



GENERAL FUNDS

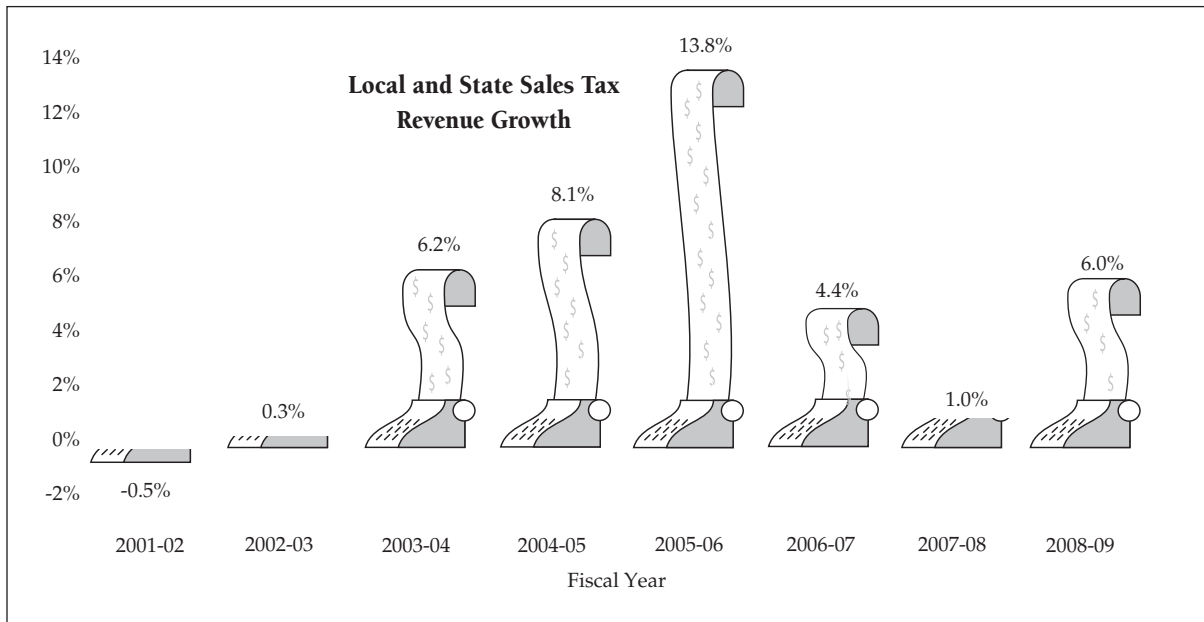
Total 2008-09 General Fund revenues are estimated to be \$1,123.3 million or 5.9 percent more than 2007-08 estimates of \$1,060.4 million. General Fund revenues consist of four major categories: local taxes, state-shared revenues, primary property taxes and user fees. Following are descriptions of the revenue sources within these four categories and explanations of 2008-09 revenue estimates.

Local and state sales tax collections represent approximately 55 percent of General Fund revenues. Local sales taxes for 2008-09 are expected to grow by 6.1 percent over 2007-08 estimates. This is an increase from the 1.2 percent growth rate in local sales taxes anticipated in 2007-08.

Phoenix's share of state sales taxes for 2008-09 is expected to grow by 5.6 percent over 2007-08 estimates. This is increased from the 0.2 percent growth in Phoenix's share anticipated in 2007-08.

Combined local and state sales revenues for 2008-09 are expected to grow by 6.0 percent over 2007-08 estimates. Combined rates of growth since 2001-02 are provided in the chart below.

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





LOCAL SALES TAXES AND FEES

This major revenue category consists of various local sales taxes, privilege license fees, use tax, and franchise taxes and fees. The 2008-09 estimate is \$464.5 million, which is \$26.8 million or 6.1 percent greater than the 2007-08 estimate of \$437.7 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. Finally, two additional local taxes are collected based on water service accounts.

