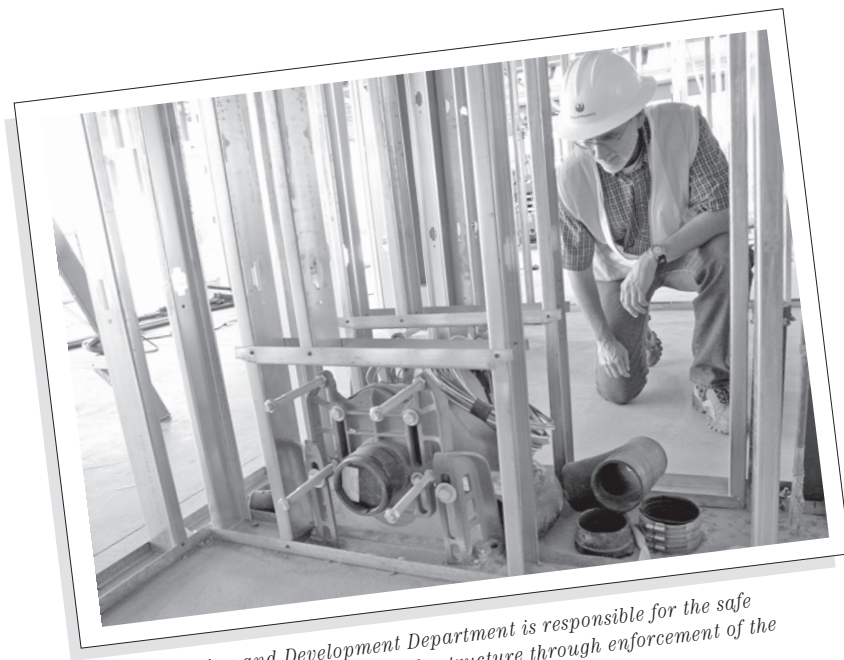
| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| On-time performance for bus service | 94.3% | 94.0% | 94.3% |
| On-time performance for Dial-a-Ride prescheduled service | 95.3% | 91.4% | 94.0% |
| Cost recovery from bus fares | 24.6% | 24.7% | 25.0% |
| Bus boardings per revenue mile | 2.21 | 2.36 | 2.39 |
| Average weekday ridership - light rail (Phoenix only) ² | 22,405 | 27,111 | 27,653 |
| Number of Reserve-A-Ride Trips | 124,537 | 122,386 | 123,855 |

¹Based on 10 months actual experience.

²The 2010-11 figure represents January 1, 2011-June 30, 2011 ridership.







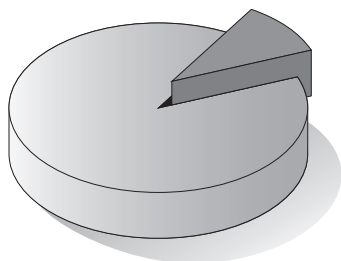
The Planning and Development Department is responsible for the safe development of buildings and infrastructure through enforcement of the city's building code, other city codes and ordinances.





Community Development

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



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

PLANNING AND DEVELOPMENT

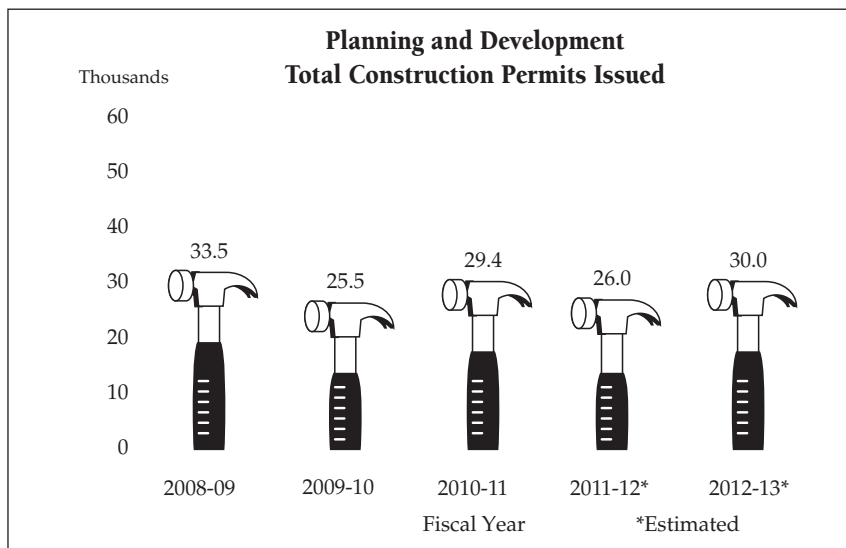
Program Goal

The Planning and Development Department manages planning, development and preservation for a better Phoenix. Key services of the department include design review, permitting, inspections, implementation and updates to the General Plan, administration of the zoning ordinance, processing rezoning requests, and Historic Preservation.

Budget Allowance Explanation

The Planning and Development Department 2012-13 operating budget allowance of \$39,700,000 is \$7,278,000 or 22.4 percent more than 2011-12 estimated expenditures. This is primarily a result of increased funding for contractual inspection and plan review services to meet anticipated demand, adding a position and equipment to begin implementing an electronic plan review system, and a \$2,900,000 grant for transit oriented development along the light rail line.

In addition the budget is adding two sign inspector positions for enforcement on private property, two positions to address new legislative mandates, and a budget supervisor position.





Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|--------------|--------------|--------------|
| Operating Expense | \$31,536,000 | \$32,422,000 | \$39,700,000 |
| Total Positions | 251.0 | 246.0 | 251.0 |
| Source of Funds: | | | |
| Development Services | \$25,689,000 | \$27,544,000 | \$31,554,000 |
| General | 4,741,000 | 4,591,000 | 4,987,000 |
| Federal and State Grant | 655,000 | 6,000 | 2,930,000 |
| Community Development Block Grant | 66,000 | 66,000 | 66,000 |
| Other Restricted | 385,000 | 215,000 | 163,000 |

Planning and Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Total construction permits issued | 29,449 | 26,000 | 30,000 |
| Turnaround time for major commercial building plans (days) | 40 | 41 | 41 |
| Turnaround time for medium commercial building plans (days) | 32 | 27 | 27 |
| Turnaround time for minor commercial building plans (days) | 19 | 16 | 16 |
| Turnaround time for residential building plans (days) | 22 | 22 | 22 |
| Percent of commercial inspections completed on time | 89% | 95% | 90% |
| Percent of residential inspections completed on time | 93% | 94% | 90% |
| Percent of costs recovered through fees | 108% | 100% | 100% |
| Average number of days to schedule pre-application meeting prior to rezoning application | 11 | 10 | 10 |
| Average number of days to complete Zoning Verification letters | 9 | 10 | 10 |
| Zoning counter customers assisted within 10 minutes of arrival | 100% | 90% | 90% |
| Board, Commission and Committee packets available seven days prior to meeting | 90% | 90% | 90% |
| Number of design reviews performed on building permits in historic districts ² | 340 | 340 | 340 |
| Number of city grants awarded for historic rehabilitation projects | 7 | 8 | 8 |
| Private dollars leveraged for every dollar of city historic rehabilitation grant funds expended ³ | \$49.93 | \$1.87 | \$3.00 |
| Number of regulatory compliance reviews for federally funded city capital projects | 1,400 | 1,000 | 1,000 |

¹Based on 10 months actual experience.

²This projection includes the cumulative number of Certificates of Appropriateness, Certificates of No Effect, Demolition Reviews and Demolition Appeal Hearings.

³Leverage anticipated in fiscal year 10-11 due to Luhrs building payout.





HOUSING

Program Goal

The Housing Department provides and promotes diversified living environments for low-income families, seniors and persons with disabilities through the operation and leasing of assisted and affordable housing.

Budget Allowance Explanation

The Housing Department's 2012-13 operating budget allowance of \$82,942,000 is \$4,876,000 or 6.2 percent more than 2011-12 estimated expenditures. The increase is primarily due to increased expenditures for the Section 8 voucher program and normal inflationary adjustments.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|--------------|--------------|--------------|
| Operating Expense | \$76,834,000 | \$78,066,000 | \$82,942,000 |
| Total Positions | 192.2 | 190.0 | 190.0 |
| Source of Funds: | | | |
| Public Housing | \$68,868,000 | \$71,369,000 | \$76,105,000 |
| Other Restricted | 3,125,000 | 2,630,000 | 2,747,000 |
| Community Development | | | |
| Block Grant | 2,220,000 | 2,635,000 | 2,296,000 |
| Federal and | | | |
| State Grants | 1,485,000 | 896,000 | 873,000 |
| HOPE VI | 961,000 | 410,000 | 796,000 |
| City Improvement | 73,000 | 72,000 | 71,000 |
| General | 102,000 | 54,000 | 54,000 |

Housing Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Affordable housing units for families and individuals | 2,632 | 3,115 | 3,115 |
| Rental assistance provided for low-income residents in the private housing market | 6,064 | 6,352 | 6,352 |
| City-owned and operated public housing units for families and seniors | 1,909 | 1,968 | 2,028 |
| Percent of Section 8 vouchers under lease | 95% | 96% | 95% |
| Occupancy rate for public housing units | 98% | 96% | 98% |

¹Based on 10 months actual experience.





COMMUNITY AND ECONOMIC DEVELOPMENT

Program Goal

The Community and Economic Development Department creates or facilitates development activities that add or retain jobs, enhances city revenues and enhances the quality of life including business development in Sky Harbor Center, downtown redevelopment area and other non-redevelopment areas.

Budget Allowance Explanation

The Community and Economic Development Department's 2012-13 operating budget allowance of \$32,531,000 is \$8,263,000 or 34.0 percent more than 2011-12 estimated expenditures and is primarily the result of additional American Recovery and Reinvestment Act (ARRA) funds for the Energize Phoenix grant, a scheduled increase in debt service payments for development projects and normal inflationary increases. Also reflected is the reclassification of a vacant program manager position to create an economic development executive officer and additional funding for a study and development plan for a tourism/local visitor enhancement project in the Convention Center area.

These increases are partially offset by the elimination of a motion picture assistant position in the Film Office, the transfer of appropriate legal charges to the Community Reinvestment Fund, and a reduction in funding for various contracts that support departmental operations.

Community and Economic Development Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|----------|----------------------|----------|
| Projected jobs created/retained within the city of Phoenix as a result of department efforts ² | 3,800 | 5,144 | 4,400 |
| Projected average annual salary for new jobs with companies newly located in Phoenix | \$36,800 | \$38,400 | \$38,000 |
| Individuals serviced in employment and training programs | | | |
| Adult | 1,131 | 1,025 | 1,135 |
| Youth | 880 | 687 | 933 |

¹Based on 10 months actual experience.

²Fiscal year 2011-12 is higher than fiscal year 2012-13 projection due to the relocation of Etnea during 2011-12.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|--------------|--------------|--------------|
| Operating Expense | \$25,245,000 | \$24,268,000 | \$32,531,000 |
| Total Positions | 105.0 | 103.0 | 102.0 |
| Source of Funds: | | | |
| General | 4,309,000 | 4,293,000 | 4,799,000 |
| Aviation | 30,000 | 123,000 | 122,000 |
| City Improvement | 768,000 | 2,136,000 | 4,517,000 |
| Community Reinvestment | 315,000 | 334,000 | 377,000 |
| Convention Center | 463,000 | 453,000 | 418,000 |
| Other Restricted | 4,502,000 | 3,056,000 | 3,161,000 |
| Sports Facilities | 133,000 | 135,000 | 139,000 |
| Water | 554,000 | 565,000 | 567,000 |
| Federal and State Grants | 13,474,000 | 12,591,000 | 17,824,000 |
| Community Development Block Grant | 697,000 | 582,000 | 607,000 |





NEIGHBORHOOD SERVICES

Program Goal

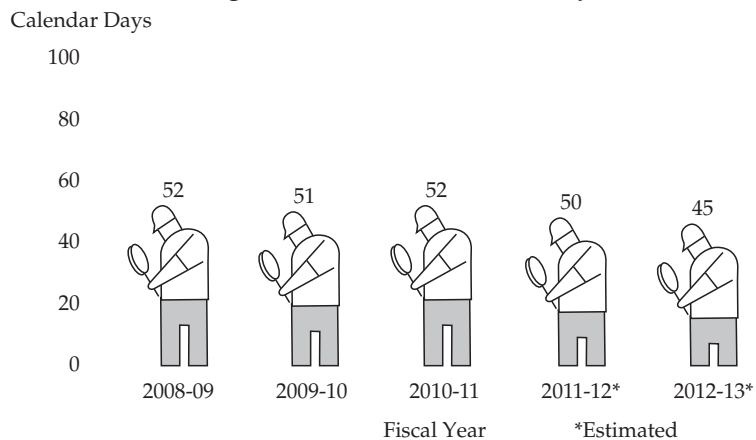
To preserve and improve the physical, social and economic health of Phoenix neighborhoods, support neighborhood self-reliance and enhance the quality of life of residents through community-based problem solving, neighborhood-oriented services and public/private cooperation.

Budget Allowance Explanation

The Neighborhood Services 2012-13 operating budget allowance of \$80,023,000 is \$24,283,000 or 43.6 percent more than 2011-12 estimated expenditures. This increase is due to carrying over prior year's unspent Community Development Block Grant, HOME and other federal and state grant funding included in the 2011-12 budget.

The General Fund budget of \$11,819,000 is \$1,031,000 or 9.6 percent more than the 2011-12 estimated expenditures. This increase is due to the addition of three positions to address sign enforcement in the right of way, two positions to address citywide graffiti, an additional inspector position to address neighborhood blight and normal inflationary factors.

Neighborhood Services – Neighborhood Preservation Case Cycle Time



This measure includes all administrative, adjudicated and standard cases and the average time taken to achieve compliance at properties reported with code violations.





Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|--------------|--------------|--------------|
| Operating Expense | \$42,720,000 | \$55,740,000 | \$80,023,000 |
| Total Positions | 220.5 | 212.5 | 218.5 |
| Source of Funds: | | | |
| General | \$10,304,000 | \$10,788,000 | \$11,819,000 |
| Other Restricted | 107,000 | 108,000 | 287,000 |
| Public Housing | 1,964,000 | 1,640,000 | 3,243,000 |
| Federal and State Grants | 17,413,000 | 29,261,000 | 36,461,000 |
| Community Development Block Grant | 12,932,000 | 13,943,000 | 28,213,000 |

Neighborhood Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Residents who receive landlord/tenant counseling | 5,794 | 5,800 | 6,000 |
| Number of residents provided technical assistance and education on available city services, programs, tools and other community resources | 4,215 | 3,000 | 3,000 |
| Sites where graffiti was removed through the Graffiti Busters program | 67,741 | 75,000 | 86,000 |
| Projects completed through housing rehabilitation programs ² | 844 | 900 | 1500 |
| Neighborhood Preservation cases opened annually ³ | 60,054 | 58,000 | 62,000 |
| Neighborhood Preservation average case cycle time ⁴ | 52 days | 50 days | 45 days |
| Percent of Neighborhood Preservation cases resolved voluntarily ⁵ | 91% | 91% | 91% |

¹Based on 10 months actual experience.

²Includes units remediated through the lead hazard control and weatherization programs as well as owner occupied units and rental rehabilitation projects completed. The Neighborhood Services Department received additional funding through federal stimulus.

³The volume of open cases can be attributed to the number of complaint based reports and strategic code enforcement efforts in targeted areas.

⁴This measure includes all administrative, adjudicated and standard cases and the average time taken to achieve compliance at properties reported with code violations.

⁵This measures the volume of cases that were voluntarily brought into compliance with the appropriate city ordinances without court or abatement action.







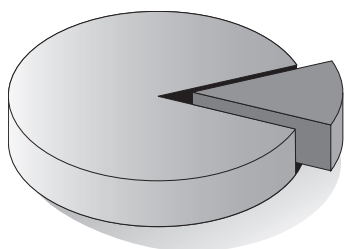
With thousands of general interest classes and sports leagues and programs each year, area residents look to our recreation and community centers to get active, develop physical skills and have fun.





Community Enrichment

The Community Enrichment Program Represents 9.8% of the Total Budget.



The Community Enrichment program budget includes Parks and Recreation, Library, Golf, Phoenix Convention Center, Human Services and the Phoenix Office of Arts and Culture.

Budget Allowance Explanation

The Parks and Recreation 2012-13 budget allowance of \$98,145,000 is \$4,006,000 or 4.3 percent more than 2011-12 estimated expenditures. The increase is primarily due to Rio Salado debt service, additions in the 2012-13 budget, a full year of costs for the restoration of eight pools that had been closed on a rotating basis beginning in May 2008, and partial restoration of employee concessions. The proposed additions include the restoration of nine Phoenix Afterschool Center (PAC) sites, expanded open swim hours at nine pools, additional after school youth sports programs at four parks, enhanced security in downtown parks, and increased park

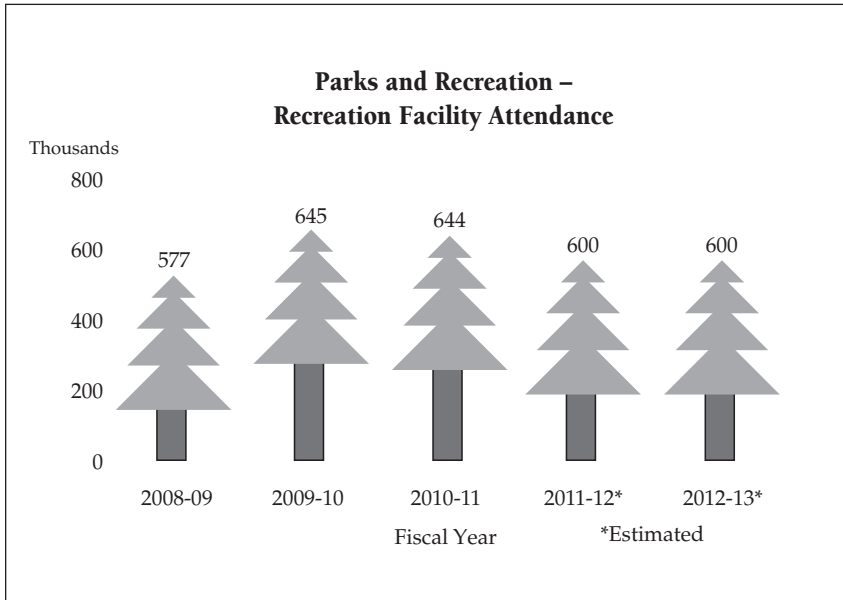
facility maintenance. The proposed 2012-13 budget also includes funding for additional staff to protect and maintain 592 acres of newly acquired Sonoran Preserve property and 16.5 miles of new multi-use trails, and staff and material costs to operate and maintain Dust Devil Park opening October 2012.

The increase is partially offset by proposed administrative efficiency savings that include converting three full-time park ranger II positions to part-time, converting an accountant III position to an accountant I position and eliminating four vacant positions.

PARKS AND RECREATION

Program Goal

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





Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|--------------|--------------|--------------|
| Operating Expense | \$92,205,000 | \$94,139,000 | \$98,145,000 |
| Total Positions | 1,000.4 | 1,022.9 | 1,054.3 |
| Source of Funds: | | | |
| General | \$86,181,000 | \$87,487,000 | \$89,908,000 |
| Other Restricted | 2,914,000 | 3,627,000 | 3,617,000 |
| City Improvement | 206,000 | 170,000 | 1,862,000 |
| Federal and State Grants | 639,000 | 693,000 | 716,000 |
| Convention Center | 302,000 | 188,000 | - |
| Parks and Preserves | 1,963,000 | 1,974,000 | 2,042,000 |

Parks and Recreation Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Construction projects completed (target is 75% or more) | 72% | 75% | 75% |
| Percentage of safe and clean park facilities (target is 80% or greater) | 86% | 83% | 80% |
| Fill 80% or more of all non-team sport registration openings. | 70% | 70% | 70% |
| Recreation Facility Attendance | 644,275 | 600,000 | 600,000 |
| Usage of athletic field's available programmable time (target is 60% or greater) | 56% | 55% | 55% |
| Community usage of facility's available programmable time (target is 60% or greater) | 49% | 40% | 40% |

¹Based on 10 months actual experience.





LIBRARY

Program Goal

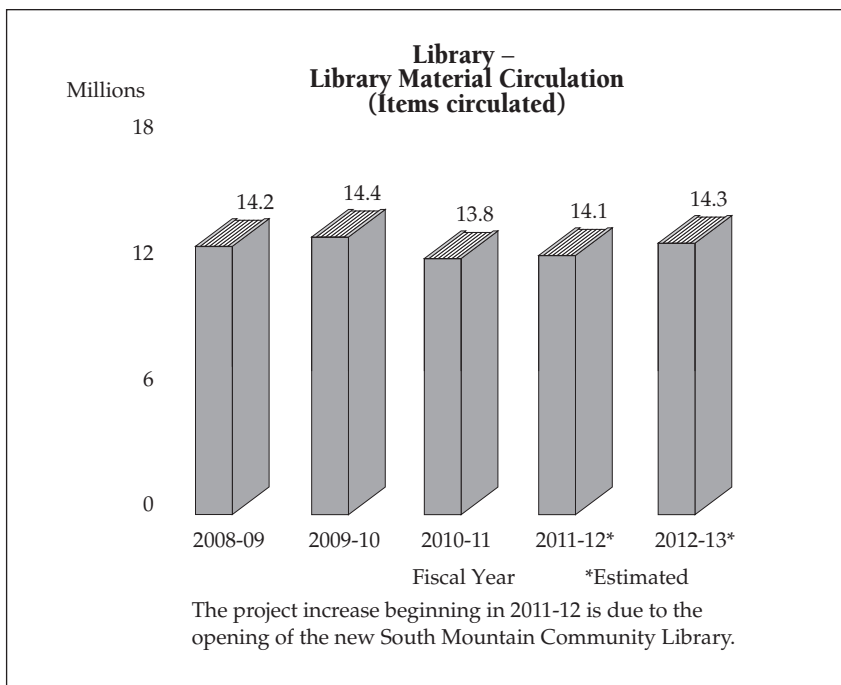
The Library provides information and resources that are relevant, accessible and responsive to the intellectual needs and interests of the community.

Budget Allowance Explanation

The Library 2012-13 operating budget allowance of \$36,551,000 is \$1,813,000 or 5.2 percent more than 2011-12 estimated expenditures. The increase is primarily due to additional College Depot services for Cholla, Cesar Chavez, Palo Verde, and South Mountain Community branch libraries, the restoration of library hours, and the partial restoration of employee concessions in the 2012-13 budget. Beginning in August 2012, six evening hours will be added, from 7 to 9 p.m. on Tuesday, Wednesday and Thursday at Agave, Yucca, Saguaro, Ironwood, Cholla, Cesar Chavez, Palo Verde and Juniper branch libraries. In addition, the Central Library will be open an additional six hours per week by opening at 9 a.m., instead of 11 a.m., on Tuesdays, Wednesdays and Thursdays. These increases are partially offset by a reduction in supervisory positions within the Library system.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|--------------|--------------|--------------|
| Operating Expense | \$33,227,000 | \$34,738,000 | \$36,551,000 |
| Total Positions | 336.8 | 357.6 | 375.8 |
| Source of Funds: | | | |
| General | \$32,306,000 | \$33,736,000 | \$36,051,000 |
| Federal and State Grants | 636,000 | 829,000 | 423,000 |
| Other Restricted | 285,000 | 173,000 | 77,000 |



Library Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|------------|----------------------|------------|
| Early literacy program attendance | 89,031 | 95,000 | 98,000 |
| Customer satisfaction with workforce readiness | 93% | 90% | 90% |
| Library's home-page "hits" | 27,555,000 | 27,200,000 | 27,200,000 |
| Library material circulation ² | 13,840,000 | 14,100,000 | 14,300,000 |

¹Based on 10 months actual experience.

