



NON-GENERAL FUNDS

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

SPECIAL REVENUE FUNDS

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

Neighborhood Protection Sales Tax

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

Public Safety Enhancement Sales Tax

The Public Safety Enhancement sales tax was implemented on May 1, 2005, and is made up of the 2.0 percent increment of the 2.7 percent sales tax on utilities with franchise agreements. The fund is allocated between Police and Fire needs. The Police Public Safety Enhancement Fund is allocated 62 percent of revenues and is dedicated to Police and Emergency Management needs. The Fire Public Safety Enhancement Fund is allocated 38 percent of the revenues collected and is dedicated to Fire needs. The 2007-08 estimate of \$25,902,000 is \$2,679,000 or 11.5 percent greater than the 2006-07 estimate of \$23,223,000. These estimates are consistent with the utilities sales tax forecast for the General Fund.

Parks and Preserves Sales Tax

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

Transit 2000 Funds

The Transit 2000 tax is a 0.4 percent sales tax approved by the voters in March 2000 and implemented in June 2000. The 0.4 percent tax is specifically earmarked for transit programs and improvements. The 2007-08 estimate of \$137,456,000 is \$9,805,000 or 7.7 percent greater than the 2006-07 estimate of \$127,651,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2007-08 fare box revenue estimate of \$27,263,000 is 9.0 percent greater than the 2006-07 estimate. The 2007-08 estimate also includes interest earnings and other miscellaneous revenue of \$9,009,000 which is a 12.9 percent decrease from 2006-07 estimate of \$10,348,000. The decrease in interest earnings is primarily the result of the planned reduction in the Light Rail Fund balance as construction continues.

Court Awards Funds

The city of Phoenix receives funds as a result of participation in the arrest and/or prosecution of certain criminal cases. These funds, referred to as Court Awards funds, represent court-ordered forfeitures of seized assets. Their use is limited to police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2007-08 is \$3,174,000.



NON-GENERAL FUND REVENUES BY MAJOR SOURCE

(In Thousands of Dollars)

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



Development Services

Revenues in this user fee category include building permits and plans review, subdivision and site plan fees, sign permit fees and engineering permits and plan review fees. These fees are used to fully support the activities of the Development Services Department. The 2007-08 estimate is \$58,800,000, which is \$2,700,000 or 4.8 percent more than the 2006-07 estimate of \$56,100,000. This is primarily due to an anticipated reduction in the backlog of work, which will result in a decrease in deferred revenue. It is also due to an increase in projected interest earnings.

Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998 and is intended to reimburse Phoenix residents for the use of their public rights of way by the telecommunications industry. The 2007-08 estimate is \$19,927,000, or a 4.8 percent increase over the 2006-07 estimate. These funds are used primarily for right of way improvements in the Street Transportation Capital Improvement Program.

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

Sports Facilities

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

ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

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

*2005 Census adjustment to population is reflected.

Arizona Highway User Revenue

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

A new distribution formula for Arizona Highway User Revenue (AHUR) was passed by the Legislature and signed by the governor in May 1996 (effective July 1, 1996). It was intended to be revenue neutral to cities. This distribution formula provides 27.5 percent to incorporated cities and towns (distributed one-half on the relative population of the cities and towns and one-half on the county origin of sales/relative population of the counties) and 3 percent to cities over 300,000 population (Phoenix, Tucson and Mesa). As a result of the 2005 census, Phoenix's share was adjusted. For 2007-08, it is anticipated that Phoenix will receive \$108.0 million from the 27.5 percent share and \$25.4 million from the 3 percent share.

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

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

Local Transportation Assistance (LTA) Funds

In July 1981, the Legislature passed a transportation bill that provided for a Local Transportation Assistance fund. Beginning July 1, 1983, \$20.5 million (minimum) to \$23 million (maximum) annually from the sale of state lottery tickets is allocated to the Local Transportation Assistance (LTA) fund. LTA funds are distributed to incorporated cities in proportion to annual population estimates developed by the Department of Economic Security.

For cities that exceed 300,000 in population, LTA funds are to be used for mass transit operating expenses. The law also provides for up to 10 percent of the city's LTA funds to be used for cultural, educational, historical, recreational or scientific projects and outpatient developmental disability programs. LTA funds used for these non-transit purposes

must be matched on a 50/50 basis with non-public funds and the total LTA funds must reach the \$23 million maximum for this type of expenditure to be made.

The 2007-08 estimate for LTA revenue is \$6.9 million which assumes the \$23 million maximum is reached. The city receives 30 percent of the total LTA funds distributed statewide. The allocation is primarily used for funding the transit system consistent with LTA fund provisions and past practices, \$106,000 is estimated for arts grants.

Regional Transit Revenues

This category includes revenue from the Regional Public Transportation Authority (RPTA) for the regional transportation plan, other state funding agencies, and the sale of bus service provided to other jurisdictions. The 2007-08 estimate of \$24,936,000 matches reimbursements due from RPTA for the Regional Transportation Plan. The plan is funded by the Maricopa County transportation tax that was extended through December 2025 by Proposition 400.

Community Reinvestment

The 2007-08 estimate of \$2,580,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements in Sky Harbor Center and the downtown area.

Secondary Property Tax

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

As discussed in the General Fund revenues section, the estimated 2007-08 primary property tax rate is \$0.8042. To maintain our current \$1.82 total rate, the resulting secondary rate is \$1.0158 per \$100 of assessed value for 2007-08. The 2007-08 secondary property tax levy of \$163,227,000 is based on this rate and secondary assessed valuation of \$16.07

SECONDARY PROPERTY TAX

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

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

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

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2003-04. The total property tax rate of \$1.82 for 2007-08 has remained unchanged since 1995-96.

Impact Fee Program Administration

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

administering the overall impact fee program.

Beginning in 2004-05, the revenue from the administrative fee and the related costs were significant enough to require separate accounting. The 2006-07 and 2007-08 revenue estimates are \$1,980,000 and \$1,190,000 respectively. Effective Feb. 19, 2007, a reduction to the administrative fee from 3 percent to 1 percent of the gross impact fee was approved. As a result, it is expected that administrative fee revenue will decrease by \$790,000 in 2007-08.

Other Restricted Fees

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

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



Public Housing Grants

The 2007-08 Public Housing grants revenue included in the annual operating budget is \$66,567,000, which is a 2.5 percent decrease from 2006-07. This category includes the HOME program that is aimed at increasing the availability of affordable rental housing and expanding home ownership opportunities for first-time homebuyers. Other items in this category include housing subsidies, interest income and housing assistance payments.

Human Services Grants

The 2007-08 revenue estimate of \$34,256,000 is \$1,770,000 less than the 2006-07 estimate of \$36,026,000. This category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants and Head Start funds.

Community Development Block Grant

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

Criminal Justice Grants

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

Public Transit Grants

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

HOPE VI Grant

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

Other Grants

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

ENTERPRISE FUNDS

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

Aviation

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

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

Water System

Water system revenues include water sales, development fees, various water service fees, resource acquisition fees, fees paid by other jurisdictions for the operation of the Val Vista Water Treatment Plant and other miscellaneous fees. Total water system revenue for 2007-08 is projected to be \$333,327,000, which is \$29,122,000 or 9.6 percent more than the \$304,205,000 estimate for 2006-07. The 2007-08 estimate reflects a full year's impact from the March 2007 rate increase for water sales and a projected increase for water miscellaneous user fees. It also reflects modest account growth coupled with a slightly lower overall consumption per account.

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