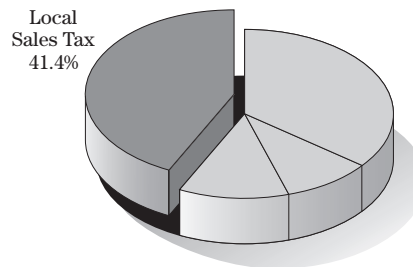
Of the 15 categories collected as a percentage of income, all except advertising provide General Fund resources and contribute to voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several categories and the entire advertising category are restricted to the

Convention Center Fund and/or the Sports Facilities Fund. Beginning in May 2005, 2 percent of utilities sales tax collections paid by those utilities with a franchise agreement were directed to the newly established Public Safety Enhancement Fund. Finally, an additional 2 percent tax on the telecommunications category provides resources for the Capital Construction Fund. The table below provides a listing of the local sales tax

categories, indicating the specific tax rates for each fund and the total tax rate for each category.

The General Fund portion of the local sales tax estimate is \$464,497,000 for 2008-09. This is an increase of \$26,803,000 or 6.1 percent from the 2007-08 estimate of \$437,694,000. The increase in local sales tax revenue is based on estimated growth of 2.9 percent in the retail sales category, and reflects slight growth consistent with

GENERAL FUNDS
Total Revenues – \$1,123.3 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

	2007									Total
	General Fund	Neighborhood Protection	Public Safety Expansion	Public Safety Enhancement	Parks & Preserves	Transit 2000	Convention Center	Sports Facilities	Capital Construction	
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	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Short-Term Motor Vehicle Rental	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	2.0%	–	4.0%
Commercial 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% *	–	–	2.0% **	–	–	–	–	–	4.7%
Telecommunications	2.7%	–	–	–	–	–	–	–	2.0%	4.7%

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

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





predictions of local economists. Projected increases in other categories include 8.6 percent for utility and franchise; 8.1 percent for commercial rentals; 6.9 percent for restaurants and bars; and 7.9 percent for hotel/motel room rentals.

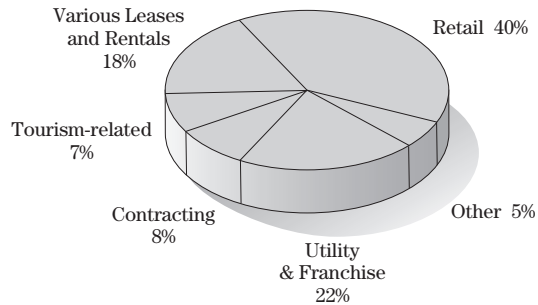
As shown in the pie chart on the right, the retail category represents approximately 40 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 4.1 percent for 2008-09. Overall, sales tax growth tends to follow a growth pattern similar to personal income growth.

General Fund sales tax revenue is collected on three rental categories: leases and rentals of personal property, commercial real property rentals and apartment rentals. For 2008-09, these categories are expected to increase 7.5 percent, 8.1 percent and 6.1 percent respectively. These three categories combined are approximately 18 percent of General Fund sales tax revenue.

The contracting category is expected to increase by 1.3 percent in 2008-09. Due to the significant slowdown in the housing market, contracting sales tax is expected to decline by 1.6 percent in 2007-08. For 2008-09, indicators for job creation and population growth predict that residential construction activity will continue to slow. This slowing, however, will be offset by significant public sector commercial construction projects such as the Convention Center expansion, the downtown hotel and light rail. This category represents approximately 8 percent of the General Fund sales tax revenue.

The restaurants and bars category is expected to increase 6.9 percent and the hotel/motel category is expected to increase 7.9 percent in 2008-09. 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 2007-08 are 2.9 percent and 5.9 percent respectively. Revenues from these tourism-related activities represent approximately 7 percent of General Fund sales tax revenue.

**GENERAL FUNDS
Local Sales Taxes**



The utility tax category is approximately 22 percent of General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. The 2008-09 estimate for utility sales and franchise tax revenue is \$98,597,000, which is an increase of 8.5 percent over the 2007-08 estimate. The increase is partly due to recent and expected future rate increases for water, wastewater and electricity.

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 2008-09 estimate of \$17,447,000 for use tax is 3.3 percent or \$1,338,000 more than the 2007-08 estimate. This category is subject to fluctuations in purchasing practices, as well as economic drivers. The use tax category is approximately 4 percent of General Fund sales tax revenue.