²The circulation increases in 2011-12 and 2012-13 are a result of the opening of the South Mountain Community branch library.





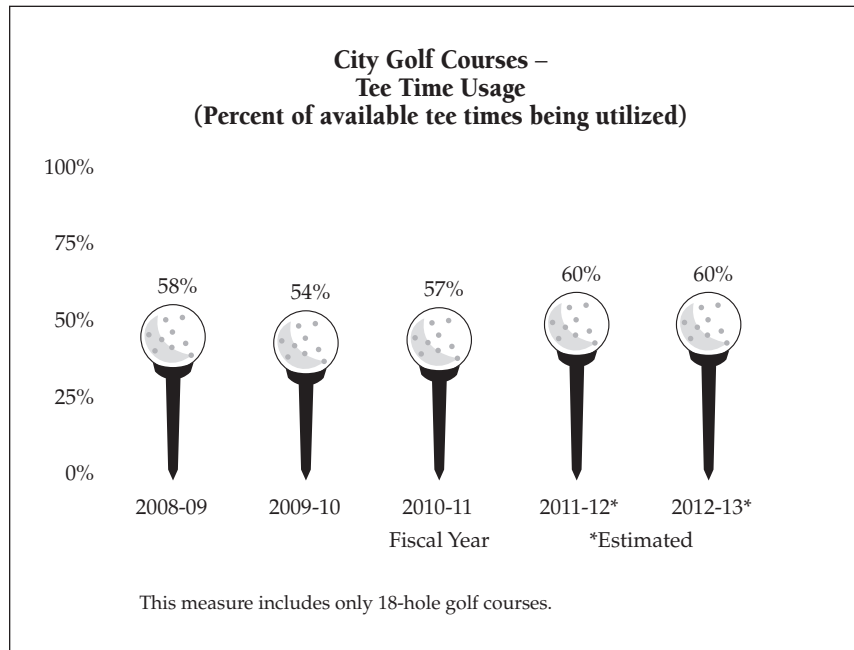
GOLF

Program Goal

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

Budget Allowance Explanation

The Golf 2012-13 operating budget allowance of \$8,181,000 is \$137,000 or 1.6 percent less than 2011-12 estimated expenditures. The decrease is primarily due to changes in the golf cart lease agreement.



Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|-------------|-------------|-------------|
| Operating Expense | \$7,856,000 | \$8,318,000 | \$8,181,000 |
| Total Positions | 95.4 | 95.4 | 95.4 |
| Source of Funds: | | | |
| Golf | \$7,856,000 | \$8,318,000 | \$8,181,000 |

Golf Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|------------------------------------|---------|----------------------|---------|
| Number of Golf Rounds ² | 237,000 | 254,000 | 254,000 |

¹Based on 10 months actual experience.

²Reduced rounds in 2010-11 were the result of a three month closure of Aguila golf course for bunker renovations and economic conditions. This measure includes nine and 18 hole golf courses.





PHOENIX CONVENTION CENTER

Program Goal

The Phoenix Convention Center and Venues hosts a diverse range of conventions, trade shows, meetings and entertainment events in one of the premier convention facilities in the United States. The department is committed to delivering the highest levels of customer service and guest experience in the industry. The Phoenix Convention Center and Venues enhances the economic vitality of the downtown area, the city of Phoenix and the state of Arizona by supporting tourism-related industries, businesses and cultural organizations.

Budget Allowance Explanation

The Phoenix Convention Center 2012-13 operating budget allowance of \$46,077,000 is \$1,082,000 or 2.4 percent more than 2011-12 estimated expenditures. The increase is primarily due to increased costs for the Greater Phoenix Convention and Visitors Bureau services, increased capital outlay funding for parking garage maintenance and normal inflationary factors.

Phoenix Convention Center Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|---------|----------------------|---------|
| Estimated direct spending impact from conventions (millions) ² | \$244.7 | \$370.0 | \$277.8 |
| Number of convention delegates | 168,694 | 261,701 | 191,500 |
| Number of conventions | 48 | 58 | 53 |
| Number of local public shows | 38 | 40 | 40 |
| Percent square feet occupancy (average of all event types) | 28% | 35% | 42% |
| Number of theatrical performances | 272 | 260 | 260 |
| Total theater attendance | 270,926 | 275,000 | 275,000 |
| Total parking revenue (millions) | \$4.60 | \$4.58 | \$4.75 |
| Revenue per parking space | \$1,013 | \$1,016 | \$1,054 |
| Operating expense per parking space | \$851 | \$843 | \$849 |

¹Based on 10 months actual experience.

²Estimated direct spending impact is reported by the Greater Phoenix Convention and Visitors Bureau.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-------------------|--------------|--------------|--------------|
| Operating Expense | \$44,167,000 | \$44,995,000 | \$46,077,000 |
| Total Positions | 276.0 | 262.6 | 262.6 |
| Source of Funds: | | | |
| Convention Center | \$42,276,000 | \$43,109,000 | \$44,134,000 |
| General | 1,344,000 | 1,303,000 | 1,323,000 |
| Other Restricted | 107,000 | 113,000 | 120,000 |
| Sports Facilities | 440,000 | 470,000 | 500,000 |





HUMAN SERVICES

Program Goal

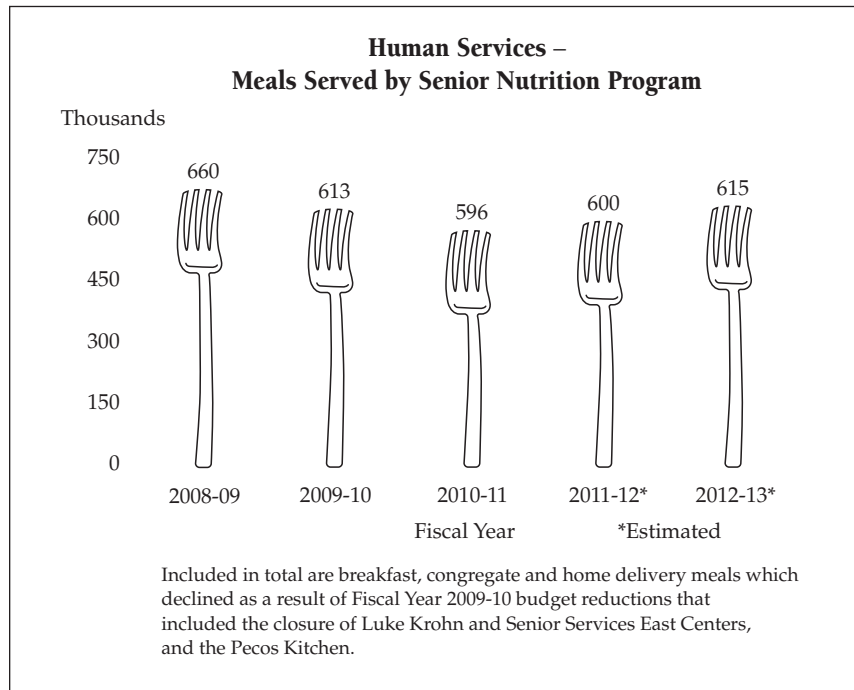
The Human Services Department promotes self-sufficiency by providing a wide array of services that foster the economic, physical and social well-being of residents.

Budget Allowance Explanation

The Human Services 2012-13 operating budget allowance of \$62,618,000 is \$3,606,000 or 5.4 percent less than 2011-12 estimated expenditures. The decrease is primarily due to the expiration, in September 2011, of the American Recovery and Reinvestment Act (ARRA) funding for the Early Head Start Program and the expiration of the Homelessness Prevention and Rapid Re-Housing Project grant in June 2012. The 2012-13 budget also includes a General Fund addition for increased programming at Senior Centers and additional funding for the Center Arizona Shelter Services (CASS) contract for homeless shelter services.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|--------------|--------------|--------------|
| Operating Expense | \$65,357,000 | \$66,224,000 | \$62,618,000 |
| Total Positions | 415.5 | 399.2 | 399.2 |
| Source of Funds: | | | |
| General | \$17,044,000 | \$16,685,000 | \$18,260,000 |
| Human Services Grants | 45,110,000 | 48,214,000 | 42,898,000 |
| Community Development Block Grant | 670,000 | 637,000 | 556,000 |
| Federal and State Grant | 2,184,000 | 20,000 | 35,000 |
| Water | 250,000 | 250,000 | 250,000 |
| Other Restricted | 65,000 | 362,000 | 340,000 |
| City Improvement | 34,000 | 56,000 | 279,000 |



Human Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Percentage of families served at the Watkins Overflow Shelter moved into permanent housing | 84% | 70% | 70% |
| Number of households served at family service centers ² | 26,087 | 24,559 | 16,480 |
| Percentage of school attendance for Head Start | 89% | 85% | 85% |
| Medical and dental exams completed for Head Start | 6,911 | 7,000 | 7,000 |
| Number of meals served to seniors ³ | 596,000 | 600,000 | 615,000 |
| Number of victim services provided | 6,029 | 6,500 | 6,500 |

¹Based on 10 months actual experience.

²Number of households served is projected to be lower in 2012-13 due to an anticipated decrease in Low Income Home Energy Assistance Program (LIHEAP) grant funding.

³Meals served includes congregate and home delivery meals.





PHOENIX OFFICE OF ARTS AND CULTURE

Program Goal

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

Budget Allowance Explanation

The Phoenix Office of Arts and Culture 2012-13 operating budget allowance of \$1,229,000 is \$482,000 or 64.5 percent more than 2011-12 estimated expenditures. The increase is mainly due to additional grants funding in 2012-13, more private donations for the new Gallery at City Hall, and normal inflationary increases.

Phoenix Office of Arts and Culture Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance.

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Grant applications processed to support arts activities through schools and nonprofit organizations ² | 21 | 24 | 40 |
| Grant awards administered to support arts activities through schools and nonprofit organizations ² | 21 | 24 | 40 |
| Completed Percent-for-art projects to enhance city capital improvement projects with artwork | 12 | 7 | 10 |
| Local artists/arts organizations training workshops ³ | 14 | 8 | 10 |
| Percent of projects in Art Plan being implemented | 59% | 69% | 65% |
| Community presentations | 43 | 39 | 38 |

¹Based on 10 months actual experience.

²Projected increase due to increase in grants funding in 2012-13.

³Numbers reflect presentations and workshops to local artists as well as the annual grant workshop training for arts organizations.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|-----------|-----------|-------------|
| Operating Expense | \$981,000 | \$747,000 | \$1,229,000 |
| Total Positions | 12.0 | 11.0 | 11.0 |
| Source of Funds: | | | |
| General | \$918,000 | \$701,000 | \$1,163,000 |
| Other Restricted | 11,000 | 29,000 | 49,000 |
| Federal and State Grants | 52,000 | 17,000 | 17,000 |





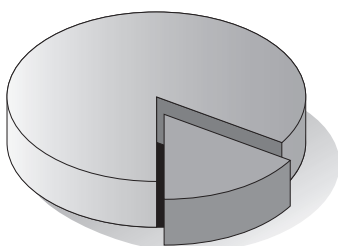
The Water Services Department ensures that the tap water delivered to our residents meets or surpasses all federal and state drinking water standards. To maintain very high water quality, the department conducts millions of measurements and tests annually throughout the treatment and distribution systems to ensure your safety.





Environmental Services

The Environmental Services Program Represents 16.2% of the Total Budget.



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

WATER SERVICES

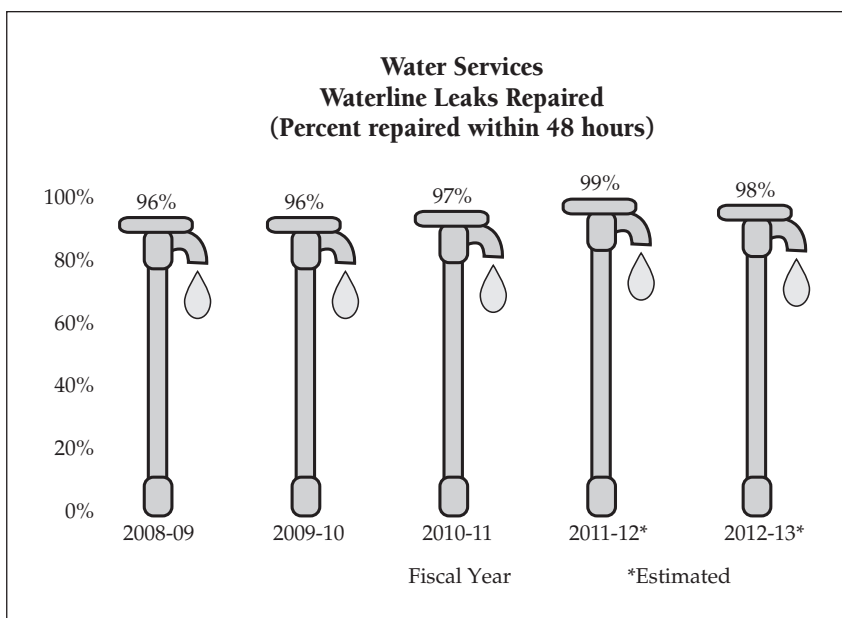
Program Goal

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

Budget Allowance Explanation

The Water Services 2012-13 operating budget allowance of \$269,739,000 is \$15,127,000 or 5.9 percent more than 2011-12 estimated expenditures. The increase is primarily due to increases in the cost of electricity and chemicals; increased granular activated carbon purchases (GAC) resulting from a full year of operations for the new Val Vista and 24th Street Water Treatment Plant disinfectant by-product mitigation

improvements; increased sludge hauling fees; partial restoration of employee concessions; and increased costs resulting from new outsourced bill payment services to include: redesign and format of customer bills, customized utility web pages, expanded customer payment options and enhanced customer billing communications, such as smart phone applications.





The 2012-13 budget adds funding necessary to comply with regulatory requirements by upgrading water storage tanks and installing a new aeration system to slow the production of total Trihalomethanes (TTHMs) and operate and maintain a new granular activated carbon facility at West Anthem. It also provides funding for a new Mobile Workforce Management Mobility system to automate the routing and wireless deployment of customer service field staff activities.

Water Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|-----------|----------------------|-----------|
| Water main break/leaks per year | 216.0 | 192.0 | 204.0 |
| Waterline leaks repaired within 48 hours | 97% | 99% | 98% |
| Percent of miles of sewer cleaned per year | 33.0% | 30.0% | 35.0% |
| Sanitary sewer overflows per 100 miles | 1.02 | 1.02 | 1.00 |
| Gallons of water produced system wide (billions) | 110.7 | 110.7 | 110.1 |
| Gallons of wastewater treated (billions) | 62.8 | 63.7 | 64.0 |
| Telephone Calls-Received | 1,324,255 | 1,450,975 | 1,450,975 |
| Telephone Calls-Percent Answered ² | 90% | 88.2% | 90% |

¹Based on 10 months actual experience.

²Percent answered is calculated based on total calls logged into the queue and calls answered. Callers can elect to end their call before receiving assistance and would not be counted as "answered."

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|---------------|---------------|---------------|
| Operating Expense | \$257,482,000 | \$254,612,000 | \$269,739,000 |
| Total Positions | 1,497.1 | 1,463.1 | 1,463.1 |
| Source of Funds: | | | |
| Water | \$168,363,000 | \$165,107,000 | \$176,699,000 |
| Wastewater | 87,585,000 | 87,798,000 | 91,302,000 |
| Federal and State Grants | 96,000 | 30,000 | — |
| Other Restricted | 1,438,000 | 1,677,000 | 1,768,000 |





SOLID WASTE MANAGEMENT

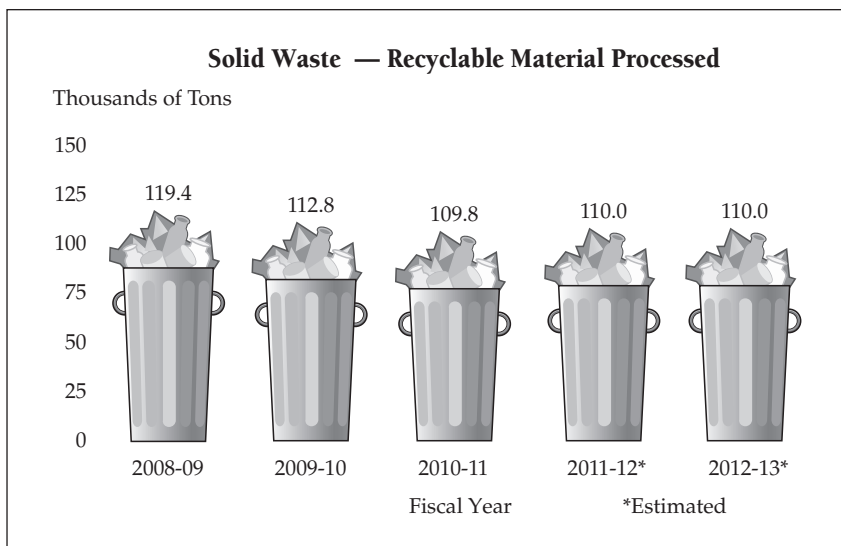
Program Goal

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

Budget Allowance Explanation

The Solid Waste Management 2012-13 operating budget allowance of \$126,377,000 is \$7,271,000 or 6.1 percent more than 2011-12 estimated expenditures. This increase reflects increased equipment replacement costs, partial restoration of employee concessions, and other normal inflationary increases.

The budget also includes a contract specialist position to oversee managed competition procurements for fleet services and a public information officer to manage public information needs for recycling, solar and sustainability efforts.



Solid Waste Management Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|---|-----------|----------------------|-----------|
| Residential households served with twice-per-week contained solid waste and recyclable material collections | 394,296 | 396,130 | 398,110 |
| Tons of residential recyclable materials collected | 109,805 | 110,000 | 110,000 |
| Tons of total solid waste disposed at city landfills ² | 1,046,300 | 967,000 | 1,000,000 |
| Tons of solid waste from city residences disposed | 645,038 | 650,000 | 650,000 |

¹Based on 10 months actual experience.

²Tonnage is down from prior year due to last year's hail storm and all the material that was disposed.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|---------------|---------------|---------------|
| Operating Expense | \$106,077,000 | \$119,106,000 | \$126,377,000 |
| Total Positions | 610.3 | 610.5 | 612.5 |
| Source of Funds: | | | |
| Solid Waste | \$106,087,000 | \$119,106,000 | \$126,377,000 |
| Federal and State Grants | (\$10,000) | — | — |





PUBLIC WORKS

Program Goal

The Public Works Department provides mechanical and electrical maintenance and energy conservation services for city facilities; procures, manages and maintains the city's fleet of vehicular equipment; and provides for the economical, safe and aesthetic design and construction of facilities on city property.

Budget Allowance Explanation

The Public Works 2012-13 operating budget allowance of \$22,491,000 is \$6,124,000 or 37.4 percent more than 2011-12 estimated expenditures. This increase is primarily due to an increase in debt service payments for facilities improvements and equipment, partial restoration of employee concessions, and increased costs for maintenance which was previously deferred due to budget constraints.

This increase is partially offset by administrative budget reductions of \$1,101,000, which include the elimination of two auto technician positions in the Fleet Services Division. Also reflected are reduced costs for landscaping and custodial services and reduced operating costs for several city facilities.

Public Works Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|-----------|----------------------|-----------|
| Square footage of buildings maintained | 9,885,000 | 9,885,000 | 9,885,000 |
| Facility service requests completed ² | 23,209 | 19,412 | 19,000 |
| Fleet vehicles per mechanic | 40.7 | 38.8 | 39.0 |
| Units of equipment for which fleet management is provided ³ | 7,612 | 7,260 | 7,300 |
| Annual miles of fleet vehicle utilization (in millions) ³ | 50.1 | 49.8 | 50.0 |

¹Based on 10 months actual experience.

²Fiscal year 2011 -12 and 2012 -13 are lower due to implementation of new PM Program, which will consolidate similar equipment under one work order.

³Units of equipment and utilization were lower in 2011-12 due to a reduction in take home vehicles and citywide turn in of underutilized vehicles.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|--------------|--------------|--------------|
| Operating Expense | \$15,463,000 | \$16,367,000 | \$22,491,000 |
| Total Positions | 519.0 | 506.0 | 504.0 |
| Source of Funds: | | | |
| General | \$13,136,000 | \$14,406,000 | \$16,136,000 |
| City Improvement | 1,592,000 | 824,000 | 5,182,000 |
| Other Restricted | 108,000 | 708,000 | 733,000 |
| Federal and State Grants | 627,000 | 429,000 | 440,000 |





ENVIRONMENTAL PROGRAMS

Program Goal

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

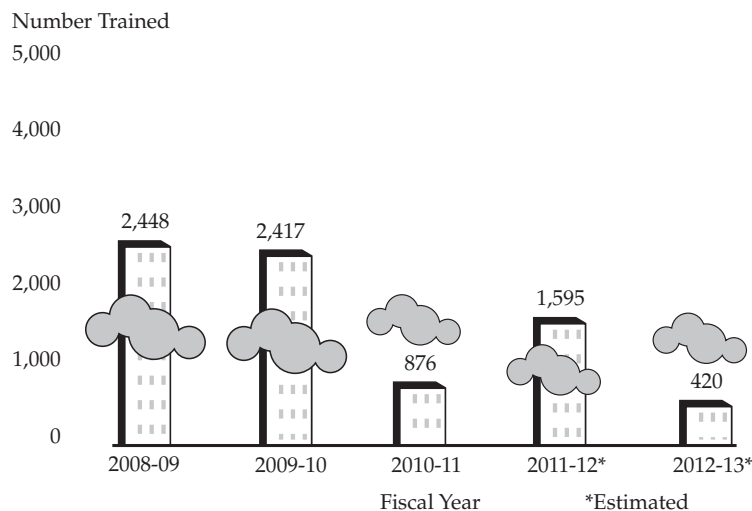
Budget Allowance Explanation

The Office of Environmental Programs 2012-13 operating budget allowance of \$1,468,000 is \$129,000 or 9.6 percent more than the 2011-12 estimated expenditures and reflects the carryover of funds for the department's Environmental Data Management System (EDMS) and normal inflationary increases. This increase is partially offset by a reduction in funding for the Brownfields Del Rio grant.

Expenditure and Position Summary

| | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|-------------|-------------|-------------|
| Operating Expense | \$1,406,000 | \$1,339,000 | \$1,468,000 |
| Total Positions | 13.0 | 12.0 | 12.0 |
| Source of Funds: | | | |
| General | \$911,000 | \$832,000 | \$987,000 |
| Federal and State Grants | 101,000 | 86,000 | 12,000 |
| Water Fund | 180,000 | 226,000 | 252,000 |
| Capital Construction | 64,000 | 70,000 | 70,000 |
| Other Restricted Funds | 150,000 | 125,000 | 147,000 |

Environmental Programs Total Training Provided to Employees/Consultants on Environmental Issues



The fluctuations between FY 2010-11 and FY 2012-13 reflect budget reductions to general training, mandatory stormwater training in FY 11-12, and Maricopa County assuming all dust control training in FY 12-13.

Environmental Programs Major Performance Measures and Service Levels

The following significant performance measures and service level trends will be achieved with the 2012-13 budget allowance:

| | 2010-11 | 2011-12 ¹ | 2012-13 |
|--|---------|----------------------|---------|
| Number of facility assessments and technical assistance visits conducted ² | 132 | 100 | 100 |
| Number of Brownfields projects implemented | 0 | 0 | 0 |
| Pollution prevention and hazardous materials/hazardous waste compliance assistance provided ³ | 99 | 96 | 60 |

¹Based on 10 months actual experience.

²Departments are assessed on a cyclical basis. The annual variance reflects different departments which have a varying number of facilities.