The following table shows General Fund sales tax collections since 2004-05. The amounts shown exclude the two additional utility tax items that are collected based on water service accounts.

The first of the two additional utility tax items collected on water service accounts was implemented on Oct. 1, 1990, and provides resources to help offset jail costs paid to Maricopa County for misdemeanor defendants. The 2008-09 estimate of \$6,883,000 for this category is 2.5 percent higher than the 2007-08 estimate of \$6,715,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2008-09 estimate of \$1,378,000 for this tax is 2.5 percent greater than the 2007-08 estimate of \$1,345,000. This increase provides for modest growth in accounts.

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

Fiscal Year	Revenues	% Change From Previous Year
2004-05	\$349,120	7.2%
2005-06	398,319	14.1
2006-07	422,130	6.0
2007-08 (Est.)	427,098	1.2
2008-09 (Est.)	453,695	6.2





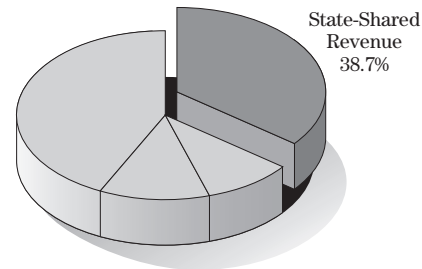
Privilege License Fees

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 2008-09 estimate for privilege license fee revenue of \$2,355,000 represents no change from the 2007-08 estimate. Historically, the net change in the number of licensed businesses is small.

STATE-SHARED REVENUES

This major revenue category consists of the city's share of the state sales tax, the state income tax and vehicle license tax. The 2008-09 estimate for this category is \$435.2 million, which is \$23.9 million or 5.8 percent more than the 2007-08 estimate of \$411.2 million. The increase is mainly due to projected growth rates of 5.6 percent in state-shared sales taxes and 6.5 percent in state-shared income taxes. The increase in the income tax collections reflects personal and corporate income growth in 2006-07. State-shared vehicle license tax revenue for 2008-09 is estimated to grow at 4.2 percent over the 2007-08 estimate.

GENERAL FUNDS
Total Revenues – \$1,123.3 Million



State Sales Tax

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

Under the current formula, incorporated cities receive 25 percent of

the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2008-09 is estimated at 30.3 percent.

The city's share of the state sales tax for 2008-09 is expected to be \$149,720,000, which is \$7,914,000 or 5.6 percent more than the 2007-08 estimate of \$141,806,000. This estimate is based on the assumption that, similar to the local economy, the state economy will improve somewhat. At the state level, retail sales are anticipated to increase about 3.9 percent over the current fiscal year. The table below shows the cities' share of state sales taxes, Phoenix's allocation and annual increases

STATE SALES TAXES
(In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix's Share		
	Total	% Change	Percent	Amount	% Change
2004-05	\$376,213	10.5%	32.5%	\$123,788	10.9%
2005-06	435,568	15.8	32.5	141,194	14.1
2006-07	462,037	6.1	30.4*	141,466	0.2
2007-08 (Est.)	469,029	1.5	30.3	141,806	0.2
2008-09 (Est.)	491,517	4.8	30.3	149,720	5.6

*Impact of 2005 census population changes.





since 2004-05. 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 2006 state legislative session included personal income tax cuts which will impact the city in 2008-09 and 2009-10. For 2008-09, the Legislature attempted to hold the cities harmless from the cuts by appropriating a set distribution amount to the cities of \$717.1 million. Phoenix's portion is estimated to be approximately 30.3 percent. The Legislature also appropriated a one-time distribution of \$10.5 million to the cities in an effort to reimburse them for income tax sharing cuts in 2002-03 and 2003-04. Phoenix's portion of this is estimated to be approximately 33.7 percent. Phoenix's total distribution for 2008-09 is estimated at \$221,132,000 and is an increase of \$13,430,000 or 6.5 percent from the 2007-08 estimate of \$207,702,000.

The following table shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2004-05. Similar to sales tax sharing, population is changed only on the basis of a census count with periodic corrections made throughout the year.

Vehicle License Tax

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

Currently, 37.61 percent of collections are allocated to the Arizona Highway 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 2005 Census, Phoenix's percentage of population within Maricopa County is approximately 42.6 percent, down from 46.1 percent based on the 2000 Census.

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

Fiscal Year	% Shared w/Cities	Cities' Share of State Collections		Phoenix's Share		
		Total	% Change	Percent	Amount	% Change
2004-05	15.0%	\$373,073	2.2%	32.5%	\$121,440	1.9%
2005-06	15.0	425,229	13.9	32.5	138,313	14.0
2006-07	15.0	551,231	29.6	30.4*	167,560	21.1
2007-08 (Est.)	15.0	684,519	24.2	30.3	207,702	24.0
2008-09 (Est.)	15.0	727,677**	6.3	30.3	221,132	6.5

*Impact of 2005 Census population changes.

**Distribution set by the legislature of \$717.1 million, plus one-time distribution of \$10.5 million.





Phoenix's share of the vehicle license tax for 2008-09 is anticipated to be \$64,333,000, which is \$2,593,000 or 4.2 percent more than the 2007-08 estimate of \$61,740,000.

The table below shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2004-05.

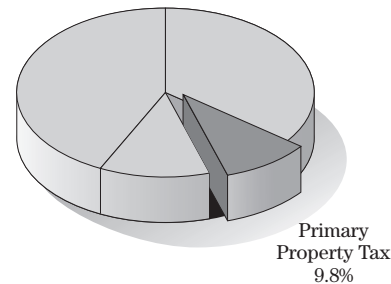
PRIMARY PROPERTY TAX

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

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

Before 1996-97, the maximum levy allowed by the Arizona Constitution had been levied each year. Leading up to 1996-97, due to a number of years of declining assessed valuations, deferral of the property tax-supported Capital Improvement Program was necessary. A new revenue policy also was established. This policy called for a maximum and minimum allowable combined primary and secondary property tax rate. By 1996-97, the application of this revenue policy had driven the combined rate down to the adopted minimum of \$1.82. By Council policy, the \$1.82 rate remains in effect today. The 2006 Bond Committee recommended that maximum allowable primary property taxes be levied in order to help support operating and maintenance costs resulting from 2006 bond-funded capital projects.

GENERAL FUNDS Total Revenues – \$1,123.3 Million



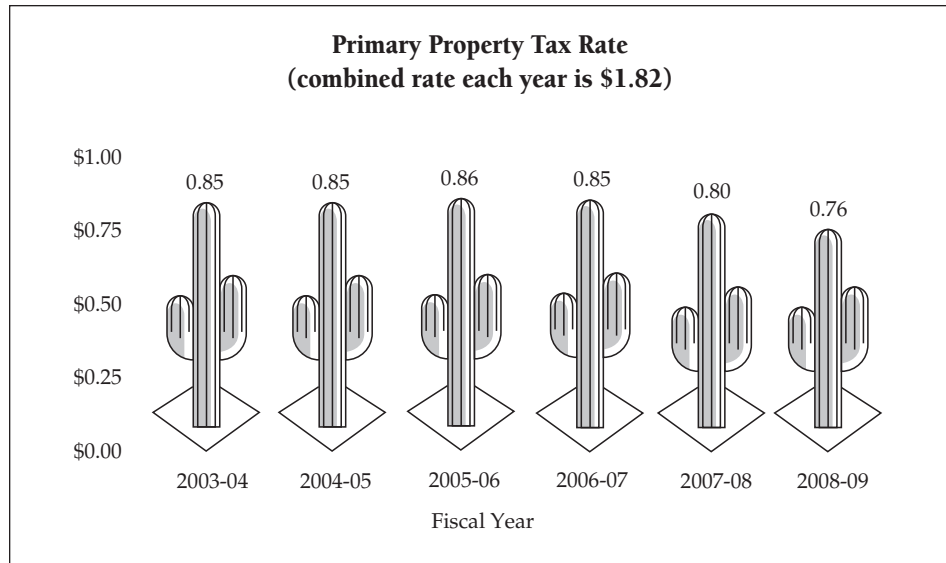
PRIMARY PROPERTY TAX

Fiscal Year	Primary Assessed		Primary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2004-05	\$9,800	8.3%	\$83,304	9.0%	\$.8500
2005-06	10,637	8.5	91,311	9.6	.8584
2006-07	11,431	7.5	96,622	5.8	.8453
2007-08 (Est.)	12,890	12.8	103,664	7.3	.8042
2008-09 (Est.)	14,665	13.8	111,568	7.6	.7608

VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2004-05	\$122,619	46.1%	\$56,552	\$3,030	5.7%
2005-06	136,835	46.1	63,108	6,556	11.6
2006-07	143,530	42.6	61,158	(1,950)	(3.1)
2007-08 (Est.)	145,100	42.6	61,740	582	1.0
2008-09 (Est.)	151,194	42.6	64,333	2,593	4.2





The chart above shows the changes in the primary property tax rate since 2003-04. The primary property tax rate begins trending down in 2006-07 because the levy is capped at 2 percent regardless of the growth in property values.

The estimated 2008-09 primary property tax levy is \$111,568,000, which is the maximum amount allowed by the Arizona Constitution. This is a 7.6 percent increase over the 2007-08 levy of \$103,664,000. The change in the primary levy reflects an estimated \$5,830,000 increase for collections associated with new properties entering the rolls, plus \$2,074,000 for the State Constitution allowed 2 percent increase on the prior year levy. The primary assessed valuation of \$14.67 billion is approximately 13.8 percent above the 2007-08 primary assessed valuation of \$12.89 billion. Of this increase about 43 percent is from new properties.

Historically, actual property tax collections are slightly lower than the amount levied. For 2008-09, actual collections for primary property tax are estimated to be \$109,671,000 or 98.3 percent of the levy amount.

The 2008-09 levy results in an estimated primary property tax rate of \$0.7608 per \$100 of assessed valuation. This would result in a secondary property tax rate of \$1.0592 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 2004-05.





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 2008-09 estimate for this category is \$113.9 million, which is \$4.8 million or 4.4 percent higher than the 2007-08 estimate of \$109.1 million. Following are descriptions of the various categories and explanations of the revenue estimates.

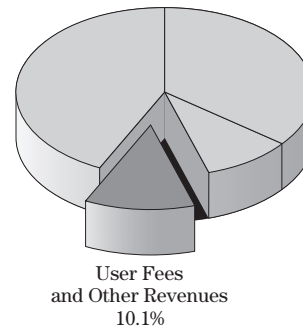
Licenses and Permits

This category consists of various business permit application fees and annual permit fees including liquor license applications, amusement machines, annual liquor licenses and other business license applications and fees. The 2008-09 estimate of \$2,625,000 is 4.2 percent higher than the 2007-08 estimate, primarily due to expected growth in liquor licenses.

Cable Communications

The city imposes a 5 percent fee on the gross receipts of cable television licensees in return for the use of streets and public rights of way by cable companies in the provision of cable television service. The 2008-09 estimate of \$10,238,000 is \$3,000 greater than the 2007-08 estimate of \$10,235,000. The increase assumes no change in the customer base for one of the cable providers and a very minimal rate increase. The license for the other cable provider provides that the amount will remain at calendar year 2006 levels. Revenue payments for both providers are offset by annual payments to the Educational Access Account, which are adjusted annually by the consumer price index.

GENERAL FUNDS Total Revenues – \$1,123.3 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 2008-09 estimate of \$20,928,000 is \$284,000 or 1.3 percent less than the 2007-08 estimate of \$21,212,000. The decrease in 2008-09 is due to the receipt of surplus revenue from the Fines, Fees, and Forfeitures (FARE) program from the state for 2007-08.

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 2008-09 estimate for this revenue category is \$790,000, which is 1.9 percent higher than the 2007-08 estimate. The estimate is based on year-to-date actuals and historical growth patterns.