³Projection based on historical data and available funding.







Contingencies

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

2011-12, \$3,040,000 was added to the contingency fund, raising the percentage to 3.4 percent. In the 2012-13 budget, another \$3,000,000 was added above the 3.4 percent level. Another \$58,000 was added in 2012-13 as a result of refinancing debt and the enhanced compliance program for city sales tax. These actions increase the contingency percentage to 3.7 percent for 2012-13.

The following table shows contingency funding and set-aside amounts over the past 10 years. As with the \$2,000,000 for Fire in 2012-13, set-asides have been used in the past to prepare for known future costs such as declining grant funding and new capital project operating costs.

GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2011-12 budgeted level of \$35,840,000 plus \$2,050,000 in set asides. The General Fund contingency in 2012-13 will be \$40,658,000 plus a \$2,000,000 set aside for Fire to cover grant-funded positions which expire in January 2013. The 2011-12 contingency of \$35,840,000 was equal to 3.4 percent of General Fund operating expenditures. Over the last 10 years, the General Fund contingency has been as low as 2.6 percent and will be at its highest level in 2012-13 at 3.7 percent.

The 2012-13 Budget continues the planned gradual increase of the contingency percentage of operating expenditures. In March 2010, the Council agreed to increase the Contingency Fund each year for the next several years, with the goal of achieving a fund that equals 5.0 percent of General Fund operating expenditures. This higher contingency percentage will improve the city’s ability to withstand future economic cycles. In

Comparison of Annual Budget for General Fund Contingency Amount to Operating Expenditures (000’s)

| Fiscal Year | General Fund Operating Expenditures | Contingency and Set-Aside Amounts | Percent of Operating Expenditures |
|-------------|-------------------------------------|-----------------------------------|-----------------------------------|
| 2003-04 | 872,112 | 22,700 | 2.6% |
| 2004-05 | 925,603 | — | 2.6 |
| 2005-06 | 968,051 | 24,740 | 2.6 |
| 2006-07 | 1,083,304 | — | 2.7 |
| 2007-08 | 1,184,192 | 34,230 | 2.9 |
| 2008-09 | 1,177,763 | — | 2.7 |
| 2009-10 | 1,110,780 | 29,800 | 2.7 |
| 2010-11 | 1,012,414 | 31,000 | 3.1 |
| 2011-12 | 1,059,115 | 35,840 | 3.4 |
| 2012-13 | 1,109,322 | 40,658 | 3.7 |
| | | 2,000 | |





OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.

2012-13 Other Fund Operating Expenditure and Contingency Amount (000's)

| Fund | Operating Expenditures | Contingency Amount | Percent of Operating Expenditures |
|--------------------------|------------------------|--------------------|-----------------------------------|
| Transit 2000 | \$161,367 | \$10,000 | 6.2% |
| Planning and Development | 35,739 | 3,000 | 8.4 |
| Aviation | 235,143 | 14,000 | 6.0 |
| Water | 188,394 | 9,000 | 4.8 |
| Wastewater | 96,561 | 4,500 | 4.7 |
| Solid Waste | 130,377 | 4,000 | 3.1 |
| Convention Center | 47,552 | 3,000 | 6.3 |
| Golf | 8,231 | 50 | 0.6 |





Debt Service

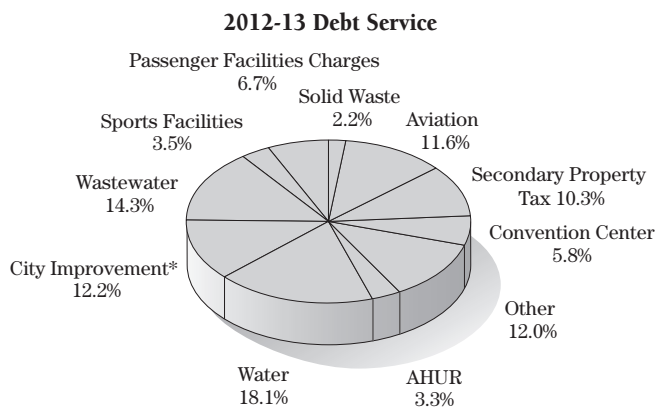
Debt service expenditures include payments of principal, interest, sinking fund transfers, costs of issuance and bond reserve requirements for bonds issued. The debt service allowance in 2012-13 for existing debt and future bond sales is \$662,591,000. As shown in the following pie chart, the \$662.6 million is funded by Water, Wastewater, City Improvement, Aviation, Secondary Property Tax, Passenger Facility Charges, Convention Center, Sports Facilities, Arizona Highway User Revenue, Solid Waste and other various funds. City Improvement includes \$80.5 million in general government nonprofit corporation bonds debt service payments funded by General Fund (\$29.3 million), Transit 2000 (\$50.8 million), Housing (\$0.1 million) and capital funds (\$0.3 million).

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

Types of Bonds Issued and Security

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

The city's general obligation bonds are "full faith and credit" bonds. This means they are secured by a legally binding pledge to levy property taxes without limit to make annual bond principal and interest payments. Water and airport revenue bonds are secured by a pledge of these enterprises' net revenues (revenues net of operation and maintenance expenses) and do not constitute a general obligation of the city backed by general taxing power. Highway user revenue bonds



*Funded by General, Transit 2000 taxes, various operating and capital funds.

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

Debt Management

In general, the city has used general obligation bonds to finance capital programs of general government (non-enterprise) departments. These include programs such as fire protection, police protection, libraries, parks and recreation, service centers and storm sewers. The debt service on these bonds is paid from the secondary property tax levy. By state law, the city can only use its secondary property tax levy to pay principal and interest on long-term debt.

Currently, to finance the capital programs of enterprise departments, the city has used revenue bonds secured by and repaid from the revenues of these enterprises. In the past, the city also has used general obligation bonds for water, airport, sanitary sewer and solid waste purposes when deemed appropriate.

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

recommended bond authorizations. These authorizations provided funding to construct capital improvements in the following areas:

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

In December 2011, the City Council adopted a policy to delay lower priority bond projects subject to an annual review of property values and financial conditions. In addition, General Obligation debt has been restructured and refinanced to take advantage of favorable market rates. The property tax reserve fund is utilized strategically to pay down debt service to staff recommended balance while preserving the AAA bond rating.





Bond Ratings

As shown in the chart below, the city's bonds are rated favorably by the major bond rating agencies, Moody's Investors Service and Standard and Poor's. The city's general obligation bonds are rated Aa1 and AAA, respectively. Standard and Poor's also has assigned a Financial Management Assessment (FMA) score of "strong."

Maintaining high bond ratings has resulted in a broader market for the city's bonds and lower interest costs to the city. The following table is a statement of the city's bonded indebtedness.

Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20 percent of a city's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6 percent of a city's net secondary assessed valuation. Unused borrowing capacity as of Dec. 1, 2011, as shown on the next page, based upon 2011-12 assessed valuation.

Debt Burden

Debt burden is a measurement of the relationship between the debt of the city supported by its property tax base (net direct debt) to the broadest and most generally available measure of wealth in the community: the assessed valuation of all taxable property and the assessed valuation adjusted to reflect market value. In addition, net debt can be compared to population to determine net debt per capita. The city makes these comparisons each time it offers bonds for sale. They are included in the official statements (bond prospectuses) that are distributed to prospective investors. The table on page 162, provides debt burden ratios as of Dec. 1, 2011.

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

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

General Government Nonprofit Corporation Bonds

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

The city's payments to the corporation are guaranteed by a pledge of excise taxes

City of Phoenix Bond Ratings

| | Rating ⁽¹⁾ | |
|--|-----------------------|-------------------|
| | Moody's | Standard & Poor's |
| General Obligation | Aa1 | AAA |
| Senior Lien Water Revenue ⁽⁴⁾ | Aa2 | AAA |
| Junior Lien Water Revenue ⁽²⁾ | Aa2 | AAA |
| Senior Lien Airport Revenue ⁽²⁾ | Aa3 | AA- |
| Junior Lien Airport Revenue ⁽²⁾ | A1 | A+ |
| Senior Lien Street and Highway User Revenue | Aa3 | AAA |
| Junior Lien Street and Highway User Revenue | Aa3 | AA |
| Senior Lien Tax Excise Tax Revenue ⁽²⁾ | Aa2 | AAA |
| Junior Lien Tax Excise Tax Revenue ⁽³⁾ | Aa3 | AA |
| Subordinated Excise Tax Revenue ⁽²⁾ | Aa3 | AA |
| Senior Lien Wastewater System Revenue ⁽²⁾ | Aa2 | AAA |
| Junior Lien Wastewater System Revenue ⁽²⁾ | Aa2 | AA+ |
| Rental Car Facility Charge Revenue Bonds ⁽²⁾ | A3 | A- |
| Transit Excise Tax Revenue Bonds (Light Rail) ⁽²⁾ | Aa2 | AA |
| State of AZ Distribution Revenue Bonds ⁽²⁾ | Aa3 | AA |
| Senior Hotel Revenue Bonds ⁽⁵⁾ | Ba1 | BB+ |
| Subordinate Hotel Revenue Bonds ⁽⁵⁾ | A2 | A- |

⁽¹⁾ Represents underlying rating, if insured.

⁽²⁾ Issued by the City of Phoenix Civic Improvement Corporation.

⁽³⁾ There are currently no outstanding junior lien non-sports facilities backed bonds.

⁽⁴⁾ No bonds are currently outstanding.

⁽⁵⁾ Issued by the Downtown Phoenix Hotel Corporation.



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

| Purpose | Non-Enterprise General Obligation Bonds | Revenue Supported General Obligation Bonds | Total General Obligation Bonds | Revenue Bonds | Total Bonds |
|-------------------------|--|---|---|------------------|----------------|
| Various | \$1,450,025 | \$ — | \$1,450,025 | \$ — | \$1,450,025 |
| Airport | — | 10,500 | 10,500 | — | 10,500 |
| Sanitary Sewer | — | 23,917 | 23,917 | — | 23,917 |
| Solid Waste | — | 11,580 | 11,580 | — | 11,580 |
| Water | — | 48,467 | 48,467 | — | 48,467 |
| Public Housing | — | — | — | — | — |
| Street and Highway | — | — | — | 12,141 | 12,141 |
| Subtotal | \$1,450,025 | \$ 94,464 | \$1,544,489 | \$ 12,141 | \$1,556,630 |
| Less: Restricted Funds | (342,503) | — | (342,503) | — | (342,503) |
| Direct Debt | \$1,107,522 | \$ 94,464 | \$1,201,986 | \$ 12,141 | \$1,214,127 |
| Less: Revenue Supported | — | (94,464) | (94,464) | (12,141) | (106,605) |
| Net Debt | \$1,107,522 | \$ — | \$1,107,522 | \$ — | \$1,107,522 |

⁽¹⁾Represents general obligation bonds outstanding as of Dec. 1, 2011. Such figures do not include the outstanding principal amounts of certain general obligation bonds and street and highway user revenue bonds which have been refunded or the payment of which has been provided for in advance of maturity. The payment of the refunded debt service requirements is secured by obligations issued or fully guaranteed by the United States of America which were purchased with proceeds of the refunding issues and other available moneys and are held in irrevocable trusts and are scheduled to mature at such times and in sufficient amounts to pay when due all principal, interest and redemption premiums where applicable, on the refunded bonds.

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

| | |
|--|-----------------|
| 20% Constitutional Limitation | \$2,468,754,711 |
| Direct General Obligation Bonds Outstanding ⁽¹⁾ | (1,180,263,697) |
| Unused 20% Limitation Borrowing Capacity | \$1,288,491,014 |

All Other General Obligation Bonds

| | |
|--|----------------------------|
| 6% Constitutional Limitation | \$740,626,413 |
| Direct General Obligation Bonds Outstanding | 364,225,000 ⁽¹⁾ |
| Less: Principal Redemption Funds held in Restricted Fund as of December 1, 2011 | (342,502,686) |
| Direct General Obligation Bonds Outstanding | (21,722,314) |
| Unused 6% Limitation Borrowing Capacity | \$718,904,099 |

⁽¹⁾Represents general obligation bonds outstanding as of December 1, 2011.





or utility revenues generated by the city's airport, water system or wastewater system. Pledged excise taxes may include city sales, use, utility and franchise taxes; license and permit fees; and state-shared sales and income taxes.

The city has used nonprofit corporation financing selectively. In general, it has financed only those projects that will generate revenues adequate to support the annual debt service requirements or that generate economic benefits that more than offset the cost of financing. The city also has used nonprofit corporation financing for projects essential to health and safety: e.g., police precinct stations. Similar to bonded debt, these financings are rated by bond rating agencies.

Net Direct General Obligation Bonded Debt Ratios

| | Per Capita Debt Pop. Est. (1,502,757) ¹ | Secondary Assessed Valuation (\$12,343,773,555) | Full Cash Valuation (\$116,576,023,469) |
|--|--|--|---|
| Direct General Obligation Bonded Debt Outstanding as of December 1, 2011 | \$799.85 | 9.74% | 1.03% |
| Net Direct General Obligation Bonded Debt Outstanding as of December 1, 2011 | \$736.99 | 8.97% | 0.95% |

¹Population estimate obtained from the city of Phoenix Planning and Development Department as of July 1, 2011.

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

| Fund | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget |
|-------------------------------|-------------------|---------------------|-------------------|
| Secondary Property Tax | \$154,339 | \$99,757 | \$ 68,149 |
| Aviation | 78,024 | 82,053 | 76,704 |
| Arizona Highway User Revenue | 31,246 | 22,001 | 22,001 |
| Convention Center | 20,317 | 19,363 | 38,591 |
| General | 17 | 6,153 | 29,358 |
| Golf | 1 | 1 | 1 |
| Housing | 73 | 72 | 71 |
| Passenger Facility Charges | 26,985 | 32,666 | 44,376 |
| Solid Waste | 12,834 | 14,725 | 14,768 |
| Sports Facilities | 10,589 | 20,628 | 23,283 |
| Transit 2000 | 46,130 | 48,396 | 50,792 |
| Wastewater | 71,677 | 81,818 | 94,947 |
| Water | 112,279 | 115,962 | 119,732 |
| Other Funds - Various Sources | 10,430 | 29,272 | 79,818 |
| Total | \$574,941 | \$572,867 | \$662,591 |

| Type of Expenditure | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget |
|---------------------|-------------------|---------------------|-------------------|
| Principal | \$247,335 | \$224,096 | \$287,340 |
| Interest | 320,828 | 343,916 | 368,658 |
| Other | 6,778 | 4,855 | 6,593 |
| Total | \$574,941 | \$572,867 | \$662,591 |





Overview of Capital Improvement Program Process

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

On April 3, 2012, the City Council reviewed the Preliminary 2012-17 Capital Improvement Program and forwarded the 2006 bond-funded portion for review and consideration by the 2006 Bond Committee. The bond committee met on April 19, and reviewed property tax assessed valuation results, the status of bond sales, current property tax and bond policies and the General Obligation (GO) bond-funded portion of the Preliminary Capital Improvement Program.

The Capital Improvement Program reflected here includes the preliminary plan presented to Council in April, updated for project cost and timing changes, plus the additional changes identified in the City Manager's Budget including reducing funds programmed in Affordable Housing by \$1 million, adding \$5 million in street maintenance projects through the restructuring of Street Transportation's Arizona Highway User Reserve funds, and reprogramming funds from a cancelled Street Transportation project to the local drainage solutions lump sum project. The program reflected here also includes changes to the general obligation bond projects that were approved by the 2006 Bond Committee, as well as the addition of \$100 million in wastewater funds for the repayment of commercial paper that was issued in June 2009 to fund construction improvements to the wastewater system. The repayment is possible due to innovation and efficiency savings, additional revenue from effluent sales, and savings from refinancing existing wastewater debt in 2011.

2012-17 Capital Improvement Program Development

A special citywide comprehensive CIP review was conducted and presented to the City Council in December 2011. The emphasis of the review process was placed on the GO Bond program due to the urgency associated with addressing property tax supported GO Bond debt service. The detailed citywide CIP review process included a review and rating process of all projects along with updating cost estimates and project descriptions. The more thorough GO Bond review process and resultant deferral of several projects are described further in the 2006 Citizen's Bond Committee Program section.

Following the reviews, the annual citywide Capital Improvement Program update process began in January when departments prepared revised 2011-12 estimates and updated their five-year capital improvement programs. The 2011-12 estimates reflect updated construction cost estimates, project delays, awarded contract amounts, project carry-overs and other program changes. The 2012-17 program includes projects planned for authorized bond funding and the latest estimates for pay-as-you-go projects funded with operating funds, federal funds, impact fees and other sources. Also included are net new operating costs and/or savings. Budget and Research staff reviewed the departments' programs for funding availability, reasonableness and technical accuracy.

Presented in this citywide program are projects reviewed and adopted through several planning processes. These include capital projects funded through the most recently adopted multi-year rate plans for Enterprise funds such as Water, Wastewater and Solid Waste, and from other planning processes including the

five-year Arterial Streets Plan, infrastructure financing plans for impact fees and various multi-year facility maintenance plans. Also reflected are capital projects from sales tax and voter-approved bond programs including the \$878.5 million 2006 Bond Program approved by Phoenix voters in March 2006.

In conjunction with the CIP process, the Engineering and Architectural Services Division works with departments to level design and construction bid award dates evenly throughout the fiscal year. By avoiding bidding capital projects during the last quarter of the fiscal year, the city has controlled construction costs and increased project quality by making better use of locally available construction resources.

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





2006 Citizens' Bond Committee Program

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

Two of the committees evaluated the city's capacity to service new debt and to fund the operating costs of new capital facilities. These committees reviewed multi-year forecasts for assessed valuation and property tax levies, and for General Fund revenues and expenses. They recommended annual bond and operating cost capacities before 14 service-related committees began their work to evaluate five-year capital facility needs identified by city departments as well as capital project funding requests by community nonprofit organizations. Through the work of these subcommittees, the Citizens' Bond Committee recommended nearly 200 capital projects to the City Council.

The City Council formed the \$878.5 million in projects into seven propositions all of which were approved by voters in March 2006. The decline in the local real estate market from the recent recession resulted in a decline in property tax revenue, which placed a strain on the property tax supported GO Bond Program. As a result, staff completed a comprehensive review of the program, the results of which were shared with the 2006 Citizen's Executive Bond Committee in November 2011 and the City Council in December 2011.

As a result of that review, Council approved the following GO Bond program and property tax policy:

1. Maintain property tax rate of \$1.82
2. Restructure and refinance GO Bond debt service
3. Strategically use secondary property tax reserve to recommended balance and avoid bond rating impact
4. Preserve current policy of primary levy growth to help offset costs to operate and maintain GO Bond-built facilities
5. Move forward a total of \$132 million of GO Bond projects
6. Identify unfunded critical capital needs
7. Annually review financial/economic conditions

This plan was consistent with the recommendations made by the Citizen's Executive Bond Committee. The projects that were deferred are included in the 2012-17 CIP in 2016-17 as a placeholder only and will not be started until the city has the bond capacity to move forward with these projects. Some additional adjustments to the plan approved by Council were presented to and approved by the Citizen's Executive Bond Committee on April 19, 2012. Those changes are reflected in the updated CIP.

Enterprise Funds

Fees for the Water, Wastewater and Solid Waste enterprise funds are billed to customers on a single billing. As a result, all three of these enterprise funds complete annual updates to their multi-year rate plans on a similar timeline. These plans are first reviewed by the City Council Transportation and Infrastructure Subcommittee prior to action on the plans by the full City Council. Bond and pay-as-you-go funded capital projects, debt service, and operating and maintenance costs of existing services and planned capital projects are all provided for in these multi-year rate plans. User fee rate changes are typically implemented in March of each year to support the updated plans. The Phoenix Convention Center Enterprise Fund receives most of its resources from earmarked sales taxes. To support a significant expansion and renovation of the Phoenix Convention Center, an extensive multi-year forecast was developed to establish pay-as-you-go, bond and related debt service, and operations and maintenance cost capacities without a tax rate increase. The first and second phases of the expansion are open for business. The second phase was completed in December 2008. The capital and financial plan was critical to securing \$600 million in bond funding split equally between the city and state of Arizona to expand and modernize the facility.





Capital Construction Funds

The Capital Construction fund was established in 1998-99 and provides about \$20 million each year for critical infrastructure improvements in the right of way. Citizen input from a series of public meetings supported using these funds for neighborhood street rehabilitation, sidewalks and wheelchair ramps, traffic safety and traffic calming projects, and neighborhood traffic mitigation projects. Funds are programmed in these project categories for each year of the Capital Improvement Program. Individual projects will be determined during the first year of the program based on traffic engineering data and neighborhood input.

Parks and Preserves Funds

In September 1999, the voters approved a 10-year, one-tenth of one percent sales tax to purchase state trust lands for the Sonoran Desert Preserve, and for the development and improvement of regional and neighborhood parks. This tax was renewed by voters in May 2008 for 30 years. The 2012-17 Capital Improvement Program includes \$82.7 million of these funds, which are programmed for regional, community and neighborhood parks, and Sonoran Preserve land acquisition. Land acquisitions are planned and timed to take advantage of state grant funding opportunities.

Transit 2000 Funds

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of one percent sales tax for a period of 20 years to implement the Transit 2000 plan. The plan provides funding for light rail, buses, right of way improvements, passenger facilities and related operating costs. The 2012-17 Capital Improvement Program includes \$39.2 million of these funds, which are programmed for:

- Additional vehicles and upgrades to existing vehicles (\$1.2 million)
- New and expanded passenger and maintenance facilities (\$14.6 million)
- Bus pullouts (\$5.2 million)
- Technology upgrades (\$2.1 million)
- Light rail, bus rapid transit and related support services (\$15.6 million)
- Contingencies (\$0.5 million)

Five-Year Arterial Streets Plan

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

Programming of Impact Fees

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

Impact fee collections initially progressed slowly because of a slowdown in construction in the late 1980s and early 1990s. By 2004, impact fee collections had experienced strong growth. With the downturn in the economy, impact fee collections have declined significantly. Since the revenue streams are dependent on what can be volatile development activity, only impact fee revenues that have been collected are planned in the Capital Improvement Program.

Operating costs for impact fee-funded projects are included in the rate planning process for Water, Wastewater and Solid Waste. Operating costs for the other impact fee programs are identified in the Capital Improvement Program and are funded through the annual operating budget as costs for operating and maintaining new capital projects. Budget and Research staff has worked with the Planning and Development Department as well as operating department staff to appropriately program \$108.3 million in available impact fees in the 2012-17 Preliminary Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.





SUMMARY OF 2012-17 CAPITAL IMPROVEMENT PROGRAM

By Program

(In Thousands of Dollars)

| Program | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5-Year Total |
|------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Arts and Cultural Facilities | \$ 8,739 | \$ - | \$ 1,074 | \$ - | \$ 376 | \$ 10,189 |
| Aviation | 256,370 | 103,818 | 83,427 | 73,819 | 74,984 | 592,418 |
| Economic Development | 6,332 | 5,500 | 5,000 | 5,000 | 21,452 | 43,284 |
| Energy Conservation | 6,119 | 1,000 | 1,000 | 1,000 | 1,000 | 10,119 |
| Facilities Management | 11,753 | 1,346 | 739 | 1,080 | 7,691 | 22,609 |
| Fire Protection | 8,030 | - | - | - | 14,030 | 22,060 |
| Historic Preservation | 2,797 | 442 | - | - | 1,453 | 4,692 |
| Housing | 58,997 | 7,994 | 7,994 | 7,971 | 8,062 | 91,018 |
| Human Services | 1,928 | - | - | - | 12,662 | 14,590 |
| Information Technology | 8,542 | 7,734 | 7,940 | 7,200 | 12,335 | 43,751 |
| Libraries | 2,345 | 284 | 1,621 | 5,767 | 5,868 | 15,885 |
| Neighborhood Services | 7,218 | 30 | 30 | 30 | 6,898 | 14,206 |
| Parks, Rec & Mtn Preserves | 85,423 | 29,500 | 3,025 | 1,383 | 19,182 | 138,513 |
| Phoenix Convention Center | 3,120 | 5,573 | 4,817 | 5,315 | 5,704 | 24,529 |
| Police Protection | 16,729 | - | - | - | 22,755 | 39,484 |
| Public Transit | 122,394 | 71,450 | 50,772 | 33,454 | 25,926 | 303,996 |
| Solid Waste Disposal | 18,906 | 17,227 | 18,696 | 11,881 | 15,290 | 82,000 |
| Street Transport & Drainage | 197,734 | 83,873 | 86,773 | 82,367 | 114,293 | 565,040 |
| Wastewater | 180,111 | 52,070 | 108,228 | 118,665 | 57,068 | 516,142 |
| Water | 171,153 | 117,230 | 131,720 | 149,992 | 102,216 | 672,311 |
| Total | \$ 1,174,740 | \$ 505,071 | \$ 512,856 | \$ 504,924 | \$ 529,245 | \$ 3,226,836 |





SUMMARY OF 2012-17 CAPITAL IMPROVEMENT PROGRAM
By Source of Funds
(In Thousands fo Dollars)

| Funds | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5-Year Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Operating Funds: | | | | | | |
| General Funds | \$ 5,698 | \$ 4,967 | \$ 4,774 | \$ 5,210 | \$ 5,125 | \$ 25,774 |
| Parks and Preserves | 53,081 | 25,500 | 3,000 | 1,100 | - | 82,681 |
| Transit 2000 | 25,423 | 3,994 | 3,662 | 2,518 | 3,607 | 39,204 |
| Development Services | 55 | 59 | 257 | - | - | 371 |
| Capital Construction | 25,480 | 18,759 | 19,305 | 19,872 | 20,479 | 103,895 |
| Arizona Highway Users | 47,879 | 64,215 | 61,159 | 61,382 | 66,488 | 301,123 |
| Public Transit | 13,506 | 6,792 | 8,127 | 5,311 | 3,752 | 37,488 |
| Community Reinvestment | 3,205 | 3,000 | 2,500 | 2,500 | 2,000 | 13,205 |
| Community Development Block Grants (CDBG) | 2,377 | - | - | - | - | 2,377 |
| Other Restricted | 19,109 | 8,750 | 8,500 | 8,500 | 8,495 | 53,354 |
| Grant Funds | 45,111 | 14,038 | 4,229 | 4,228 | 4,228 | 71,834 |
| Enterprise Funds: | | | | | | |
| Aviation | 73,847 | 31,557 | 30,357 | 40,351 | 38,910 | 215,022 |
| Convention Center | 1,740 | 3,602 | 2,682 | 3,085 | 3,135 | 14,244 |
| Solid Waste | 12,346 | 8,537 | 7,727 | 9,600 | 10,925 | 49,135 |
| Wastewater | 75,111 | 41,669 | 73,962 | 89,891 | 49,516 | 330,149 |
| Water | 122,303 | 110,312 | 112,040 | 115,812 | 86,731 | 547,198 |
| Total Operating Funds | \$ 526,271 | \$ 345,751 | \$ 342,281 | \$ 369,360 | \$ 303,391 | \$ 1,887,054 |
| Bond Funds: | | | | | | |
| Property Tax Supported: | | | | | | |
| 1988 Various Purpose | \$ - | \$ - | \$ - | \$ - | \$ 2,221 | \$ 2,221 |
| 2001 Various Purpose | 2,503 | - | 1,074 | - | 16,256 | 19,833 |
| 2006 Various Purpose | 76,862 | 2,665 | 110 | 110 | 120,584 | 200,331 |
| Nonprofit Corporation Bonds: | | | | | | |
| Aviation | 79,865 | 15,400 | 9,453 | 4,085 | 4,222 | 113,025 |
| Solid Waste | 35 | 4,907 | 10,746 | 106 | 4,365 | 20,159 |
| Wastewater | 1,054 | 336 | 161 | 571 | 223 | 2,345 |
| Water | 16,143 | 6,169 | 18,157 | 27,369 | 14,451 | 82,289 |
| Other | 4,853 | - | - | - | - | 4,853 |
| Total Bond Funds | \$ 181,315 | \$ 29,477 | \$ 39,701 | \$ 32,241 | \$ 162,322 | \$ 445,056 |





SUMMARY OF 2012-17 CAPITAL IMPROVEMENT PROGRAM (continued)
By Source of Funds
(In Thousands fo Dollars)

| Funds | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5-Year Total |
|------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Other Capital Sources: | | | | | | |
| Impact Fees | \$ 83,077 | \$ 9,762 | \$ 2,291 | \$ 12,148 | \$ 999 | \$ 108,277 |
| Passenger Facility Charge | 69,066 | 21,498 | 16,214 | 9,524 | 6,183 | 122,485 |
| Other Cities' Share - | | | | | | |
| SROG and Val Vista | 7,114 | 10,508 | 35,647 | 29,517 | 8,989 | 91,775 |
| Solid Waste Remediation | 1,490 | 3,810 | 250 | 2,175 | - | 7,725 |
| Capital Grants | 138,316 | 60,208 | 70,379 | 49,226 | 46,762 | 364,891 |
| Federal, State and | | | | | | |
| Other Participation | 58,683 | 21,603 | 6,093 | 733 | 599 | 87,711 |
| Capital Reserves | 102,561 | 2,454 | - | - | - | 105,015 |
| Parks Capital Gifts | 127 | - | - | - | - | 127 |
| Other Capital | 6,720 | - | - | - | - | 6,720 |
| Total Other Capital Sources | \$ 467,154 | \$ 129,843 | \$ 130,874 | \$ 103,323 | \$ 63,532 | \$ 894,726 |
| TOTAL | \$ 1,174,740 | \$ 505,071 | \$ 512,856 | \$ 504,924 | \$ 529,245 | \$ 3,226,836 |

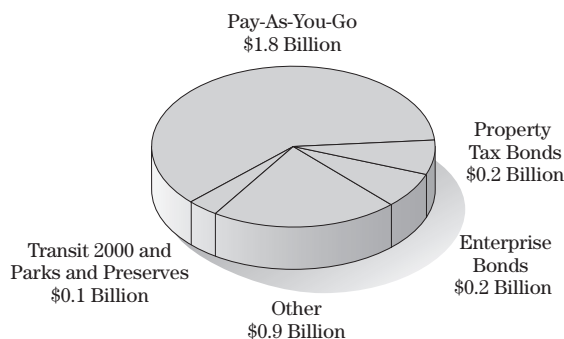




2012-17 Capital Improvement Program Highlights

The Capital Improvement Program (CIP) totals \$3.2 billion over the next five years. As shown in the pie chart below, funding for the 2012-17 program comes from five main sources: \$0.2 billion in 1988, 2001 and 2006 voter-approved bond funds, \$1.8 billion in pay-as-you-go operating funds, \$0.2 billion in various enterprise bonds, \$0.1 billion in Transit 2000 and Parks and Preserve Initiative funds, and \$0.9 billion in other funds. The \$0.9 billion in other funds includes \$91.8 million in payments by other cities and agencies for participating in projects in programs such as Water and Wastewater, \$364.9 million in capital grants, \$108.3 million in development impact fees, \$122.5 million in passenger facility charges, \$87.7 million in government and other participation, \$105.0 million in capital reserves, \$7.7 million in Solid Waste remediation funding and \$11.6 million from miscellaneous capital sources. Projects in the first year total \$1.2 billion and are funded from pay-as-you-go operating funds (\$526.3 million), bond funds (\$181.3 million) and other capital financing (\$467.2 million). A financial organization chart at the end of this section presents a visual overview of the first year by source of funds and additional schedules summarize the 2012-13 Capital Budget by source of funds and the 2012-13 Capital Improvement Program by fund group and program. A brief overview of the five-year plan for each program follows.

2012-17 Preliminary Capital Improvement Program Sources of Funds



Arts and Cultural Facilities

The \$10.2 million Arts and Cultural Facilities program is funded with 2001 bonds, 2006 bonds, nonprofit corporation bonds and other restricted funds. Projects funded with 2001 and 2006 bonds total \$4.2 million, of which \$0.4 million is being delayed.

Projects using general obligation bonds that are moving forward include:

- Construct or renovate a facility for a Hispanic cultural center
- Renovate Phoenix Theatre Mainstage
- Complete minor renovations of cultural facilities
- Renovate Ballet Arizona

Projects using general obligation bonds that are being delayed include:

- A portion of the Hispanic cultural center
- Chicanos por la Causa cultural center renovation

Additionally, other restricted funds will be used for renovation and expansion of Phoenix Theatre and Ballet Arizona.

Aviation

The Aviation program totals \$592.4 million and includes projects for Phoenix Sky Harbor International Airport and satellite airports including Phoenix Deer Valley, Phoenix Goodyear and Phoenix-Mesa Gateway. The Aviation program is funded with Aviation operating revenue, capital grant funds, Aviation nonprofit corporation bonds and Passenger Facility Charge funds.

Major improvements for Sky Harbor International Airport include the following:

- Construct the PHX Sky Train™ system
- Restore roadway, taxiway and apron improvements
- Acquire and maintain properties for the Community Noise Reduction Program
- Conduct various development studies and provide services
- Construct various improvements at Terminal 3 and 4 including pavement reconstruction restroom remodels, signage, solar energy system and garage lighting





- Construct security improvements including an intruder alarm, roadway detection system, biohazard protection, access control system and emergency operations center expansion
- Provide soundproofing to non-residential qualified establishments within airport proximity
- Study and construct redevelopment of various airport facilities
- Provide for contingency project funding

The Aviation program also includes taxiway, safety and structure improvements at the Phoenix Deer Valley and Phoenix Goodyear airports and support of development projects at Phoenix-Mesa Gateway Airport.

Economic Development

The \$43.3 million Economic Development program is funded with 2006 bonds, other restricted funds and Downtown Community Reinvestment funds. Downtown Community Reinvestment funds facilitate and assist in the development of projects within the Downtown Redevelopment Area and other restricted funds are for repair and maintenance of the Phoenix Biomedical campus.

All projects utilizing 2006 bond funding in the amount of \$17.0 million are being delayed, and include the following:

- Revitalize public infrastructure
- Construct downtown infrastructure improvements to sidewalks, landscaping and lighting

Energy Conservation

The \$10.1 million Energy Conservation Program is funded with general funds, Water and Wastewater operating funds and grant funds. This program includes capital projects to continue the city's energy conservation efforts and also includes energy efficient retrofit cost reduction efforts at various city facilities.

The city's Energy Conservation Program has been in place for more than 20 years. Through the program's efforts in addressing energy efficient retrofits, energy efficient design and management, metering for efficient operations and implementation of new technology, first year annualized cost savings average \$250,000.

Energy saving retrofits have been completed for lighting, heating, ventilation, air conditioning and control systems. American Recovery and Reinvestment funds are being used to make city facilities more energy efficient.

Facilities Management

The Facilities Management program totals \$22.6 million and is funded with 2001 bonds, 2006 bonds, nonprofit corporation bonds, general funds, impact fees and other restricted funds. General obligation bond funded projects total just under \$6.8 million, of which over \$6.7 million is being delayed.

Major Facilities Management projects funded with 2006 bonds that are being delayed include:

- Replace critical facility and support systems in Phoenix City Hall
- Reconfigure Phoenix City Hall to increase work space efficiency
- Redevelop brownfields properties

Projects funded with nonprofit corporation bonds include:

- Pave and grade the entire Union Hills Service Center grounds
- Expand and remodel South Mountain Maintenance Shop

Projects funded with general funds include:

- Replace Metro Facilities HVAC fabrication shop
- Repair and replace Phoenix City Hall life safety system components
- Replace Personnel Building chilled water piping

Also included in the program is funding for remediation of contaminated soil from leaking underground storage tanks, major facility repairs and maintenance for service centers, maintenance shops and office buildings according to the facility management plan.





Fire Protection

The \$22.1 million Fire Protection program is funded with impact fees, 2001 bonds and 2006 bonds. Bond funded projects total \$21.9 million, of which \$13.9 million is being delayed.

Bond funded projects scheduled to move forward include:

- Install traffic signal preemption equipment
- Construct the Dispatch and Emergency Operations Center
- Study and pilot new fire communication technology

Bond funded projects that are being delayed include:

- New Station 55 near the borders of the Deer Valley and North Gateway villages along the I-17 corridor
- New Station 74 in west Ahwatukee Foothills
- Equip Fire Station 62 at 99th Avenue and Lower Buckeye Road

Historic Preservation

The Historic Preservation program totals \$4.7 million and is funded with grants and 2001 and 2006 bonds. Projects totaling \$1.5 million are being delayed.

The following projects are scheduled to move forward:

- Provide grants for low income homeowners to complete exterior rehabilitation work on their homes
- Provide grants for private property owners to acquire and rehabilitate threatened historic buildings citywide
- Provide matching grants for residential and commercial historic property owners to rehabilitate historic properties in exchange for conservation easements
- Provide funds to rehabilitate city-owned historic buildings and facilities

Bond funded projects that are being delayed include:

- Rehabilitate historic buildings at South Mountain Park
- Rehabilitate historic buildings at the Matthew Henson HOPE VI project

Housing

The Housing program totals \$91.0 million and is funded with Community Development Block Grant (CDBG) funds, 2006 bonds and public housing federal grant funds. Bond funded projects total \$5.8 million, of which \$1.2 million is being delayed.

Housing projects using 2006 bond funds scheduled to move forward are related to the Rental Housing Development Program.

Housing projects using 2006 bond funds that are being delayed relate to the United Methodist Outreach Ministries New Day Center homeless shelter for families.

Projects funded with grant funding include:

- Frank Luke Addition
- Cochise Garden Apartments
- Summit Apartments
- Pine Crest Apartments
- Holiday Villa Apartments
- Affordable Housing Development
- Family Housing Development
- Santa Fe Springs
- HOME Community Housing Development Organization
- HOME Multifamily Loan Program
- Fillmore Gardens Apartments
- Sunnyslope Manor Apartments
- Krohn West Phase 2
- Roeser at Hacienda
- Lofts At McKinley

Projects funded using capital project funds include:

- Marcos de Niza Family Apartments
- Foothills Village Family Apartments
- Maryvale Terrace Senior Apartments
- Single Family Public Housing Units
- Family Apartments
- Washington Manor Senior Apartments
- Pine Tower Senior Apartments

Modernization projects for public housing units are proposed based on the availability of grant funds. City Council approved allocations of Community Development Block Grant funds also are programmed.





Human Services

The \$14.6 million Human Services program is funded with 2001 and 2006 bonds, of which \$12.6 million is being delayed.

Major projects for 2006 bond funding scheduled to move forward include:

- Design 51st Avenue Senior Center

Major projects for 2001 and 2006 bond funding which are being delayed include:

- Begin construction of 51st Avenue Senior Center
- Design North Family Services Center
- Design and construct Southwest Family Services Center
- Remodel a portion of the Family Advocacy Center
- Purchase land for 16th Street Senior Center
- Assist with acquiring property for Native American Cultural Center

Information Technology

The \$43.8 million Information Technology program is funded with 2001 and 2006 bonds; nonprofit corporation bonds; Water, Wastewater, Solid Waste Disposal, Development Services and Aviation operating funds; general funds and other restricted funds. All Information Technology projects funded with 2001 and 2006 bonds, which total \$5.1 million, are being delayed.

Projects utilizing bond funding include the following:

- Deploy voice/data convergence-ready equipment to upgrade and enhance staff connectivity
- Improve the city's Geographic Information System

Projects planned utilizing funds other than bond funds include the following:

- Acquire electronic equipment to provide improved customer service
- Establish and equip an alternate information technology operations center to ensure business continuity

Libraries

The Libraries program library revenue totals \$15.9 million and is funded with 2001 and 2006 bonds, impact fees and general funds. Projects funded with 2001 and 2006 bonds total \$7.7 million, of which \$5.7 million is being delayed. Completion of the South Mountain Regional branch library is scheduled to move forward.

Projects planned for 2001 and 2006 bond funding, which are being delayed, include the following:

- Complete improvements to Ironwood Branch Library
- Replace the central heating and cooling system at Burton Barr Library
- Complete library technology improvements
- Construct a new branch library in the North Gateway area

Impact fees are included to design libraries in the West Ahwatukee and North Gateway areas, and to design and construct new libraries in the Desert View and Estrella areas. General funds are included to construct a Workforce Literacy Center at Ocotillo Branch Library.





Neighborhood Services

The Neighborhood Services program totals \$14.2 million and is funded with Community Development Block Grants and other grants and 2001 and 2006 bonds. Projects funded with 2001 and 2006 bonds total \$11.5, of which \$6.9 million is being delayed.

Bond funded projects scheduled to move forward include:

- Purchase and redevelop foreclosed properties to assist with neighborhood stabilization
- Partner with the community and other city departments to address critical neighborhood projects and blight elimination
- Acquire property and provide development incentives for blight elimination and revitalization
- Construct neighborhood infrastructure, such as sidewalks, lighting, alley improvements, and landscaping to enhance aging neighborhoods

Bond funded projects that are being delayed include:

- Develop infrastructure on the Roberta Henry Plat
- Establish program to encourage the creation of small Phoenix high schools focused on high-demand fields

Parks, Recreation and Mountain Preserves

The Parks, Recreation and Mountain Preserves program totals \$138.5 million and is funded with 1988, 2001 and 2006 bonds, nonprofit corporation bonds, parks monopole sites revenue, impact fees, grants, and Parks and Preserves Initiative funds. General obligation bond funded projects total \$27.7 million, of which \$19.0 million is being delayed. The program provides for acquisition and development of new park sites, preserves, specialty areas and improvements to existing parks.

The following major projects using 2006 bond funding are scheduled to move forward:

- Cielito Park
- Hermoso Park
- Rio Salado Oeste

Major Parks projects funded with general obligation bonds that are being delayed include:

- HOPE VI Park Development
- Park at 32nd Avenue and McDowell Road
- Papago Park
- Heritage Square
- Sports Field Lighting
- La Pradera Community Center
- Phoenix Center for the Community Arts
- Trail improvements

Projects funded using Parks and Preserves Initiative funding include:

- Echo Canyon Trailhead
- Verde Park
- Encanto Park Improvements
- Americans with Disabilities Modifications
- Construct, improve and renovate parks citywide
- Acquire land for the Sonoran Preserve
- Assist in the design and construction of a multi-use environmental and education facility
- Phoenix Zoo Infrastructure
- Coronado Park
- Ladmo Park

Projects funded using Impact Fees include:

- Cesar Chavez Park land acquisition
- Reach 11 Soccer Fields

Projects funded using other sources include:

- Skunk Creek Park Entry
- Green Valley Park Improvements

Parks monopole sites revenue is included to add amenities to parks with monopole sites.





Phoenix Convention Center

The \$24.5 million Phoenix Convention Center program is funded with Convention Center operating revenue, 2001 and 2006 bonds, and general funds. Completion of the Symphony Hall and Herberger Theater remodels using bond funds is moving forward. In addition to the Convention Center, this program includes projects and improvements for the Orpheum Theater, plus the Regency, Heritage and Convention Center parking garages.

Police Protection

The Police Protection program totals \$39.5 million and is funded with 2001 and 2006 bonds, of which \$22.8 million is being delayed. The following projects using bond funds are scheduled to move forward:

- Upgrade /Replacement of the Police Automated Computer Entry (PACE) System
- Acquire Police Surveillance, Pace Imaging and COPLINK equipment
- Purchase a new Fire Monitoring System for the Property Management and Communications Bureau
- Complete the upgrade of the Computer Aided Dispatch System

Major Police Protection program projects being delayed include the following:

- Design and construct aircraft hangar facilities at the Deer Valley Airport
- Acquire land for a new northwest precinct
- Renovate buildings for use as the Cactus Park Precinct
- Improve driving track and firing range

Public Transit

The \$304.0 million Public Transit program is funded with Transit 2000 revenue, regional transportation revenue including the half-cent countywide sales tax, Arizona Highway User Revenue and grants from various sources.

Phoenix voters approved Transit 2000, a 0.4 percent sales tax, on March 14, 2000, to fund extensive improvements to the city's public transit system. Projects in the Public Transit program include the following:

- Acquire buses and purchase Dial-A-Ride replacement vans
- Improve and maintain bus stops, Park-And-Ride locations, transit centers and light rail vehicles
- Construct and equip various facility upgrades including renovations to the South and North Transit Maintenance Facilities
- Implement technology enhancements including a wireless communication system for the regional bus system
- Acquire and maintain land and plan for future light rail northwest extension
- Develop Desert Sky, East Baseline and Laveen/59th Avenue Park-And-Ride facilities

Solid Waste Disposal

The \$82.0 million Solid Waste Disposal program includes projects at the city's open landfill, closed landfills and transfer stations, and is funded with Solid Waste operating, Solid Waste Remediation funds and nonprofit corporation bond funds. Projects planned in the Solid Waste Disposal program include:

- Construct drainage, cap Cell 1, relocate utilities and excavate Cell 2 at the State Route 85 Landfill
- Monitor and maintain methane gas extraction systems, cell lining and capping, and install landscaping at the closed Skunk Creek Landfill
- Monitor and maintain methane gas extraction systems and cell lining at the State Route 85 Landfill
- Maintain soil capping and the methane gas collection system at the closed 19th Avenue and Skunk Creek Landfills
- Monitor groundwater and methane gas and install landscaping at the closed 27th Avenue Landfill





Street Transportation and Drainage

The Street Transportation and Drainage program totals \$565.0 million and is funded with Arizona Highway User Revenues, 1988, 2001 and 2006 bonds, Capital Construction funds, nonprofit corporation bonds, impact fees and participation from other agencies. General obligation bond funded projects total \$56.5 million of which \$26.1 million is being delayed. Included in the program are major street, storm drainage, traffic improvement and other street maintenance and improvement projects.

Major street and storm drainage general obligation bond funded projects scheduled to move forward include:

- Expand city of Phoenix wireless network for connections to on-street devices for traffic signal coordination
- Construct a downtown storm drain relief system
- Rehabilitate storm drains
- Construct local drainage improvements

Major street and storm drainage general obligation bond funded projects which are being delayed include:

- Construct a bridge at Riverview Drive between 18th and 22nd streets
- Construct Camelback Corridor improvements
- Construct improvements to 32nd Street from Washington Street to McDowell Road
- Construct historic districts streetscape improvements
- Design and construct traffic calming infrastructure
- Construct phase II of the Intelligent Transportation System (ITS) fiber optic backbone

Major street projects for AHUR funding include:

- Construct one mile of major street at Lower Buckeye Road from 43rd to 35th avenues
- Design, acquire right-of-way, and construct one mile of major street at Buckeye Road from 7th to 16th streets
- Construct one and a half miles of major street on Seventh Avenue from Southern Avenue to the Salt River
- Design, acquire right-of-way and construct one mile of major street at Baseline Road from 59th to 51st avenues
- Design, acquire right-of-way and construct one mile of major street at 64th Street from Utopia to the Loop 101
- Construct one and a half miles of major street at Pinnacle Peak Road from 55th to 43rd avenues
- Construct one mile of major street at 35th Avenue from Baseline Road to Southern Avenue
- Continue construction of 7.5 miles of major street and bridges at Sonoran Boulevard (includes funding from state and local aid)
- Acquire land, design and construct Black Mountain Parkway ramps to the State Route 51 (includes funding from federal aid)
- Complete the design, acquire land and construct Avenida Rio Salado Parkway (includes funding from federal aid)
- Construct one mile of major street at 43rd Avenue from Lower Buckeye to Buckeye roads
- Construct a mile of major street at 75th Avenue from Lower Buckeye to Buckeye roads

- Construct one mile of major street at 56th Street from Deer Valley to Pinnacle Peak roads
- Construct a mile of major street at 32nd Street from Southern Avenue to Broadway Road
- Construct a mile of major street at Buckeye Road from 67th to 59th avenues
- Retrofit landscaping on existing major streets
- Major street overlay
- Major street slurry seal and crack seal

Capital Construction funding is planned for the following types of projects:

- Local paving and drainage projects
- Residential street resurfacing
- Landscaping along freeways
- Sidewalks
- Sidewalk ramps
- Dust control
- Traffic calming





Wastewater

The Wastewater program totals \$516.1 million and is funded with Wastewater operating revenue, impact fees and other cities' share in joint ventures funds.