Engineering and Architectural Services

This user fee category includes permits for utility construction and fiber optic construction in the public rights of way. It also includes revenues from fees for pavement cut activity. The 2008-09 estimate of \$2,266,000 is \$1,022,000 or 82.2 percent more than the 2007-08 estimate of \$1,244,000. The increase in 2008-09 is due to an anticipated large bad debt write-off in 2007-08 due to a customer's bankruptcy.





Fire

The Fire Department receives fees from various services. The majority of the revenue comes from emergency transportation service (ETS). This user fee includes basic life support and advanced life support services and related charges for mileage and supplies for the provision of ambulance service. The 2008-09 estimate for ETS is \$26,010,000, which is \$2,394,000 or 10.1 percent greater than the 2007-08 estimate of \$23,616,000. The projected increase is due to rate increases approved by the Arizona Department of Health Services, modest growth in the number of transports and a projected increase in collection rates. The collection rates are anticipated to increase by 2 percent in 2008-09 as transition issues related to the Fire Department's assuming billing and collections in-house in 2006 will be fully resolved.

Other Fire revenue sources include fire prevention inspection fees, computer-aided dispatch (CAD) and various other services provided to the community. The 2008-09 estimate for other fire services is \$9,828,000 which is \$1,706,000 or 21.0 percent above the 2007-08 estimate of \$8,122,000. Increased fees for computer-aided dispatch and increased billings for Paradise Valley fire services contribute to the increased revenues.

Hazardous Materials Permit and Inspection Fee

Because incidents involving hazardous materials have increased in recent years, a hazardous materials permit and inspection fee was established in October 2001. Revenues from this category are used to recover direct costs incurred for inspecting businesses that use hazardous materials. Upon review in 2003-04, the annual permit fee amount was raised. This annual permit fee now varies from \$400 to \$1,650 and depends on the volume of hazardous materials stored on site. The 2008-09 estimate is \$1,325,000, which is the same as 2007-08 estimate. Revenues in this category have been historically consistent.

Library Fees

Library fee and fine revenue for 2008-09 is expected to be \$1,546,000, which is \$5,000 or 0.3 percent below the 2007-08 estimate. The reduction is due to an anticipated decrease in miscellaneous fees and interest.

Parks and Recreation Fees

This category includes parks concession revenues, swimming pool revenues, fees for the use of various park facilities such as ball fields and recreation programs, activities at Municipal Stadium, Maryvale Stadium and the Papago Baseball Facility, and other miscellaneous park fees. The 2008-09 estimate of \$6,164,000 is \$747,000 or 13.8 percent above the 2007-08 estimate. The increase in 2008-09 is primarily due to implementing and increasing a variety of fees to help lessen the impact to the community of budget reductions. This included implementing a \$5 annual fee for use of community centers and increasing fees for aquatics programs, ball field usage and museum admissions.

Planning

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances. The 2008-09 estimate of \$1,774,000 reflects no change from the 2007-08 estimate.

Police

The Police Department receives revenues for various services and programs. Police services are provided on a fee-per-hour basis for school and athletic events as well as other activities where a law enforcement presence is desired. In addition, a false alarm program includes both permit fees and assessments for false alarm responses. For 2008-09, the estimate of \$13,860,000 is 1.5 percent more than the 2007-08 estimate of \$13,653,000. The increase is due to a projected increase in revenue from reimbursements for school resource officers.

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 2008-09 estimate of \$2,129,000 is \$40,000 more than the 2007-08 estimate of \$2,089,000.

Other Service Charges

Revenue in this category is composed of several non-tax sources including interest income, parking meter revenue, the Downtown Enhancement District, in lieu property taxes, sales of surplus and abandoned property, various rental, parking and concession categories. The 2008-09 estimate of \$12,675,000 is \$1,071,000 or 7.8 percent less than the 2007-08 estimate of \$13,746,000. This is primarily due to a projected decrease in interest earnings.

All Other Fees

This fee category consists of miscellaneous service charges in the Finance, Housing, Human Services and Neighborhood Services departments and miscellaneous categories. The 2008-09 estimate of \$1,775,000 is \$93,000 or 5.0 percent less than the 2007-08 estimate of \$1,868,000.