Major Wastewater projects include the following:

- Design and construct improvements at the 91st Avenue Wastewater Treatment Plant
- Repair, replace and improve wastewater treatment plant equipment
- Study, design and construct SROG Interceptor Capacity improvements
- Construct relief sewers citywide
- Expand, improve and replace sewer lift stations
- Construct parallel sections of the Broadway Sewer from 32nd Street to 51st Avenue to provide additional capacity
- Rehabilitate selected sewers of various sizes and materials located throughout the city
- Improve technology including automatic meter reading
- Construct pump station
- Conduct various Wastewater management studies, improve security and provide for staff charges and consultant fees
- Design the Tres Rios Flood Control and Ecosystem Restoration

Water

The \$672.3 million Water program is funded with Water operating revenue, nonprofit corporation bonds, impact fees and city of Mesa participation in the Val Vista Water Treatment Plant joint venture.

Major projects include the following:

- Acquire and construct new wells and rehabilitate existing wells
 - Construct new reservoirs, and rehabilitate existing reservoirs and basins
 - Rehabilitate existing booster stations
 - Replace and rehabilitate the Val Vista Transmission Main from the Val Vista Water Treatment Plant to 48th Street
 - Rehabilitate the Val Vista Water Treatment Plant
 - Design and construct a joint sludge dewatering facility for Union Hills Water Treatment Plant and Cave Creek Water Reclamation Plant
 - Construct treatment optimization strategies, process control efficiency improvements and implement plant equipment rehabilitation at Cave Creek Water Reclamation Plant, 24th Street, Union Hills and Deer Valley Water Treatment Plants
 - Construct production improvements to water treatment plants, reservoirs, wells and booster stations such as treatment processes, chemical facilities, equipment and facility improvements
 - Install new service meters and construct plumbing connections for alley service relocations
 - Repair and replace leaking water services
- Construct water main improvements recommended in the integrity study and rehabilitate existing mains citywide
 - Construct new mains in growth areas
 - Relocate water lines for light rail northwest extension
 - Inspect and assess 260 miles of 42-inch and larger water transmission mains
 - Design and construct new water mains and install new fire hydrants in the Garfield Neighborhood (7th to 16th streets and Van Buren to Roosevelt streets)
 - Complete installation of software and hardware to automate meter reading
 - Conduct various water system studies
 - Construct security upgrades at remote facilities





**2012-13 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS**
(In Thousands of Dollars)

| | Total Program | Pay-As- You-Go Operating | Misc. Bonds * | 2006 Bonds | Nonprofit Corporation Bonds | Other Capital Sources |
|------------------------------|--------------------------|---|--------------------------|-----------------------|--|--------------------------------------|
| Arts and Cultural Facilities | \$ 8,739 | \$ 5,963 | \$ 379 | \$ 2,397 | \$ - | \$ - |
| Aviation | 256,370 | 73,637 | - | - | 79,865 | 102,868 |
| Economic Development | 6,332 | 6,309 | - | 8 | 15 | - |
| Energy Conservation | 6,119 | 6,119 | - | - | - | - |
| Facilities Management | 11,753 | 3,335 | 50 | - | 3,080 | 5,288 |
| Fire Protection | 8,030 | - | 685 | 7,345 | - | - |
| Historic Preservation | 2,797 | 5 | 162 | 2,630 | - | - |
| Housing | 58,997 | 31,833 | 378 | 4,186 | 10 | 22,590 |
| Human Services | 1,928 | - | - | 1,928 | - | - |
| Information Technology | 8,542 | 7,700 | - | - | 842 | - |
| Libraries | 2,345 | 281 | 100 | 1,957 | - | 7 |
| Neighborhood Services | 7,218 | 2,695 | 68 | 4,455 | - | - |
| Parks, Rec & Mtn Preserves | 85,423 | 53,350 | - | 8,681 | 119 | 23,273 |
| Phoenix Convention Center | 3,120 | 3,004 | 71 | 45 | - | - |
| Police Protection | 16,729 | - | 337 | 15,461 | 931 | - |
| Public Transit | 122,394 | 50,008 | - | - | 13 | 72,373 |
| Solid Waste Disposal | 18,906 | 11,711 | - | 70 | 35 | 7,090 |
| Street Transport & Drainage | 197,734 | 73,582 | 273 | 27,699 | 140 | 96,040 |
| Wastewater | 180,111 | 74,706 | - | - | 965 | 104,440 |
| Water | 171,153 | 122,033 | - | - | 15,935 | 33,185 |
| Total | \$ 1,174,740 | \$ 526,271 | \$ 2,503 | \$ 76,862 | \$ 101,950 | \$ 467,154 |

*2001 bond funds in the amount \$2,503,000.





RESOURCES AND EXPENDITURES BY CAPITAL FUND
2012-13 CAPITAL IMPROVEMENT PROGRAM
(In Thousands of Dollars)

| Capital Fund | Resources | | | Expenditures | Fund Balances | | |
|--|-------------------|----------------------------------|-------------------|------------------------|---------------------|---|------------------------------|
| | Beginning Balance | Projected Resources ¹ | Total | Estimated Expenditures | Ending Fund Balance | Projected Resources Beyond 12/13 ² | Funds Available Beyond 12/13 |
| BONDS AND RELATED FUNDS | | | | | | | |
| 2006 Bonds | | | | | | | |
| Libraries, Senior & Cultural Centers Education | \$ (22,584) | \$ - | \$ (22,584) | \$ 5,919 | \$ (28,503) | \$ 50,835 | \$ 22,332 |
| Affordable Housing & Neighborhoods | (8,263) | - | (8,263) | - | (8,263) | 11,750 | 3,487 |
| Parks and Open Spaces | 7,545 | - | 7,545 | 11,967 | (4,422) | 24,805 | 20,383 |
| Police, Fire & Homeland Security | (20,026) | - | (20,026) | 8,681 | (28,707) | 43,650 | 14,943 |
| Police, Fire & City Technology | (13,262) | - | (13,262) | 22,015 | (35,277) | 72,000 | 36,723 |
| Street and Storm Sewer Improvement | (122) | - | (122) | 1,000 | (1,122) | 5,900 | 4,778 |
| | 17,954 | - | 17,954 | 27,280 | (9,326) | 40,935 | 31,609 |
| 2001 Bonds | | | | | | | |
| Affordable Housing & Homeless Shelter | 1,431 | - | 1,431 | 378 | 1,053 | - | 1,053 |
| Educational, Youth & Cultural Facilities | (106) | - | (106) | 450 | (556) | 1,975 | 1,419 |
| Environmental Improvement & Cleanup | 275 | - | 275 | 50 | 225 | 630 | 855 |
| Fire Prot Fac & Equipment | (90) | - | (90) | 10 | (100) | 900 | 800 |
| Neighborhood Protection & Senior Ctrs | 4,858 | - | 4,858 | 72 | 4,786 | 2,355 | 7,141 |
| New & Improved Libraries | 3,533 | - | 3,533 | 100 | 3,433 | 900 | 4,333 |
| Parks, Open Space & Recreation | (387) | - | (387) | - | (387) | 4,425 | 4,038 |
| Police Prot Fac & Equipment | (2,515) | - | (2,515) | - | (2,515) | 3,160 | 645 |
| Police, Fire & Computer Technology | (614) | - | (614) | 1,012 | (1,626) | 2,215 | 589 |
| Preserving Phoenix Heritage | (178) | - | (178) | 158 | (336) | 925 | 589 |
| Storm Sewers | (1,763) | - | (1,763) | - | (1,763) | 1,770 | 7 |
| Street Improvements | (509) | - | (509) | 273 | (782) | 2,225 | 1,443 |
| 1989 Historic Preservation | 2 | - | 2 | - | 2 | - | 2 |
| 1988 Bonds | | | | | | | |
| Freeway Mitigation, Neigh Stabilization | 845 | - | 845 | - | 845 | 1,000 | 1,845 |
| Parks, Recreation & Mountain Preserves | 410 | - | 410 | - | 410 | - | 410 |
| Police Protection | 27 | - | 27 | - | 27 | - | 27 |
| Nonprofit Corporation Bonds | | | | | | | |
| Aviation | (86,041) | - | (86,041) | 79,865 | (165,906) | 738,020 | 572,114 |
| Phoenix Convention Center | 24,478 | - | 24,478 | - | 24,478 | - | 24,478 |
| Golf | 67 | - | 67 | - | 67 | - | 67 |
| Solid Waste | 924 | - | 924 | 35 | 889 | 75,000 | 75,889 |
| Transit 2000 | 57,475 | - | 57,475 | - | 57,475 | - | 57,475 |
| Wastewater | 4,131 | - | 4,131 | 1,054 | 3,077 | 355,000 | 358,077 |
| Water | (76,930) | - | (76,930) | 16,143 | (93,073) | 600,000 | 506,927 |
| Other | 34,994 | (300) | 34,694 | 4,853 | 29,841 | 109,345 | 139,186 |
| OTHER FINANCING | | | | | | | |
| Impact Fees | 212,802 | - | 212,802 | 83,077 | 129,725 | - | 129,725 |
| Passenger/Customer Facility Charge | 84,351 | 97,800 | 182,151 | 69,066 | 113,085 | - | 113,085 |
| Other Cities' Particip in Joint Ventures | (1,154) | 7,114 | 5,960 | 7,114 | (1,154) | 1,154 | - |
| Solid Waste Remediation | 7,848 | - | 7,848 | 1,490 | 6,358 | - | 6,358 |
| Capital Grants | (32,689) | 152,615 | 119,926 | 138,316 | (18,390) | 18,390 | - |
| Federal, State & Other Participation | 22,958 | 58,683 | 81,641 | 58,683 | 22,958 | - | 22,958 |
| Capital Gifts | 119 | 100 | 219 | 127 | 92 | - | 92 |
| Private Participation | 2,696 | - | 2,696 | - | 2,696 | - | 2,696 |
| Capital Reserves | 343,289 | 75,600 | 418,889 | 102,561 | 316,328 | - | 316,328 |
| Other Capital | 31,097 | - | 31,097 | 6,720 | 24,377 | - | 24,377 |
| TOTAL | \$ 596,876 | \$ 391,612 | \$ 988,488 | \$ 648,469 | \$ 340,019 | \$ 2,169,264 | \$ 2,509,283 |

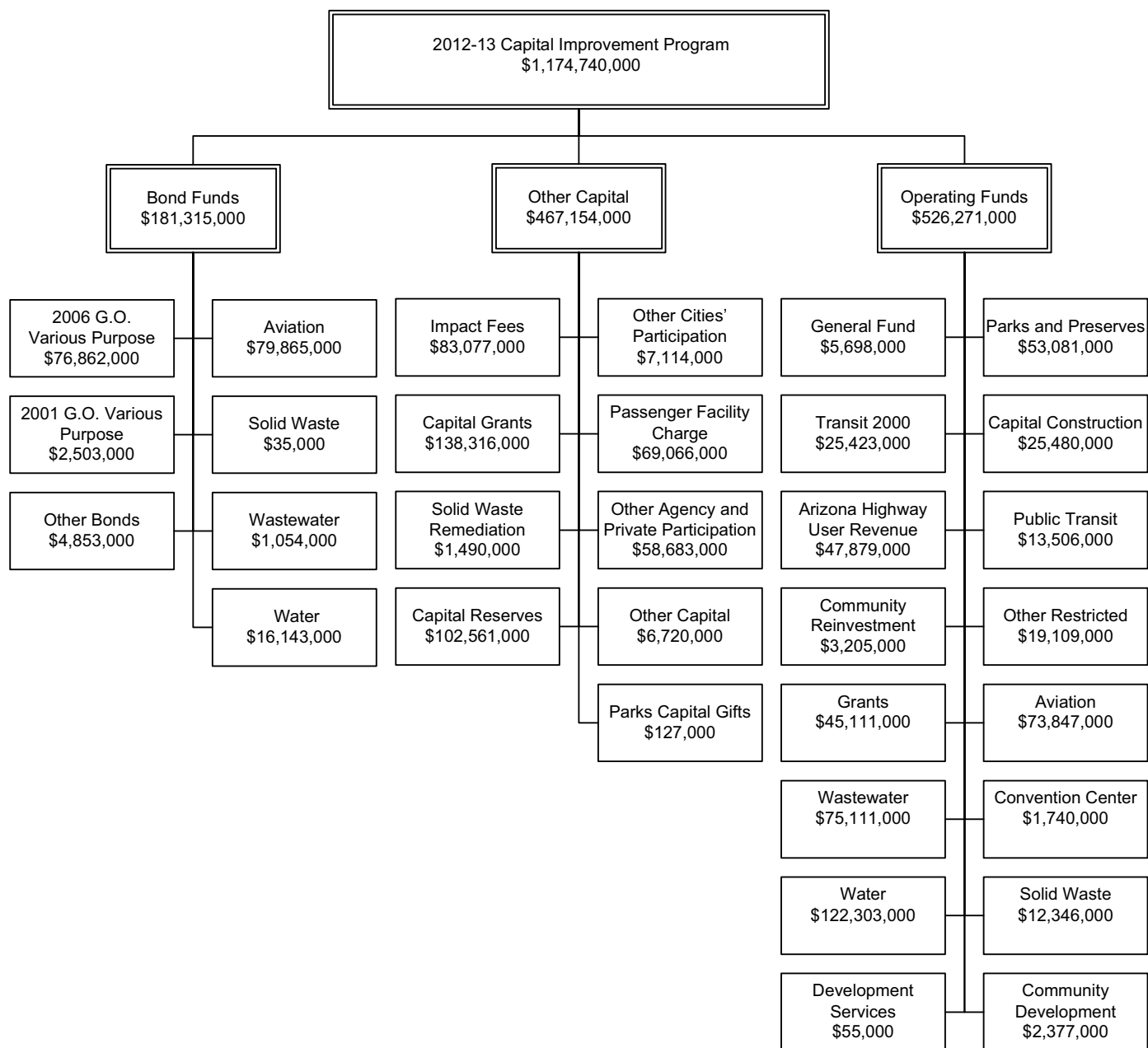
¹ Includes bond proceeds and funds which "pass through" bond funds such as grants, land sales and other agency and private participation.

² Includes bonds authorized and available for sale, pledged resources and cost recovery for projects billed and/or reimbursed on a cash flow basis.





2012-13 Capital Improvement Program Organizational Chart







Operating Costs for New Capital Facilities

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

New Facilities Funding and Their Operating Costs

In accordance with Bond Committee recommendations and property tax policy adopted by the City Council in December 2011, an annual two percent increase to the maximum allowable primary property tax levy is included to provide funding to operate new capital facilities. On March 14, 2006, Phoenix voters approved an \$878.5 million bond program. Estimated General Fund expenditures to operate bond funded projects are updated annually. For enterprise fund operations, multi-year rate planning processes are used to provide the City Council with the effects new capital facilities will have on future rate-payers. Each year, the City Council considers the impact of future capital facilities as it sets annual utility rates. Finally, for more than 20 years, the energy conservation program has generated annual cost savings in excess of the funds invested. This program provides for energy efficient retrofits, energy efficient design and metering for efficient operations.

Identifying Operating Costs

Each fall, departments are asked to review all capital projects, their estimated completion dates, any costs associated with operating new facilities and systems, and the funding source(s) for these costs. These costs are reviewed jointly by the Budget and Research, and Public Works departments. The 2012-13 budget includes \$575,000 in new operating and maintenance costs for new facilities and systems. The funding sources for 2012-13 operating costs include General and Water funds. The schedule on the next page provides project funding sources, operating and maintenance costs for 2012-13, along with the full-year operating and maintenance costs for 2013-14, and the source of funds that will be used for these costs.

OPERATING COSTS FOR NEW CAPITAL FACILITIES

| Project and Construction Funding Source | # of FTEs | 2012-13 Costs | 2013-14 Costs |
|---|-----------|---------------|---------------|
| Fire | | | |
| Dispatch and Emergency Operations Center (2006 Police, Fire, and Homeland Security Bonds) | — | \$76,000 | \$226,000 |





OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

| Project and Construction Funding Source | # of FTEs | | 2012-13 Costs | 2013-14 Costs |
|--|----------------------|--|--------------------------|--------------------------|
| Parks and Recreation | | | | |
| Dust Devil Park (Phoenix Parks and Preserve Initiative (PPPI)) | 2.5 | Add funding for staff and commodities to operate and maintain Dust Devil Park, scheduled to open in October 2012. | \$177,000 | \$250,000 |
| New Sonoran Preserve Acreage (PPPI) | 2.0 | Add staff and funding to protect and maintain 592 acres of new preserve property to be purchased in December 2012. | \$109,000 | \$235,000 |
| Multi-Use Mountain Preserve Trails (Northern Open Space Impact Fees) | 1.0 | Add staff and funding to operate and maintain 16.5 miles of new multi-use mountain preserve trails scheduled to open in December 2012. | \$38,000 | \$75,000 |
| Street Transportation | | | | |
| Streetscape Projects (2006 Street Improvement and Stormwater Bonds) | — | Add funding for contracted landscape and streetlight maintenance and utility costs for completed streetscape projects. | \$9,000 | \$18,000 |





OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

| Project and Construction Funding Source | # of FTEs | | 2012-13 Costs | 2013-14 Costs |
|---|----------------------|---|--------------------------|--------------------------|
| Water Services | | | | |
| TTHM Mitigation Projects (Water Operating Funds and 2008 Water Bonds) | — | Add additional funding to operate and maintain new facilities in order to comply with regulatory requirement by upgrading water storage tanks and installing new aeration system to slow the production of total Trihalomethanes (TTHMs). | \$111,000 | \$198,000 |
| West Anthem Water Treatment Facility (Water Operating Funds) | — | Add funding to operate and maintain a new granular activated carbon facility at West Anthem in order to comply with regulatory requirements. | \$55,000 | \$59,000 |
| Net Total Costs | | | \$575,000 | \$1,061,000 |
| Source of Funds | | | | |
| General | | | \$409,000 | \$804,000 |
| Water | | | \$166,000 | \$257,000 |
| Total Source of Funds | | | \$575,000 | \$1,061,000 |







Summary Schedules







**2010-11 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
ACTUAL
(In Thousands of Dollars)**

| | Resources | | | | | Expenditures | | | | | Ending Fund Balances | |
|--------------------------------|-------------------------|-----------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|-------------------|--------------------|------------------------|--|
| | Beginning Fund Balances | Revenue ^{1/} | Recovery | Fund Transfer | | Total | Operating | Capital | Debt | | | |
| | | | | To | From | | | | Service | Total | | |
| General Funds: | | | | | | | | | | | | |
| General | \$ 46,752 | \$ 279,799 | \$ 676 | \$ 714,620 | \$ 116,518 | \$ 925,329 | \$ 831,299 | \$ 1,122 | \$ - | \$ 832,421 | \$ 92,908 | |
| Parks and Recreation | - | 19,035 | 5 | 67,141 | - | 86,181 | 86,181 | - | - | 86,181 | - | |
| Library | - | 1,243 | - | 31,063 | - | 32,306 | 32,306 | - | - | 32,306 | - | |
| Cable Communications | - | 9,584 | - | - | 5,697 | 3,887 | 3,887 | - | - | 3,887 | - | |
| Total General | \$ 46,752 | \$ 309,661 | \$ 681 | \$ 812,824 | \$ 122,215 | \$1,047,703 | \$ 953,673 | \$ 1,122 | \$ - | \$ 954,795 | \$ 92,908 | |
| Special Revenue Funds: | | | | | | | | | | | | |
| Excise Tax | \$ - | \$ 947,295 | \$ - | \$ - | \$ 947,295 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Nghbrhd Protection-Police | (10,710) | (133) | - | 20,904 | 37 | 10,024 | 19,351 | - | - | 19,351 | (9,327) ^{2/} | |
| Nghbrhd Protection-Fire | (5,326) | (51) | - | 8,595 | 13 | 3,205 | 5,162 | - | - | 5,162 | (1,957) ^{2/} | |
| Nghbrhd Protection-Block Watch | 2,072 | 142 | - | 1,274 | 3 | 3,485 | 1,950 | - | - | 1,950 | 1,535 | |
| 2007 Public Safety Exp-Police | 7,623 | 27 | - | 40,544 | 97 | 48,097 | 50,862 | - | - | 50,862 | (2,765) ^{2/} | |
| 2007 Public Safety Exp-Fire | 2,086 | 21 | - | 10,612 | 21 | 12,698 | 10,937 | - | - | 10,937 | 1,761 | |
| Public Safety Enhance-Police | (8,216) | - | - | 23,406 | - | 15,190 | 19,432 | - | - | 19,432 | (4,242) ^{2/} | |
| Public Safety Enhance-Fire | (4,068) | - | - | 9,513 | - | 5,445 | 10,290 | - | - | 10,290 | (4,845) ^{2/} | |
| Parks and Preserves | 49,552 | 616 | 204 | 25,345 | 53 | 75,664 | 1,963 | 35,228 | - | 37,191 | 38,473 | |
| Transit 2000 | 220,009 | 51,820 | 5,372 | 131,068 | 46,367 | 361,902 | 124,296 | 3,347 | - | 127,643 | 234,259 | |
| Court Awards | 1,938 | 2,947 | 5 | - | - | 4,890 | 4,674 | - | - | 4,674 | 216 | |
| Development Services | 11,917 | 31,798 | 3 | - | 2,172 | 41,546 | 26,894 | 2 | - | 26,896 | 14,650 | |
| Capital Construction | 3,265 | 152 | 1,508 | 15,495 | - | 20,420 | 193 | 11,236 | - | 11,429 | 8,991 | |
| Sports Facilities | 35,363 | 603 | - | 14,076 | 189 | 49,853 | 1,787 | - | 10,589 | 12,376 | 37,477 | |
| AZ Highway User Revenue | 23,130 | 105,587 | 1,618 | - | 38 | 130,297 | 43,704 | 33,436 | 31,246 | 108,386 | 21,911 | |
| Regional Transit | 11,190 | 42,175 | - | 88 | 30,756 | 22,697 | 19,969 | 174 | - | 20,143 | 2,554 | |
| Community Reinvestment | 10,460 | 8,881 | 60 | - | - | 19,401 | 315 | 5,335 | - | 5,650 | 13,751 | |
| Secondary Property Tax | 100 | 154,339 | - | - | - | 154,439 | - | - | 154,339 | 154,339 | 100 | |
| Impact Fee Program Admin | 506 | 159 | - | - | - | 665 | 384 | - | - | 384 | 281 | |
| Regional Wireless Cooperative | 99 | 1,759 | - | 1,984 | - | 3,842 | 956 | - | - | 956 | 2,886 | |
| City Improvement | 701 | - | - | 126,114 | 73,508 | 53,307 | - | - | 53,267 | 53,267 | 40 | |
| Other Restricted Funds | 38,051 | 24,728 | 187 | 7,242 | 465 | 69,743 | 24,272 | 794 | - | 25,066 | 44,677 | |
| Grant Funds ^{3/} | 25,943 | 244,553 | 21,210 | 759 | 3,181 | 289,284 | 211,227 | 55,656 | - | 266,883 | 22,401 | |
| Total Special Revenue | \$ 415,685 | \$1,617,418 | \$ 30,167 | \$ 437,019 | \$1,104,195 | \$1,396,094 | \$ 578,618 | \$145,208 | \$ 249,441 | \$ 973,267 | \$ 422,827 | |
| Enterprise Funds: | | | | | | | | | | | | |
| Aviation | \$ 203,739 | \$ 332,593 | \$ 4,213 | \$ 11,503 | \$ 46,084 | \$ 505,964 | \$ 196,256 | \$ 34,603 | \$ 78,024 | \$ 308,883 | \$ 197,081 | |
| Water | 146,647 | 353,323 | 987 | 20,001 | 19,026 | 501,932 | 170,838 | 99,241 | 112,279 | 382,358 | 119,574 | |
| Wastewater | 161,006 | 225,789 | 799 | - | 23,633 | 363,961 | 88,305 | 35,668 | 71,677 | 195,650 | 168,311 | |
| Solid Waste | 49,532 | 143,134 | 204 | - | 8,781 | 184,089 | 106,087 | 13,762 | 12,834 | 132,683 | 51,406 | |
| Convention Center | 48,796 | 23,660 | 17 | 41,067 | 1,899 | 111,641 | 43,725 | 1,155 | 20,317 | 65,197 | 46,444 | |
| Golf Course | (10,018) | 5,708 | 2 | 23 | 276 | (4,561) | 7,856 | - | 1 | 7,857 | (12,418) ^{4/} | |
| Total Enterprise | \$ 599,702 | \$1,084,207 | \$ 6,222 | \$ 72,594 | \$ 99,699 | \$1,663,026 | \$ 613,067 | \$184,429 | \$ 295,132 | \$1,092,628 | \$ 570,398 | |
| GRAND TOTAL | \$1,062,139 | \$3,011,286 | \$37,070 | \$1,322,437 | \$1,326,109 | \$4,106,823 | \$2,145,358 | \$330,759 | \$ 544,573 | \$3,020,690 | \$1,086,133 | |

1/ General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$648.7 million, and is included in the General Funds revenue total of \$958.4 million shown on Schedule 2.

2/ The dedicated public safety funds have been severely impacted by declines in sales tax revenues. In November 2010, the Mayor and City Council adopted a plan to balance these funds as soon as possible using an attrition approach. This plan was modified in January 2012 to account for changes in attrition.

3/ The FY 2010-11 beginning fund balance in the Public Housing Fund is \$1.3 million less than the FY 2009-10 ending fund balance due to an encumbrance adjustment made during FY 2010-11 that was posted to FY 2009-10.

4/ The Parks Department and the Budget and Research Department are exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.





2011-12 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
ESTIMATE
(In Thousands of Dollars)

| | Resources | | | | | | Expenditures | | | | | Ending Fund Balances |
|--------------------------------|-------------------------|-----------------------|-----------------|---------------------|---------------------|--------------------|---------------------|------------------|-------------------|-------------|--------------------|------------------------|
| | Beginning Fund Balances | Revenue ^{1/} | Recovery | Fund Transfer | | Total | Operating | Capital | Debt Service | | Total | |
| | | | | To | From | | | | | | | |
| General Funds: | | | | | | | | | | | | |
| General | \$ 92,908 | \$ 253,635 | \$ 1,000 | \$ 711,562 | \$ 93,355 | \$ 965,750 | \$ 877,679 | \$ 3,586 | \$ - | \$ - | \$ 881,265 | \$ 84,485 |
| Parks and Recreation | - | 16,503 | - | 70,984 | - | 87,487 | 87,487 | - | - | - | 87,487 | - |
| Library | - | 19,350 | - | 14,386 | - | 33,736 | 33,736 | - | - | - | 33,736 | - |
| Cable Communications | - | 9,386 | - | - | 5,245 | 4,141 | 4,141 | - | - | - | 4,141 | - |
| Total General | \$ 92,908 | \$ 298,874 | \$ 1,000 | \$ 796,932 | \$ 98,600 | \$1,091,114 | \$ 1,003,043 | \$ 3,586 | \$ - | \$ - | \$1,006,629 | \$ 84,485 |
| Special Revenue Funds: | | | | | | | | | | | | |
| Excise Tax | \$ - | \$ 967,691 | \$ - | \$ - | \$ 967,691 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Nghbrhd Protection-Police | (9,327) | (133) | - | 18,873 | 137 | 9,276 | 19,569 | - | - | - | 19,569 | (10,293) ^{2/} |
| Nghbrhd Protection-Fire | (1,957) | (10) | - | 6,704 | 10 | 4,727 | 4,401 | - | - | - | 4,401 | 326 |
| Nghbrhd Protection-Block Watch | 1,535 | 160 | - | 1,341 | 2 | 3,034 | 1,200 | - | - | - | 1,200 | 1,834 |
| 2007 Public Safety Exp-Police | (2,765) | (50) | - | 43,128 | 332 | 39,981 | 50,619 | - | - | - | 50,619 | (10,638) ^{2/} |
| 2007 Public Safety Exp-Fire | 1,761 | 15 | - | 10,782 | 13 | 12,545 | 13,574 | - | - | - | 13,574 | (1,029) ^{2/} |
| Public Safety Enhance-Police | (4,242) | - | - | 14,744 | 55 | 10,447 | 19,802 | - | - | - | 19,802 | (9,355) ^{2/} |
| Public Safety Enhance-Fire | (4,845) | - | - | 9,037 | - | 4,192 | 10,831 | - | - | - | 10,831 | (6,639) ^{2/} |
| Parks and Preserves | 38,473 | 500 | 400 | 26,962 | 40 | 66,295 | 1,974 | 25,570 | - | - | 27,544 | 38,751 |
| Transit 2000 | 234,259 | 53,132 | 2,000 | 111,382 | 48,942 | 351,831 | 140,718 | 2,856 | - | - | 143,574 | 208,257 |
| Court Awards | 216 | 8,902 | - | - | - | 9,118 | 8,902 | - | - | - | 8,902 | 216 |
| Development Services | 14,650 | 33,000 | - | - | 2,930 | 44,720 | 28,588 | 66 | - | - | 28,654 | 16,066 |
| Capital Construction | 8,991 | 144 | 450 | 16,723 | - | 26,308 | 199 | 18,234 | - | - | 18,433 | 7,875 |
| Sports Facilities | 37,477 | 358 | - | 14,809 | 192 | 52,452 | 1,819 | - | 20,628 | - | 22,447 | 30,005 |
| AZ Highway User Revenue | 21,911 | 89,979 | 800 | 424 | - | 113,114 | 45,528 | 30,597 | 22,001 | - | 98,126 | 14,988 |
| Regional Transit | 2,554 | 33,557 | - | - | 3,535 | 32,576 | 23,175 | 387 | - | - | 23,562 | 9,014 |
| Community Reinvestment | 13,751 | 3,637 | - | - | 1,395 | 15,993 | 334 | 4,799 | - | - | 5,133 | 10,860 |
| Secondary Property Tax | 100 | 99,757 | - | - | - | 99,857 | - | - | 99,757 | - | 99,757 | 100 |
| Impact Fee Program Admin | 281 | 247 | - | - | - | 528 | 215 | - | - | - | 215 | 313 |
| Regional Wireless Cooperative | 2,886 | 4,203 | - | - | - | 7,089 | 4,240 | - | - | - | 4,240 | 2,849 |
| City Improvement | 40 | - | - | 57,346 | 1,029 | 56,357 | - | - | 56,317 | - | 56,317 | 40 |
| Other Restricted Funds | 44,677 | 25,952 | - | 5,087 | 729 | 74,987 | 32,601 | 10,606 | - | - | 43,207 | 31,780 |
| Grant Funds | 22,401 | 264,632 | - | - | 374 | 286,659 | 223,151 | 39,281 | - | - | 262,432 | 24,227 |
| Total Special Revenue | \$ 422,827 | \$ 1,585,673 | \$ 3,650 | \$ 337,342 | \$ 1,027,406 | \$1,322,086 | \$ 631,440 | \$132,396 | \$ 198,703 | \$ - | \$ 962,539 | \$ 359,547 |
| Enterprise Funds: | | | | | | | | | | | | |
| Aviation | \$ 197,081 | \$ 342,055 | \$ - | \$ - | \$ 5,889 | \$ 533,247 | \$ 203,836 | \$ 42,775 | \$ 82,053 | \$ - | \$ 328,664 | \$ 204,583 |
| Water | 119,574 | 380,955 | - | 4,000 | 20,234 | 484,295 | 167,713 | 68,357 | 115,962 | - | 352,032 | 132,263 |
| Wastewater | 168,311 | 235,277 | - | - | 13,263 | 390,325 | 88,531 | 42,032 | 81,818 | - | 212,381 | 177,944 |
| Solid Waste | 51,406 | 143,163 | - | - | 7,809 | 186,760 | 119,106 | 12,057 | 14,725 | - | 145,888 | 40,872 |
| Convention Center | 46,444 | 16,436 | - | 40,424 | 2,600 | 100,704 | 44,434 | 1,571 | 19,363 | - | 65,368 | 35,336 |
| Golf Course | (12,418) | 6,098 | - | - | 200 | (6,520) | 8,318 | - | 1 | - | 8,319 | (14,839) ^{3/} |
| Total Enterprise | \$ 570,398 | \$ 1,123,984 | \$ - | \$ 44,424 | \$ 49,995 | \$1,688,811 | \$ 631,938 | \$166,792 | \$ 313,922 | \$ - | \$1,112,652 | \$ 576,159 |
| GRAND TOTAL | \$1,086,133 | \$3,008,531 | \$ 4,650 | \$ 1,178,698 | \$ 1,176,001 | \$4,102,011 | \$ 2,266,421 | \$302,774 | \$ 512,625 | \$ - | \$3,081,820 | \$ 1,020,191 |

1/ General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$651.8 million, and is included in the General Funds revenue total of \$950.6 million shown on Schedule 2.

2/ The dedicated public safety funds have been severely impacted by declines in sales tax revenues. In November 2010, the Mayor and City Council adopted a plan to balance these funds as soon as possible using an attrition approach. This plan was modified in January 2012 to account for changes in attrition.

3/ The Parks Department and the Budget and Research Department are exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.





**2012-13 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
BUDGET
(In Thousands of Dollars)**

| | Resources | | | | | | Expenditures | | | | | Ending Fund Balances |
|--------------------------------|-------------------------|-----------------------|-----------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|------------------------|------------------------|
| | Beginning Fund Balances | Revenue ^{1/} | Recovery | Fund Transfer | | Total | Operating | Capital | Debt Service | | Total | |
| | | | | To | From | | | | | | | |
| General Funds: | | | | | | | | | | | | |
| General | \$ 84,485 | \$ 252,830 | \$ 1,000 | \$ 761,503 | \$ 115,311 | \$ 984,507 | \$ 979,009 | \$ 5,498 | \$ - | \$ 984,507 | \$ - | \$ - |
| Parks and Recreation | - | 16,401 | - | 73,507 | - | 89,908 | 89,908 | - | - | 89,908 | - | - |
| Library | - | 26,821 | - | 9,430 | - | 36,251 | 36,051 | 200 | - | 36,251 | - | - |
| Cable Communications | - | 9,386 | - | - | 5,032 | 4,354 | 4,354 | - | - | 4,354 | - | - |
| Total General | \$ 84,485 | \$ 305,438 | \$ 1,000 | \$ 844,440 | \$ 120,343 | \$ 1,115,020 | \$ 1,109,322 | \$ 5,698 | \$ - | \$ 1,115,020 | \$ - | \$ - |
| Special Revenue Funds: | | | | | | | | | | | | |
| Excise Tax | \$ - | \$ 1,037,425 | \$ - | \$ - | \$ 1,037,425 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Nghbrhd Protection-Police | (10,293) | (133) | - | 20,280 | 130 | 9,724 | 20,430 | - | - | 20,430 | (10,706) ^{2/} | 3,374 |
| Nghbrhd Protection-Fire | 326 | - | - | 7,243 | 8 | 7,561 | 4,187 | - | - | 4,187 | - | 2,201 |
| Nghbrhd Protection-Block Watch | 1,834 | 170 | - | 1,449 | 2 | 3,451 | 1,250 | - | - | 1,250 | - | 2,201 |
| 2007 Public Safety Exp-Police | (10,638) | (50) | - | 46,348 | 286 | 35,374 | 54,671 | - | - | 54,671 | (19,297) ^{2/} | (3,830) ^{2/} |
| 2007 Public Safety Exp-Fire | (1,029) | 15 | - | 11,587 | 52 | 10,521 | 14,351 | - | - | 14,351 | (3,830) ^{2/} | (15,949) ^{2/} |
| Public Safety Enhance-Police | (9,355) | - | - | 15,006 | 55 | 5,596 | 21,545 | - | - | 21,545 | (8,758) ^{2/} | 13,469 |
| Public Safety Enhance-Fire | (6,639) | - | - | 9,197 | - | 2,558 | 11,316 | - | - | 11,316 | (8,758) ^{2/} | 13,469 |
| Parks and Preserves | 38,751 | 500 | 400 | 28,972 | 31 | 68,592 | 2,042 | 53,081 | - | 55,123 | - | 13,469 |
| Transit 2000 | 208,257 | 53,524 | 2,000 | 115,886 | 51,301 | 328,366 | 161,367 | 25,423 | - | 186,790 | - | 141,576 |
| Court Awards | 216 | 11,327 | - | - | - | 11,543 | 11,326 | - | - | 11,326 | - | 217 |
| Development Services | 16,066 | 33,990 | - | - | 2,930 | 47,126 | 35,739 | 55 | - | 35,794 | - | 11,332 |
| Capital Construction | 7,875 | 175 | 450 | 17,230 | - | 25,730 | 199 | 25,480 | - | 25,679 | - | 51 |
| Sports Facilities | 30,005 | 420 | - | 15,672 | 192 | 45,905 | 1,918 | - | 23,283 | 25,201 | - | 20,704 |
| AZ Highway User Revenue | 14,988 | 102,211 | 800 | 306 | - | 118,305 | 45,804 | 47,879 | 22,001 | 115,684 | - | 2,621 |
| Regional Transit | 9,014 | 34,490 | - | - | - | 43,504 | 27,449 | 13,506 | - | 40,955 | - | 2,549 |
| Community Reinvestment | 10,860 | 3,564 | - | - | 1,308 | 13,116 | 377 | 3,205 | - | 3,582 | - | 9,534 |
| Secondary Property Tax | 100 | 68,149 | - | - | - | 68,249 | - | - | 68,149 | 68,149 | - | 100 |
| Impact Fee Program Admin | 313 | 203 | - | - | - | 516 | 163 | - | - | 163 | - | 353 |
| Regional Wireless Cooperative | 2,849 | 4,628 | - | - | - | 7,477 | 4,463 | - | - | 4,463 | - | 3,014 |
| City Improvement | 40 | - | - | 81,545 | 1,024 | 80,561 | - | - | 80,521 | 80,521 | - | 40 |
| Other Restricted Funds | 31,780 | 25,019 | - | 4,588 | 696 | 60,691 | 32,747 | 19,109 | - | 51,856 | - | 8,835 |
| Grant Funds | 24,227 | 271,678 | - | - | 373 | 295,532 | 240,749 | 47,488 | - | 288,237 | - | 7,295 |
| Total Special Revenue | \$ 359,547 | \$ 1,647,305 | \$ 3,650 | \$ 375,309 | \$ 1,095,813 | \$ 1,289,998 | \$ 692,093 | \$ 235,226 | \$ 193,954 | \$ 1,121,273 | \$ 168,725 | |
| Enterprise Funds: | | | | | | | | | | | | |
| Aviation | \$ 204,583 | \$ 350,069 | \$ - | \$ - | \$ 5,889 | \$ 548,763 | \$ 235,143 | \$ 73,847 | \$ 76,704 | \$ 385,694 | \$ 163,069 | |
| Water | 132,263 | 379,108 | - | - | 20,885 | 490,486 | 188,394 | 122,303 | 119,732 | 430,429 | 60,057 | |
| Wastewater | 177,944 | 231,107 | - | - | 88,608 | 320,443 | 96,561 | 75,111 | 94,947 | 266,619 | 53,824 | |
| Solid Waste | 40,872 | 144,972 | - | - | 7,859 | 177,985 | 130,377 | 12,346 | 14,768 | 157,491 | 20,494 | |
| Convention Center | 35,336 | 17,709 | - | 42,987 | 2,578 | 93,454 | 47,552 | 1,740 | 38,591 | 87,883 | 5,571 | |
| Golf Course | (14,839) | 6,206 | - | - | 200 | (8,833) | 8,231 | - | 1 | 8,232 | (17,065) ^{3/} | |
| Total Enterprise | \$ 576,159 | \$ 1,129,171 | \$ - | \$ 42,987 | \$ 126,019 | \$ 1,622,298 | \$ 706,258 | \$ 285,347 | \$ 344,743 | \$ 1,336,348 | \$ 285,950 | |
| GRAND TOTAL | \$ 1,020,191 | \$ 3,081,914 | \$ 4,650 | \$ 1,262,736 | \$ 1,342,175 | \$ 4,027,316 | \$ 2,507,673 | \$ 526,271 | \$ 538,697 | \$ 3,572,641 | \$ 454,675 | |

1/ General fund sales tax revenue is reflected as a transfer from the excise tax fund. Total transfer equates to \$701.0 million, and is included in the General Funds revenue total of \$1,006.4 million shown on Schedule 2.

2/ The dedicated public safety funds have been severely impacted by declines in sales tax revenues. In November 2010, the Mayor and City Council adopted a plan to balance these funds as soon as possible using an attrition approach. This plan was modified in January 2012 to account for changes in attrition.

3/ The Parks Department and the Budget and Research Department are exploring various ideas, including alternative operating structures, to correct the negative fund balance in the Golf Course Fund.





SCHEDULE 2: REVENUES BY MAJOR SOURCE

(In Thousands of Dollars)

| Revenue Source | 2010-11 Actual | 2011-12 Estimate | Increase/(Decrease) From 2010-11 Actual | | 2012-13 Budget | Increase/(Decrease) From 2011-12 Estimate | | |
|---|-------------------|---------------------|--|---------|-------------------|--|---------|--|
| | | | Amount | Percent | | Amount | Percent | |
| GENERAL FUND | | | | | | | | |
| Local Sales Taxes and Related Fees¹ | \$ 390,216 | \$ 411,679 | \$ 21,463 | 5.5% | \$ 430,782 | \$ 19,103 | 4.6% | |
| State-Shared Revenues | | | | | | | | |
| Sales Tax ² | 111,787 | 115,183 | 3,396 | 3.0% | 119,646 | 4,463 | 3.9% | |
| State Income Tax ² | 143,647 | 122,012 | (21,635) | -15.1% | 147,655 | 25,643 | 21.0% | |
| Vehicle License Tax | 48,298 | 46,000 | (2,298) | -4.8% | 47,000 | 1,000 | 2.2% | |
| Subtotal | \$ 303,732 | \$ 283,195 | \$ (20,537) | -6.8% | \$ 314,301 | \$ 31,106 | 11.0% | |
| Primary Property Tax | \$ 130,913 | \$ 126,763 | \$ (4,150) | -3.2% | \$ 131,921 | \$ 5,158 | 4.1% | |
| User Fees/Other Revenue | | | | | | | | |
| Licenses & Permits | 3,092 | 2,878 | (214) | -6.9% | 2,897 | 19 | 0.7% | |
| Cable Communications | 9,584 | 9,386 | (198) | -2.1% | 9,386 | - | 0.0% | |
| Fines and Forfeitures | 21,322 | 21,870 | 548 | 2.6% | 22,009 | 139 | 0.6% | |
| Court Default Fee | 1,160 | 1,110 | (50) | -4.3% | 1,150 | 40 | 3.6% | |
| Fire | 47,789 | 48,715 | 926 | 1.9% | 52,677 | 3,962 | 8.1% | |
| Hazardous Materials Inspection Fee | 1,291 | 1,300 | 9 | 0.7% | 1,300 | - | 0.0% | |
| Library Fees | 1,243 | 1,313 | 70 | 5.6% | 1,313 | - | 0.0% | |
| Parks and Recreation | 7,496 | 6,883 | (613) | -8.2% | 7,888 | 1,005 | 14.6% | |
| Planning | 1,124 | 894 | (230) | -20.5% | 894 | - | 0.0% | |
| Police | 16,125 | 14,946 | (1,179) | -7.3% | 12,318 | (2,628) | -17.6% | |
| Street Transportation | 5,253 | 5,177 | (76) | -1.4% | 3,959 | (1,218) | -23.5% | |
| Other Service Charges | 12,234 | 11,715 | (519) | -4.2% | 10,737 | (978) | -8.3% | |
| Other | 5,828 | 2,802 | (3,026) | -51.9% | 2,886 | 84 | 3.0% | |
| Subtotal | \$ 133,541 | \$ 128,989 | \$ (4,552) | -3.4% | \$ 129,414 | \$ 425 | 0.3% | |
| Total General Funds | \$ 958,402 | \$ 950,626 | \$ (7,776) | -0.8% | \$ 1,006,418 | \$ 55,792 | 5.9% | |

¹Effective July 2012 the City Council voted to reduce the Jail Tax by 50%.

²Includes the impact of the 2010 Census which decreases the City's population percentage from 30.33% to 28.78% for state shared sales tax and from 30.30% to 28.75% for state shared income tax, effective 2011-12.





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

| Revenue Source | 2010-11 Actual | 2011-12 Estimate | Increase/(Decrease) From 2010-11 Actual | | 2012-13 Budget | Increase/(Decrease) From 2011-12 Estimate | | |
|---------------------------------------|---------------------|---------------------|--|--------------|---------------------|--|-------------|--|
| | | | Amount | Percent | | Amount | Percent | |
| SPECIAL REVENUE FUNDS | | | | | | | | |
| Neighborhood Protection | \$ 25,345 | \$ 26,935 | \$ 1,590 | 6.3% | \$ 29,009 | \$ 2,074 | 7.7% | |
| 2007 Public Safety Expansion | 50,728 | 53,875 | 3,147 | 6.2% | 57,900 | 4,025 | 7.5% | |
| Public Safety Enhancement | 23,781 | 23,781 | - | 0.0% | 24,203 | 422 | 1.8% | |
| Parks and Preserves | 25,961 | 27,462 | 1,501 | 5.8% | 29,472 | 2,010 | 7.3% | |
| Transit 2000 | 153,199 | 160,979 | 7,780 | 5.1% | 169,410 | 8,431 | 5.2% | |
| Court Awards | 2,947 | 8,902 | 5,955 | 202.1% | 11,327 | 2,425 | 27.2% | |
| Development Services | 31,798 | 33,000 | 1,202 | 3.8% | 33,990 | 990 | 3.0% | |
| Capital Construction | 15,638 | 16,867 | 1,229 | 7.9% | 17,405 | 538 | 3.2% | |
| Sports Facilities | 14,679 | 15,167 | 488 | 3.3% | 16,092 | 925 | 6.1% | |
| Arizona Highway User Revenue | 105,587 | 89,979 | (15,608) | -14.8% | 102,211 | 12,232 | 13.6% | |
| Regional Transit Revenues | 42,175 | 33,557 | (8,618) | -20.4% | 34,490 | 933 | 2.8% | |
| Community Reinvestment | 8,881 | 3,637 | (5,244) | -59.0% | 3,564 | (73) | -2.0% | |
| Secondary Property Tax | 154,339 | 99,757 | (54,582) | -35.4% | 68,149 | (31,608) | -31.7% | |
| Regional Wireless Cooperative | 1,759 | 4,203 | 2,444 | 138.9% | 4,628 | 425 | 10.1% | |
| Impact Fee Program Administration | 159 | 247 | 88 | 55.3% | 203 | (44) | -17.8% | |
| Other Restricted Revenues | 29,313 | 30,517 | 1,204 | 4.1% | 29,607 | (910) | -3.0% | |
| <u>Grants</u> | | | | | | | | |
| Public Housing Grants | 79,769 | 85,575 | 5,806 | 7.3% | 79,732 | (5,843) | -6.8% | |
| Human Services Grants | 45,109 | 48,214 | 3,105 | 6.9% | 42,898 | (5,316) | -11.0% | |
| Community Development | 17,590 | 18,303 | 713 | 4.1% | 34,363 | 16,060 | 87.7% | |
| Criminal Justice | 12,453 | 15,489 | 3,036 | 24.4% | 7,689 | (7,800) | -50.4% | |
| Public Transit Grants | 18,850 | 16,826 | (2,024) | -10.7% | 19,321 | 2,495 | 14.8% | |
| Other Grants | 70,782 | 80,225 | 9,443 | 13.3% | 87,675 | 7,450 | 9.3% | |
| Subtotal - Grants | \$ 244,553 | \$ 264,632 | \$ 20,079 | 8.2% | \$ 271,678 | \$ 7,046 | 2.7% | |
| Subtotal Special Revenue Funds | \$ 930,842 | \$ 893,497 | \$ (37,345) | -4.0% | \$ 903,338 | \$ 9,841 | 1.1% | |
| ENTERPRISE FUNDS | | | | | | | | |
| Aviation | 332,593 | 342,055 | 9,462 | 2.8% | 350,069 | 8,014 | 2.3% | |
| Water System | 353,323 | 380,955 | 27,632 | 7.8% | 379,108 | (1,847) | -0.5% | |
| Wastewater System | 225,789 | 235,277 | 9,488 | 4.2% | 231,107 | (4,170) | -1.8% | |
| Solid Waste | 143,134 | 143,163 | 29 | 0.0% | 144,972 | 1,809 | 1.3% | |
| Convention Center | 61,495 | 56,860 | (4,635) | -7.5% | 60,696 | 3,836 | 6.7% | |
| Golf Courses | 5,708 | 6,098 | 390 | 6.8% | 6,206 | 108 | 1.8% | |
| Subtotal Enterprise Funds | \$ 1,122,042 | \$ 1,164,408 | \$ 42,366 | 3.8% | \$ 1,172,158 | \$ 7,750 | 0.7% | |
| GRAND TOTAL | \$ 3,011,286 | \$ 3,008,531 | \$ (2,755) | -0.1% | \$ 3,081,914 | \$ 73,383 | 2.4% | |





SCHEDULE 3
EXPENDITURES BY DEPARTMENT ¹
(In Thousands of Dollars)

| Program | 2010-11 Actual | 2011-12 | | 2012-13 Budget | Percent Change from 2011-12 | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------|--------------|--|
| | | Budget | Estimate | | Budget | Estimate | |
| General Government | | | | | | | |
| Mayor | \$ 1,353 | \$ 1,438 | \$ 1,427 | \$ 1,692 | 17.7% | 18.6% | |
| City Council | 3,217 | 3,323 | 3,305 | 3,646 | 9.7% | 10.3% | |
| City Manager | 1,955 | 2,289 | 2,178 | 2,587 | 13.0% | 18.8% | |
| Government Relations | 1,242 | 1,321 | 2,153 | 1,265 | (4.2%) | (41.2%) | |
| Public Information | 2,597 | 2,625 | 2,623 | 2,749 | 4.7% | 4.8% | |
| City Auditor | 2,655 | 2,575 | 2,135 | 2,367 | (8.1%) | 10.9% | |
| Equal Opportunity | 2,720 | 2,690 | 2,643 | 2,868 | 6.6% | 8.5% | |
| Human Resources | 9,692 | 11,730 | 11,183 | 11,971 | 2.1% | 7.0% | |
| Phoenix Employment Relations Board | 118 | 162 | 101 | 113 | (30.2%) | 12.4% | |
| Regional Wireless Cooperative | 956 | 3,630 | 4,240 | 4,463 | 22.9% | 5.2% | |
| Retirement Systems | - | - | - | - | - | - | |
| Law | 4,142 | 3,963 | 4,479 | 4,843 | 22.2% | 8.1% | |
| Information Technology | 3,482 | 33,956 | 31,553 | 37,159 | 9.4% | 17.8% | |
| City Clerk and Elections | 4,187 | 6,293 | 6,975 | 5,969 | (5.1%) | (14.4%) | |
| Finance | 20,844 | 19,844 | 20,436 | 20,558 | 3.6% | 0.6% | |
| Budget and Research | 3,169 | 3,191 | 3,038 | 3,007 | (5.8%) | (1.0%) | |
| Total General Government | \$ 62,329 | \$ 99,030 | \$ 98,469 | \$ 105,257 | 6.3% | 6.9% | |
| Public Safety | | | | | | | |
| Police | \$ 534,049 | \$ 548,323 | \$ 548,166 | \$ 576,656 | 5.2% | 5.2% | |
| Fire | 257,454 | 269,490 | 270,465 | 291,668 | 8.2% | 7.8% | |
| Emergency Management | 496 | 481 | 428 | 1,402 | 191.4% | 227.8% | |
| Total Public Safety | \$ 791,999 | \$ 818,294 | \$ 819,059 | \$ 869,726 | 6.3% | 6.2% | |
| Criminal Justice | | | | | | | |
| Municipal Court | \$ 32,398 | \$ 40,847 | \$ 36,518 | \$ 43,438 | 6.3% | 18.9% | |
| City Prosecutor | 15,553 | 16,079 | 15,733 | 15,937 | (0.9%) | 1.3% | |
| Public Defender | 4,657 | 4,708 | 4,709 | 4,780 | 1.5% | 1.5% | |
| Total Criminal Justice | \$ 52,608 | \$ 61,634 | \$ 56,960 | \$ 64,155 | 4.1% | 12.6% | |





SCHEDULE 3 (continued)
EXPENDITURES BY DEPARTMENT ¹
(In Thousands of Dollars)

| Program | 2010-11 Actual | 2011-12 | | 2012-13 Budget | Percent Change from 2011-12 | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|--------------|--|
| | | Budget | Estimate | | Budget | Estimate | |
| Transportation | | | | | | | |
| Street Transportation | \$ 64,937 | \$ 70,408 | \$ 69,218 | \$ 72,762 | 3.3% | 5.1% | |
| Aviation | 195,874 | 209,686 | 203,251 | 220,543 | 5.2% | 8.5% | |
| Public Transit | 230,322 | 247,576 | 244,700 | 257,471 | 4.0% | 5.2% | |
| Total Transportation | \$ 491,133 | \$ 527,670 | \$ 517,169 | \$ 550,776 | 4.4% | 6.5% | |
| Community Development | | | | | | | |
| Planning and Development | \$ 31,536 | \$ 33,602 | \$ 32,422 | \$ 39,700 | 18.1% | 22.4% | |
| Housing | 76,834 | 75,136 | 78,066 | 82,942 | 10.4% | 6.2% | |
| Community and Economic Development | 25,245 | 26,859 | 24,268 | 32,531 | 21.1% | 34.0% | |
| Neighborhood Services | 42,720 | 110,429 | 55,740 | 80,023 | (27.5%) | 43.6% | |
| Total Community Development | \$ 176,335 | \$ 246,026 | \$ 190,496 | \$ 235,196 | (4.4%) | 23.5% | |
| Community Enrichment | | | | | | | |
| Parks and Recreation | \$ 92,205 | \$ 96,395 | \$ 94,139 | \$ 98,145 | 1.8% | 4.3% | |
| Library | 33,227 | 36,070 | 34,738 | 36,551 | 1.3% | 5.2% | |
| Golf | 7,856 | 8,341 | 8,318 | 8,181 | (1.9%) | (1.7%) | |
| Phoenix Convention Center | 44,167 | 47,497 | 44,995 | 46,077 | (3.0%) | 2.4% | |
| Human Services | 65,357 | 62,377 | 66,224 | 62,618 | 0.4% | (5.4%) | |
| Office of Arts and Culture | 981 | 842 | 747 | 1,229 | 45.9% | 64.5% | |
| Total Community Enrichment | \$ 243,793 | \$ 251,522 | \$ 249,161 | \$ 252,801 | 0.5% | 1.5% | |
| Environmental Services | | | | | | | |
| Water | \$ 257,482 | \$ 280,039 | \$ 254,612 | \$ 269,739 | (3.7%) | 5.9% | |
| Solid Waste Management | 106,077 | 126,439 | 119,106 | 126,377 | (0.0%) | 6.1% | |
| Public Works | 15,463 | 21,261 | 16,367 | 22,491 | 5.8% | 37.4% | |
| Environmental Programs | 1,406 | 1,407 | 1,339 | 1,468 | 4.3% | 9.6% | |
| Total Environmental Services | \$ 380,428 | \$ 429,146 | \$ 391,424 | \$ 420,075 | (2.1%) | 7.3% | |
| Contingencies | \$ - | \$ 84,440 | \$ - | \$ 90,208 | 6.8% | - | |
| GRAND TOTAL | \$ 2,198,625 | \$ 2,517,762 | \$ 2,322,738 | \$ 2,588,194 | 2.8% | 11.4% | |

¹ For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.





SCHEDULE 4
2012-2013 EXPENDITURES BY DEPARTMENT
BY SOURCE OF FUNDS
(In Thousands of Dollars)

| Program | Total | General Funds | Enterprise Funds | Special Revenue Funds ¹ |
|------------------------------------|-------------------|-------------------|---------------------|--|
| General Government | | | | |
| Mayor | \$ 1,692 | \$ 1,692 | \$ - | \$ - |
| City Council | 3,646 | 3,646 | - | - |
| City Manager | 2,587 | 2,306 | 281 | - |
| Government Relations | 1,265 | 1,265 | - | - |
| Public Information | 2,749 | 2,438 | - | 311 |
| City Auditor | 2,367 | 2,367 | - | - |
| Equal Opportunity | 2,868 | 2,446 | - | 422 |
| Human Resources | 11,971 | 10,511 | - | 1,460 |
| Phoenix Employment Relations Board | 113 | 113 | - | - |
| Regional Wireless Cooperative | 4,463 | - | - | 4,463 |
| Retirement Systems | - | - | - | - |
| Law | 4,843 | 4,843 | - | - |
| Information Technology | 37,159 | 35,300 | 353 | 1,506 |
| City Clerk and Elections | 5,969 | 5,969 | - | - |
| Finance | 20,558 | 17,603 | 2,259 | 696 |
| Budget and Research | 3,007 | 3,007 | - | - |
| Total General Government | \$ 105,257 | \$ 93,506 | \$ 2,893 | \$ 8,858 |
| Public Safety | | | | |
| Police | \$ 576,656 | \$ 450,337 | \$ - | \$ 126,319 |
| Fire | 291,668 | 244,148 | - | 47,520 |
| Emergency Management | 1,402 | 16 | - | 1,386 |
| Total Public Safety | \$ 869,726 | \$ 694,501 | \$ - | \$ 175,225 |
| Criminal Justice | | | | |
| Municipal Court | \$ 43,438 | \$ 30,422 | \$ - | \$ 13,016 |
| City Prosecutor | 15,937 | 14,505 | - | 1,432 |
| Public Defender | 4,780 | 4,780 | - | - |
| Total Criminal Justice | \$ 64,155 | \$ 49,707 | \$ - | \$ 14,448 |





SCHEDULE 4 (continued)
2012-2013 EXPENDITURES BY DEPARTMENT
BY SOURCE OF FUNDS
(In Thousands of Dollars)

| Program | Total | General Funds | Enterprise Funds | Special Revenue Funds ¹ |
|-------------------------------------|---------------------|---------------------|---------------------|--|
| Transportation | | | | |
| Street Transportation | \$ 72,762 | \$ 23,904 | \$ - | \$ 48,858 |
| Aviation | 220,543 | - | 220,543 | - |
| Public Transit | 257,471 | 19,559 | - | 237,912 |
| Total Transportation | \$ 550,776 | \$ 43,463 | \$ 220,543 | \$ 286,770 |
| Community Development | | | | |
| Planning and Development | \$ 39,700 | \$ 4,987 | \$ - | \$ 34,713 |
| Housing | 82,942 | 54 | - | 82,888 |
| Community and Economic Development | 32,531 | 4,799 | 1,107 | 26,625 |
| Neighborhood Services | 80,023 | 11,819 | - | 68,204 |
| Total Community Development | \$ 235,196 | \$ 21,659 | \$ 1,107 | \$ 212,430 |
| Community Enrichment | | | | |
| Parks and Recreation | \$ 98,145 | \$ 89,908 | \$ - | \$ 8,237 |
| Library | 36,551 | 36,051 | - | 500 |
| Golf | 8,181 | - | 8,181 | - |
| Phoenix Convention Center | 46,077 | 1,323 | 44,134 | 620 |
| Human Services | 62,618 | 18,260 | 250 | 44,108 |
| Office of Arts and Culture | 1,229 | 1,163 | - | 66 |
| Total Community Enrichment | \$ 252,801 | \$ 146,705 | \$ 52,565 | \$ 53,531 |
| Environmental Services | | | | |
| Water | \$ 269,739 | \$ - | \$ 267,971 | \$ 1,768 |
| Solid Waste Management | 126,377 | - | 126,377 | - |
| Public Works | 22,491 | 16,136 | - | 6,355 |
| Environmental Programs | 1,468 | 987 | 252 | 229 |
| Total Environmental Services | \$ 420,075 | \$ 17,123 | \$ 394,600 | \$ 8,352 |
| Contingencies | \$ 90,208 | \$ 42,658 | \$ 34,550 | \$ 13,000 |
| GRAND TOTAL | \$ 2,588,194 | \$ 1,109,322 | \$ 706,258 | \$ 772,614 |

¹ For purposes of this schedule, department budget allocations include Grants and City Improvement debt service payments.





SCHEDULE 5: DEBT SERVICE EXPENDITURES
BY PROGRAM, SOURCE OF FUNDS AND TYPE OF EXPENDITURE ²
(In Thousands of Dollars)

| Program | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget |
|---|---------------------------|-----------------------------|---------------------------|
| Aviation | \$ 108,094 | \$ 116,262 | \$ 123,773 |
| Cultural Facilities | 9,542 | 12,527 | 12,587 |
| Economic Development | 30,944 | 40,649 | 45,531 |
| Environmental Programs | 682 | 720 | 841 |
| Fire Protection | 4,856 ¹ | 4,287 ¹ | 4,834 ¹ |
| Freeway Mitigation | 667 | 672 | 676 |
| Golf | 1 | 1 | 1 |
| Historic Preservation | 492 | 476 | 497 |
| Human Services | 843 | 677 | 845 |
| Information Systems | 3,107 | 3,169 | 3,318 |
| Libraries | 5,597 | 7,145 | 7,624 |
| Local Streets/Street Improvements/Lighting | 5,418 ¹ | 5,946 | 5,986 ¹ |
| Maintenance Service Centers | 920 | 930 | 1,058 |
| Major Streets and Freeways | 31,247 | 22,001 | 22,001 |
| Municipal Administration Building | 50 ¹ | 50 ¹ | 50 ¹ |
| Neighborhood Preservation & Senior Services Centers | 4,372 | 3,663 | 4,176 |
| Parks & Recreation/Open Space | 18,059 | 24,691 | 20,493 |
| Phoenix Convention Center | 20,317 | 19,363 | 38,591 |
| Police, Fire, and Computer Tech | 4,179 ¹ | 6,132 | 4,168 ¹ |
| Police Protection | 11,765 | 8,307 | 8,322 |
| Public Housing | 2,628 | 1,766 | 1,921 ¹ |
| Public Transit | 46,121 | 48,396 | 50,792 |
| Solid Waste Disposal | 12,834 | 14,725 | 14,768 |
| Storm Sewer | 25,473 | 31,736 | 27,546 |
| Street Light Refinancing | 167 | 306 | 225 |
| Wastewater | 71,677 | 106,818 | 169,947 |
| Water | 112,278 | 115,962 | 119,732 |
| Early Redemption | 35,241 | (33,393) | (59,195) |
| General Government Nonprofit Corporation Bonds | 6,776 | 7,809 | 29,658 |
| Bond Issuance Costs | 594 | 1,074 | 1,825 |
| Total Program | \$ 574,941 | \$ 572,867 | \$ 662,591 |
| Type of Expenditure | | | |
| Principal | \$ 247,335 | \$ 224,096 | \$ 287,340 |
| Interest | 320,828 | 343,916 | 368,658 |
| Other | 6,778 | 4,855 | 6,593 |
| Total Debt Service Expenditures | \$574,941 | \$ 572,867 | \$ 662,591 |





SCHEDULE 5: DEBT SERVICE EXPENDITURES
BY PROGRAM, SOURCE OF FUNDS AND TYPE OF EXPENDITURE (continued)
(In Thousands of Dollars)

| Source of Funds | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget |
|-------------------------------|---------------------------|-----------------------------|---------------------------|
| <u>Operating Funds</u> | | | |
| Secondary Property Tax | \$ 154,339 | \$ 99,757 | \$ 68,149 |
| Sports Facilities | 10,589 | 20,628 | 23,283 |
| Arizona Highway User Revenue | 31,246 | 22,001 | 22,001 |
| City Improvement | | | |
| General | 17 | 6,153 | 29,358 |
| Housing | 73 | 72 | 71 |
| Transit 2000 | 46,130 | 48,396 | 50,792 |
| Other Operating | - | 40 | - |
| Other Financing Sources | 5,390 | - | - |
| Capital Funds ³ | 1,657 | 1,656 | 300 |
| Aviation | 78,024 | 82,053 | 76,704 |
| Convention Center | 20,317 | 19,363 | 38,591 |
| Golf | 1 | 1 | 1 |
| Solid Waste | 12,834 | 14,725 | 14,768 |
| Wastewater | 71,677 | 81,818 | 94,947 |
| Water | 112,279 | 115,962 | 119,732 |
| Subtotal Operating Funds | <u>\$ 544,573</u> | <u>\$ 512,625</u> | <u>\$ 538,697</u> |
| <u>Capital Funds</u> | | | |
| Nonprofit Corporation Bonds | | | |
| Aviation | \$ 2,540 | \$ 1,450 | \$ 2,600 |
| Other | 192 | 33 | - |
| Wastewater | - | 100 | 500 |
| Water | 5 | 400 | 400 |
| Passenger Facility Charges | 26,985 | 32,666 | 44,376 |
| Capital Reserve | 646 | 25,593 | 76,018 |
| Subtotal Capital Funds | <u>\$ 30,368</u> | <u>\$ 60,242</u> | <u>\$ 123,894</u> |
| Total Source of Funds | <u>\$ 574,941</u> | <u>\$ 572,867</u> | <u>\$ 662,591</u> |

¹ Interest only.

² Program costs are a combination of principal, interest and other debt related costs unless otherwise noted.

³ Reflects transfer of various capital funds to City Improvement.





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

| Program | 2010-11 Actual | 2011-12 Estimate | 2012-13 Budget |
|--|---------------------------|-----------------------------|---------------------------|
| Arts and Cultural Facilities | \$ 440 | \$ 2,582 | \$ 5,963 |
| Aviation | 33,588 | 41,644 | 73,637 |
| Economic Development | 5,337 | 8,899 | 6,309 |
| Energy Conservation | 6,997 | 10,213 | 6,119 |
| Facilities Management | 530 | 1,676 | 3,335 |
| Historic Preservation | - | - | 5 |
| Housing | 42,218 | 29,546 | 31,833 |
| Information Technology | 3,640 | 5,256 | 7,700 |
| Libraries | 381 | 1,344 | 281 |
| Neighborhood Services | 1,734 | 582 | 2,695 |
| Parks, Recreation and Mountain Preserves | 35,322 | 26,086 | 53,350 |
| Phoenix Convention Center | 1,155 | 1,635 | 3,004 |
| Public Transit | 4,573 | 3,727 | 50,008 |
| Solid Waste Disposal | 13,442 | 11,730 | 11,711 |
| Street Transportation and Drainage | 47,741 | 48,884 | 73,582 |
| Wastewater | 35,248 | 41,251 | 74,706 |
| Water | 98,413 | 67,719 | 122,033 |
| Total | \$ 330,759 | \$ 302,774 | \$ 526,271 |





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

| Program | 2010-11 | 2011-12 | 2012-13 |
|---|-------------------|-------------------|-------------------|
| | Actual | Estimate | Budget |
| SOURCE OF FUNDS | | | |
| General Funds: | | | |
| General Funds | \$ 1,122 | \$ 3,586 | \$ 5,498 |
| Library | - | - | 200 |
| Total General Funds | \$ 1,122 | \$ 3,586 | \$ 5,698 |
| Special Revenue Funds: | | | |
| Parks and Preserves | \$ 35,228 | \$ 25,570 | \$ 53,081 |
| Transit 2000 | 3,347 | 2,856 | 25,423 |
| Development Services | 2 | 66 | 55 |
| Capital Construction | 11,236 | 18,234 | 25,480 |
| Arizona Highway Users | 33,436 | 30,597 | 47,879 |
| Public Transit | 174 | 387 | 13,506 |
| Community Reinvestment | 5,335 | 4,799 | 3,205 |
| Community Development Block Grants (CDBG) | 1,002 | 196 | 2,377 |
| Other Restricted | 794 | 10,607 | 19,109 |
| Grant Funds | 54,654 | 39,084 | 45,111 |
| Total Special Revenue Funds | \$ 145,208 | \$ 132,396 | \$ 235,226 |
| Enterprise Funds: | | | |
| Aviation | \$ 34,603 | \$ 42,775 | \$ 73,847 |
| Convention Center | 1,155 | 1,571 | 1,740 |
| Solid Waste | 13,762 | 12,057 | 12,346 |
| Wastewater | 35,668 | 42,032 | 75,111 |
| Water | 99,241 | 68,357 | 122,303 |
| Total Enterprise Funds | \$ 184,429 | \$ 166,792 | \$ 285,347 |
| Total Operating Funds | \$ 330,759 | \$ 302,774 | \$ 526,271 |





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

| | 2010-11 Actuals | 2011-12 Estimate | 2012-13 | |
|--------------------------------------|--------------------|---------------------|------------------|-------------------------|
| | | | Budget | Increase/ (Decrease) |
| Transfers to the General Fund | | | | |
| Enterprise Funds | | | | |
| Aviation | | | | |
| Central Service Cost Allocation | \$ 4,364 | \$ 5,889 | \$ 5,889 | \$ - |
| Water Funds | | | | |
| Central Service Cost Allocation | 5,291 | 8,504 | 8,504 | - |
| In-Lieu Property Taxes | 11,657 | 11,730 | 12,381 | 651 |
| GO Bond Debt | 2,050 | - | - | - |
| Total | 18,998 | 20,234 | 20,885 | 651 |
| Wastewater Funds | | | | |
| Central Service Cost Allocation | 1,945 | 5,670 | 5,670 | - |
| In-Lieu Property Taxes | 7,997 | 7,593 | 7,938 | 345 |
| GO Bond Debt | 13,677 | - | - | - |
| Total | 23,619 | 13,263 | 13,608 | 345 |
| Solid Waste | | | | |
| Central Service Cost Allocation | 4,668 | 5,443 | 5,443 | - |
| In-Lieu Property Taxes | 1,087 | 1,166 | 1,216 | 50 |
| Go Bond Debt | 2,373 | - | - | - |
| Total | 8,128 | 6,609 | 6,659 | 50 |
| Convention Center | | | | |
| Central Service Cost Allocation | 1,725 | 1,990 | 1,990 | - |
| Golf Course | | | | |
| Parks Administration | 276 | 200 | 200 | - |
| Total From Enterprise Funds | \$ 57,110 | \$ 48,185 | \$ 49,231 | \$ 1,046 |





SCHEDULE 7
INTERFUND TRANSFERS TO THE GENERAL FUND (Continued)
(In Thousands of Dollars)

| | 2010-11 Actuals | 2011-12 Estimate | 2012-13 | |
|---|--------------------|---------------------|-------------------|-------------------------|
| | | | Budget | Increase/ (Decrease) |
| Special Revenue Funds | | | | |
| Excise | | | | |
| Transfer to General Fund | \$ 648,741 | \$ 651,752 | \$ 700,980 | \$ 49,228 |
| Development Services | | | | |
| Central Service Cost Allocation | 2,172 | 2,930 | 2,930 | - |
| Sports Facilities | | | | |
| Central Service Cost Allocation | 105 | 113 | 113 | - |
| Phoenix Union Parking Maintenance | 84 | 79 | 79 | - |
| Total | 189 | 192 | 192 | - |
| Public Housing In-Lieu Property Taxes | 311 | 302 | 302 | - |
| Know 99 Transfer | 400 | - | - | - |
| ASU Facilities Operations Fund | - | 527 | 494 | (33) |
| Downtown Community Reinvestment Fund | - | 1,395 | 1,308 | (87) |
| T2000 Central Service Costs | - | 390 | 390 | - |
| Neighborhood Protection Central Service Costs | - | 109 | 109 | - |
| Public Safety Enhancement Central Service Costs | - | 55 | 55 | - |
| Public Safety Expansion Central Service Costs | - | 278 | 278 | - |
| Housing Central Office Central Service Costs | - | 202 | 202 | - |
| Total From Special Revenue Funds | \$ 651,813 | \$ 658,132 | \$ 707,240 | \$ 49,108 |
| Total Transfers to the General Fund | \$ 708,923 | \$ 706,317 | \$ 756,471 | \$ 50,154 |
| Transfers from the General Fund | | | | |
| Public Safety Fund Balancing | 15,000 | - | - | - |
| Arizona Highway User Revenue Reimbursement | - | 424 | 306 | (118) |
| Court Technology Enhancement Fund | - | 29 | - | (29) |
| Regional Wireless Cooperative | 1,814 | - | - | - |
| Retiree Rate Stabilization Fund | 1,026 | 1,029 | 1,024 | (5) |
| Lease Purchase Reserve | - | - | 1,400 | 1,400 |
| Infrastructure Repayment Agreements | 457 | 350 | 286 | (64) |
| City Improvement | 17 | 6,153 | 29,358 | 23,205 |
| Total Transfers from the General Fund | \$ 18,314 | \$ 7,985 | \$ 32,374 | \$ 24,389 |
| Net Transfers to the General Fund | \$ 690,609 | \$ 698,332 | \$ 724,097 | \$ 25,765 |





SCHEDULE 8
POSITIONS BY DEPARTMENT
Number of Full Time Equivalent Positions

| Program | 2010-11 Actual | 2011-12 Estimate | 1/ Additions/Reductions | | 2012-13 Allowances Ending |
|------------------------------------|-------------------|---------------------|-------------------------|--------------|------------------------------|
| | | | 2011-12 | 2012-13 | June 30, 2013 Authorized |
| General Government | | | | | |
| Mayor | 11.5 | 11.5 | - | 1.0 | 12.5 |
| City Council | 30.0 | 30.0 | - | 1.0 | 31.0 |
| City Manager | 18.0 | 18.0 | - | 1.0 | 19.0 |
| Government Relations | 6.0 | 6.0 | - | - | 6.0 |
| Public Information | 23.5 | 23.5 | (0.7) | - | 22.8 |
| City Auditor | 26.5 | 26.5 | - | - | 26.5 |
| Equal Opportunity | 26.0 | 26.0 | - | 1.0 | 27.0 |
| Human Resources | 77.1 | 93.1 | 2.0 | - | 95.1 |
| Phoenix Employment Relations Board | 1.0 | 1.0 | - | - | 1.0 |
| Retirement Systems | 14.0 | 14.0 | - | - | 14.0 |
| Law | 204.0 | 203.0 | 3.0 | 2.0 | 208.0 |
| Information Technology | 191.0 | 182.0 | - | (3.0) | 179.0 |
| City Clerk and Elections | 67.0 | 66.0 | - | - | 66.0 |
| Finance | 249.2 | 248.2 | (12.0) | - | 236.2 |
| Budget and Research | 26.0 | 26.0 | (1.0) | - | 25.0 |
| Regional Wireless Cooperative | 4.0 | 4.0 | - | - | 4.0 |
| Total General Government | 974.8 | 978.8 | (8.7) | 3.0 | 973.1 |
| Public Safety | | | | | |
| Police | 4,496.7 | 4,477.7 | (37.0) | 9.7 | 4,450.4 |
| Fire | 2,008.2 | 2,003.5 | 0.2 | 2.7 | 2,006.4 |
| Emergency Management | 5.0 | 5.0 | (1.0) | - | 4.0 |
| Total Public Safety | 6,509.9 | 6,486.2 | (37.8) | 12.4 | 6,460.8 |
| Criminal Justice | | | | | |
| Municipal Court | 315.4 | 314.4 | (0.4) | (4.0) | 310.0 |
| Public Defender | 9.0 | 9.0 | - | - | 9.0 |
| Total Criminal Justice | 324.4 | 323.4 | (0.4) | (4.0) | 319.0 |





**SCHEDULE 8
POSITIONS BY DEPARTMENT
Number of Full Time Equivalent Positions (continued)**

| Program | 2010-11 Actual | 2011-12 Estimate | ^{1/} Additions/Reductions | | 2012-13 Allowances Ending |
|-------------------------------------|-------------------|---------------------|------------------------------------|-------------|------------------------------|
| | | | 2011-12 | 2012-13 | June 30, 2013 Authorized |
| Transportation | | | | | |
| Street Transportation | 667.0 | 667.0 | 6.0 | 1.0 | 674.0 |
| Aviation | 841.0 | 852.0 | (1.0) | 18.0 | 869.0 |
| Public Transit | 141.5 | 139.5 | (3.0) | - | 136.5 |
| Total Transportation | 1,649.5 | 1,658.5 | 2.0 | 19.0 | 1,679.5 |
| Community Development | | | | | |
| Planning and Development | 251.0 | 249.0 | (3.0) | 5.0 | 251.0 |
| Housing | 192.2 | 191.2 | (1.2) | - | 190.0 |
| Community and Economic Development | 105.0 | 105.0 | (2.0) | (1.0) | 102.0 |
| Neighborhood Services | 220.5 | 217.5 | (5.0) | 6.0 | 218.5 |
| Total Community Development | 768.7 | 762.7 | (11.2) | 10.0 | 761.5 |
| Community Enrichment | | | | | |
| Parks and Recreation | 1,000.4 | 999.4 | 23.5 | 31.4 | 1,054.3 |
| Library | 336.8 | 356.6 | 1.0 | 18.2 | 375.8 |
| Golf | 95.4 | 95.4 | - | - | 95.4 |
| Phoenix Convention Center | 276.0 | 273.0 | (10.4) | - | 262.6 |
| Human Services | 415.5 | 416.3 | (17.1) | - | 399.2 |
| Office of Arts and Culture | 12.0 | 12.0 | (1.0) | - | 11.0 |
| Total Community Enrichment | 2,136.1 | 2,152.7 | (4.0) | 49.6 | 2,198.3 |
| Environmental Services | | | | | |
| Water Services | 1,497.1 | 1,496.1 | (33.0) | - | 1,463.1 |
| Solid Waste Management | 610.3 | 610.3 | 0.2 | 2.0 | 612.5 |
| Public Works | 519.0 | 518.0 | (12.0) | (2.0) | 504.0 |
| Environmental Programs | 13.0 | 13.0 | (1.0) | - | 12.0 |
| Total Environmental Services | 2,639.4 | 2,637.4 | (45.8) | 0.0 | 2,591.6 |
| TOTAL | 15,002.8 | 14,999.7 | (105.9) | 90.0 | 14,983.8 |

1. Additions/Reductions reflect the combined total of budget reductions, budget additions and new positions associated with opening new facilities.







Glossary

Accrual Basis Accounting – The most commonly used accounting method, which reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid. For the city's Comprehensive Annual Financial Report (CAFR), Phoenix recognizes grant revenues on a modified cash basis. Generally Accepted Accounting Principles (GAAP) recognizes grant revenues on an accrual basis.

Appropriation – An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the appropriation ordinances. Three appropriation ordinances are adopted each year: 1) the operating funds ordinance, 2) the capital funds ordinance, and 3) the re-appropriated funds ordinance.

Arizona Highway User Revenue (AHUR) – Various gas tax and vehicle licensing fees imposed and collected by the state and shared with cities and towns. This revenue must be used for street or highway purposes.

Balanced Budget – Arizona law (Title 42 Arizona Revised Statutes) requires the City Council to annually adopt a balanced budget by purpose of public expense. State law defines this balanced budget as “the primary property tax levy, when added together with all other available resources, must equal these expenditures.” Therefore, no General Fund balances can be budgeted in reserve for subsequent fiscal years. Instead, an amount for contingencies (also commonly referred to as a “rainy day fund”) is included in the budget each year. The City Charter also requires an annual balanced budget. The charter further requires that “the total of proposed expenditures shall not exceed the total of estimated income and fund balances.”

Base Budget Allowances – Funding for ongoing expenditures for personnel, commodities, contractual services and replacement of existing equipment previously authorized. The base budget provides funding to continue previously authorized services and programs. The city of Phoenix process for developing the base budget is “Zero Base Budgeting.”

Block Watch Fund – This fund is the Block Watch portion of the Neighborhood Protection Fund. This fund is a portion of a voter-approved 0.1 percent sales tax increase approved in October 1993. Grant funds are awarded to communities for innovative methods to deter crime-related problems in their neighborhoods. The city disburses these funds through an annual application process.

Bonds – Debt instruments that require repayment of a specified principal amount on a certain date (maturity date), along with interest at a stated rate or according to a formula for determining the interest rate.

Bond Rating – An evaluation of a bond issuer's credit quality and perceived ability to pay the principal and interest on time and in full. Two agencies regularly review city bonds and generate bond ratings - Moody's Investors Service and Standard and Poor's Ratings Group.

Budget – A plan of financial operation for a specific time period (the city of Phoenix's adopted budget is for a fiscal year July 1 – June 30). The budget contains the estimated expenditures needed to continue the city's operations for the fiscal year and revenues anticipated to finance them.

Capital Budget – See Capital Improvement Program.

Capital Funds – Resources derived from issuance of bonds for specific purposes, related federal project grants and participation from other agencies used to finance capital expenditures.

Capital Improvement Program (CIP) – A plan for capital expenditures needed to maintain and expand the public infrastructure (for example, roads, sewers, water lines or parks). It projects these infrastructure needs for a set number of years and is updated annually to reflect the latest priorities, cost estimates or changing financial strategies. The first year of the adopted Capital Improvement Program becomes the Annual Capital Budget.

Capital Outlay – Items that cost more than \$5,000 and have a useful life of more than two years.

Capital Project – New facility, technology system, land acquisition or equipment acquisition, or improvements to existing facilities beyond routine maintenance. Capital projects are included in the Capital Improvement Program and become fixed assets.

Carryover – Expenditure originally planned for in the current fiscal year, but because of delays, is postponed to the following fiscal year.

CDBG – See Community Development Block Grant.

Central Service Cost Allocation – The method of distributing expenses for general staff and administrative overhead to the benefiting activity.

CIP – See Capital Improvement Program.

City Connection – Weekly employee newsletter containing information about the organization, news about employees, and personnel and benefits updates.

City Manager's Budget – See Preliminary Budget.

City of Phoenix Employees' Retirement Systems (COPERS) – A pension plan for full-time employees who retire from service with the city of Phoenix.





Civic Improvement Corporation (CIC) – Non-profit corporation established in 1973 as the main financing arm of the city of Phoenix to issue debt obligations secured by enterprise fund revenues or excise tax pledges.

Commodities – Consumable goods such as office supplies, repair and replacement parts, small tools and fuel, which are not of a capital nature.

Community Development Block Grant (CDBG) – Grant funds allocated by the federal government to the city of Phoenix to use for the prevention and removal of slum and blight, and to benefit low- and moderate-income persons. The city disburses these funds through an annual application process open to all nonprofit organizations and city departments.

Comprehensive Annual Financial Report (CAFR) – Official annual report of the city of Phoenix which includes statements of revenue, expenditures and changes in fund balances.

Contingency – An appropriation of funds to cover unforeseen events that occur during the fiscal year, such as flood emergencies, federal mandates shortfalls in revenue and similar eventualities.

Contractual Services – Expenditures for services performed by firms, individuals or other city departments.

Council-Manager Form of Government – An organizational structure in which the Mayor and City Council appoint an independent city manager to be the chief operating officer of a local government. In practice, a City Council sets policies and the city manager is responsible for implementing those policies effectively and efficiently.

Court Awards Fund – Revenues provided by court awards of confiscated property under both the federal and state organized crime acts. These funds are used for additional law enforcement activities in the Police and Law departments.

Cycle Time – The amount of time, from the customer's perspective, it takes to complete a defined task, process or service.

Debt Service – Payment of principal and interest on an obligation resulting from the issuance of bonds.

Depreciation – The decline in the value of an asset due to general wear and tear or obsolescence.

DBE – Disadvantaged Business Enterprise

Encumbrance – A reservation of funds to cover purchase orders, contracts or other funding commitments that are yet to be fulfilled. The budget basis of accounting considers an encumbrance to be the equivalent of expenditure.

Enterprise Funds – Funds that are accounted for in a manner similar to a private business. Enterprise funds usually recover their costs (including depreciation) through user fees. The city has five such self-supporting funds: Aviation, Water, Wastewater, Golf and Solid Waste. In addition, the Phoenix Convention Center Fund, which is primarily supported by earmarked excise taxes, uses enterprise fund accounting to provide for the periodic determination of net income.

Estimate – The most recent prediction of current year revenue and expenditures. Estimates are based upon several months of actual expenditure and revenue information and are prepared to consider the impact of unanticipated costs or other economic changes.

Excise Tax Fund – This fund is used to account for tax revenues ultimately pledged to pay principal and interest on various debt obligations. This fund includes local sales taxes, state-shared sales taxes, state-shared income taxes and sales tax license fees.

Expenditures – Refers to current cash operating expenses and encumbrances.

Expenditure Limit – See State Expenditure Limit

Fiduciary Funds – Funds used to account for assets held by the city of Phoenix as a trustee or agent. These funds cannot be used to support the city's own programs.

Fiscal Year – The city's charter designates July 1 to June 30 as the fiscal year.

FTE – See Full-Time Equivalent Position.

Full-Time Equivalent Position (FTE) – A position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time clerk working for 20 hours per week would be equivalent to one half of a full-time position or 0.5 FTE.

Fund – An independent governmental accounting entity with a self-balancing group of accounts including assets, liabilities and fund balance, which record all financial transactions for specific activities of government functions.

Fund Balance – As used in the budget, the excess of resources over expenditures. The beginning fund balance is the residual funds brought forward from the previous fiscal year.

GAAP – See Generally Accepted Accounting Principles.

General Obligation Bonds (G.O. Bonds) – Bonds that require voter approval and finance a variety of public capital projects such as streets, buildings, parks and improvements. The bonds are backed by the "full faith and credit" of the issuing government.

General Funds – Resources derived from taxes and fees that have unrestricted use, meaning they are not earmarked for specific purposes.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards of financial accounting and reporting that govern the form and content of basic financial statements. The city's Comprehensive Annual Financial Report (CAFR) outlines adjustments needed to convert Phoenix's budget basis of accounting to a GAAP basis.





GFOA – Government Finance Officers Association

Goal – A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

G. O. Bonds – See General Obligation Bonds.

Grant – A contribution by one government unit or funding source to another. The contribution is usually made to aid in the support of a specified function (e.g., library materials or drug enforcement, but it is sometimes for general purposes).

HUD – U.S. Department of Housing and Urban Development

Infrastructure – Facilities that support the daily life and growth of the city, for example, roads, water lines, sewers, public buildings, parks and airports.

Impact Fees – Fees adopted by the City Council in 1987 requiring new development in the city's outlying planning areas to pay its proportional share of the costs associated with providing necessary public infrastructure.

Improvement Districts – Special assessment districts formed by property owners who desire and are willing to pay for mutually enjoyed improvements such as streets, sidewalks, sewers and lighting.

In Lieu Property Taxes (or In Lieu Taxes) – An amount charged to certain city enterprise and federally funded operations that equal the city property taxes that would be due on plant and equipment if these operations were for-profit companies. This includes the Water, Wastewater, Solid Waste and Public Housing funds.

Levy – See Tax Levy.

Mandate – Legislation passed by the state or federal government requiring action or provision of services and/or programs. Examples include the Americans with Disabilities Act, which requires actions such as physical facility improvements and provision of specialized transportation services.

M/W/SBE – Minority, Women and Small Business Enterprise

Modified Accrual Basis – Method under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the associated liability is incurred. Most government accounting follows this method.

Neighborhood Protection Fund – This fund, also referred to as Proposition 301, is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in October 1993. The funds are to be used for the expansion of police, fire, and block watch programs. The breakdown of funding is as follows: Police 70 percent, Fire 25 percent and Block Watch 5 percent.

Net Direct Debt Ratio – The ratio between property tax-supported debt service and secondary-assessed valuation. The Net Direct Debt Ratio is one way to gauge the ability of a local property tax base to support general obligation debt service.

Objective – Desired output-oriented accomplishments that can be measured and achieved within a given time frame, and advance the activity and organization toward a corresponding goal.

Operating Funds – Resources derived from continuing revenue sources used to finance ongoing operating expenditures and "pay-as-you-go" capital projects.

Ordinance – A formal legislative enactment by the City Council. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the city.

Outstanding Bonds – Bonds not yet retired through principal and interest payments.

Parks and Preserves Fund – This fund is used to account for the funds generated by the 0.1 percent increase in the sales tax approved by voters in 1999 and reauthorized in 2008. The funds are to be used for the purchase of state trust lands for the Sonoran Desert Preserve Open Space, and the development of regional and neighborhood parks to enhance community safety and recreation.

Pay-As-You-Go Capital Projects – Capital projects whose funding comes from day-to-day city operating revenue sources.

Percent-for-Art – An ordinance that allocates up to 1 percent of the city's capital improvement budget to fund public art projects.

Personal Services – All costs related to compensating city employees including employee benefits costs such as contributions for retirement, social security, and health and industrial insurance. It also includes fees paid to elected officials, jurors, and election judges and clerks. It does not include fees for professional or other services.

Plan Six Agreements – Agreements to provide funding to accelerate the construction of the Waddell and Cliff dams, and modification of the Roosevelt and Stewart dams, for the benefit of the city of Phoenix. These benefits include the use of additional unappropriated water, controlling floods, improving the safety of existing dams, and providing new and improved recreational facilities.

PLT – See Privilege License Tax.

Preliminary Budget – A balanced budget presented to the City Council by the city manager (sometimes referred to as the City Manager's Budget) based upon an earlier Trial Budget, City Council and community feedback and/or changing economic forecasts. Any City Council changes to the Preliminary Budget are incorporated into the final adopted budget.

Primary Property Tax – A tax levy that can be used to support any public expense.

Privilege License Tax (PLT) – The city of Phoenix's local sales tax, made up of more than 14 general categories.

Privilege License Tax Fees – Includes fees charged for Privilege License Tax (PLT) licenses and the annual fee per apartment unit on the rental of non-transient lodging. Fees recover the costs associated with administering an efficient and equitable system. A PLT license allows the licensee the privilege to conduct taxable business activities and to collect and remit those taxes.





Program – A group of related activities performed by one or more organizational units.

Property Tax – A levy upon each \$100 of assessed valuation of property within the city of Phoenix. Arizona has two types of property taxes. Primary property taxes support the city's General Fund and secondary property taxes pay general obligation debt.

Proposition 1 – See Public Safety Expansion Fund

Proposition 301 – See Neighborhood Protection Fund

Public Safety Enhancement Funds – The Public Safety Enhancement funds are used to account for a 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The Police Public Safety Enhancement Fund is dedicated to Police and Emergency Management needs and receives 62 percent of the revenues generated. The Fire Public Safety Enhancement Fund is dedicated to Fire needs and receives 38 percent of the revenues generated.

Public Safety Expansion Funds – This fund is used to account for the 0.2 percent increase in sales tax approved by Phoenix voters in 2007. The funds will be used to add 500 police personnel and 100 firefighters to the city of Phoenix. The Police Department receives 80 percent of revenues and the Fire Department receives 20 percent.

Reappropriated Funds – Funds for contracts entered in a previous fiscal year but which are still in progress.

Recoveries – Canceled prior year encumbrances.

Regional Wireless Cooperative (RWC) – An independent, multi-jurisdictional organization that manages and operates a regional radio communications network built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around Central Arizona's Valley of the Sun.

RPTA – Regional Public Transportation Authority

Resources – Total amounts available for appropriation including estimated revenues, recoveries, fund transfers and beginning fund balances.

Restricted Funds – See Special Revenue Fund.

Salary Savings – Budget savings realized through employee turnover or vacant positions.

Secondary Property Tax – A tax levy restricted to the payment of debt service on bonded debt.

Self-Insurance – Self-funding of insurance losses. With the exception of airport operations, police aircraft operations, and excess general and automobile liability for losses in excess of \$7.5 million, the city is self-insured for general and automobile liability exposures.

Special Revenue Fund – A fund used to account for receipts from revenue sources that have been earmarked for specific activities and related expenditures. Examples include Arizona Highway User Revenue (AHUR) funds, which must be used for street and highway purposes, and secondary property tax, which is restricted to general-bonded debt obligations.

Sports Facilities Fund – A special revenue fund established to account for revenue raised from a designated portion of the hotel/motel tax and tax on short-term motor vehicle rentals. These funds pay the city's portion of the debt service and other expenditures related to the downtown sports arena.

State Expenditure Limit – A limitation on annual expenditures imposed by the Arizona Constitution as approved by the voters in 1980. The limitation is based upon a city's actual 1979-80 expenditures adjusted for interim growth in population and inflation. Certain expenditures may be exempt by the State Constitution or by voter action.

State-Shared Revenues – Revenues levied and collected by the state but shared with local governments as determined by state government each year. In Arizona, a portion of the state's sales, income and vehicle license tax revenues are distributed on the basis of a city's relative population percentage.

Supplemental – Resources to provide new or enhanced programs or services over the base budget allocation.

Tax Levy – The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

Technical Review – A detailed line-item review of each city department's budget conducted by the Budget and Research Department.

Transit 2000 Fund – This fund is used to account for the 0.4 percent sales tax dedicated to transit approved by voters on March 14, 2000. Also included in this fund are fare box collections.

Trial Budget – A budget developed in early spring that presents a proposed balanced budget for discussion by the City Council and the community before the city manager submits his or her Preliminary Budget in late spring.

User Fees or User Charges – A fee paid for a public service or use of a public facility by the individual or organization benefiting from the service.

Zero Base Budgeting – A process whereby a budget is developed at the program level, and starting from zero the next year's budget is estimated assuming only those costs necessary to provide the currently approved level of service. This initial estimate is referred to as the "base budget." The estimated cost for providing each program is reviewed and justified on an annual basis. The process includes the identification of potential reductions and additions, which are ranked in priority order. Presentation of the budget also is provided on a program basis.

