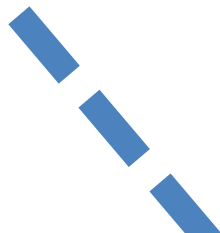
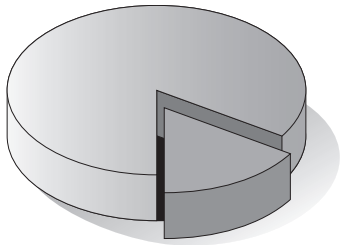


The Tres Rios Project is designed to reclaim and reuse the effluent flow from a nearby wastewater treatment plant using a series of constructed wetlands along a seven-mile stretch of the Salt River.



Environmental Services

The Environmental Services Program Represents 15.9% of the Total Budget.



The Environmental Services program budget includes Water Services, Solid Waste Management, Public Works and Environmental Programs.

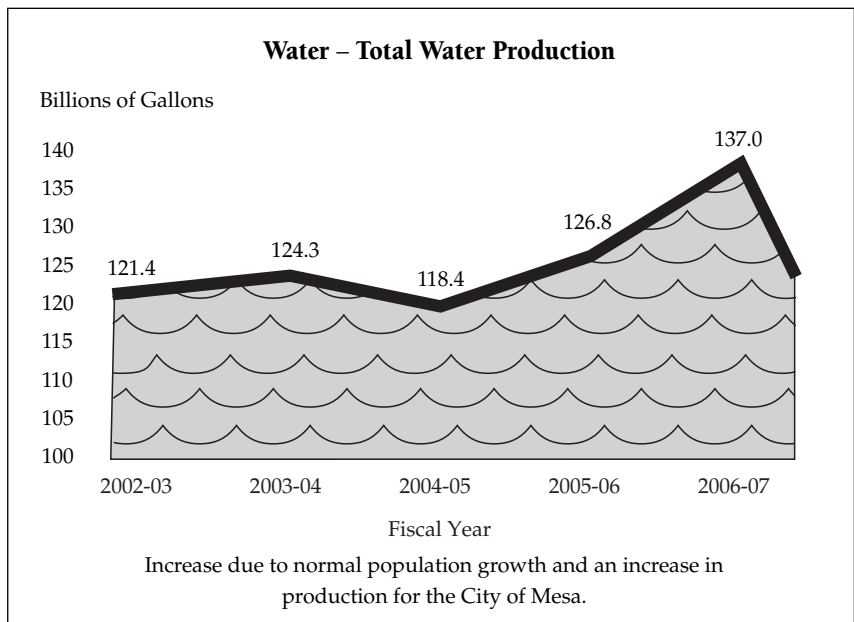
WATER SERVICES

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 water borne wastes generated within the Phoenix drainage area.

Budget Allowance Explanation

The Water Services operating budget allowance of \$232,037,000 is \$23,188,000 or 11.1 percent more than 2005-06 estimated expenditures. The increase is primarily due to contract operating costs for the new Lake Pleasant Water Treatment Plant, increases in chemical prices, normal inflationary increases and budget additions. The budget also includes the carry forward of 2005-06 funds for the Enhanced Water Conservation Program, an energy



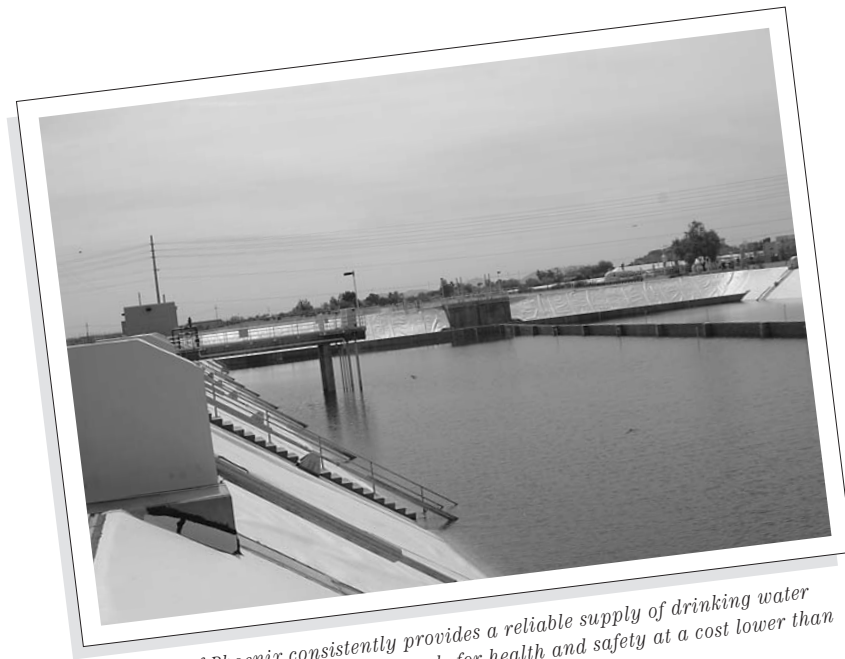


management system for the laboratory, and information technology improvements.

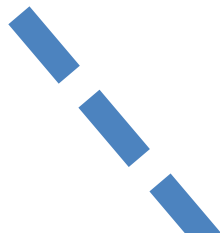
The budget adds staff to monitor the highly complex Lake Pleasant Water Treatment Plant contract and provides funds for increased technical support for water technology applications.

Expenditure and Position Summary

	2004-05	2005-06	2006-07
Operating Expense	\$190,524,000	\$208,849,000	\$232,037,000
Total Positions	1,355.1	1,416.1	1,417.1
Source of Funds:			
Water	\$121,874,000	\$135,462,000	\$152,735,000
Wastewater	68,536,000	73,200,000	79,195,000
City Improvement	19,000	85,000	-
Other Restricted	95,000	102,000	107,000



The city of Phoenix consistently provides a reliable supply of drinking water that meets or surpasses all standards for health and safety at a cost lower than most cities in the Southwest.



Water Services Major Performance Measures and Service Levels

The following significant performance measures and service trends will be achieved with the 2006-07 budget allowance:

	2004-05	2005-06*	2006-07
Gallons of water produced systemwide (in billions)	118.4	126.8	137.0
Gallons of wastewater treated (in billions)	70.0	71.4	70.0
Gallons of water supplied to consumers per \$.01	4.54	4.27	4.00
Miles of wastewater collection lines cleaned	1,294	1,484	1,488
Laboratory analyses and analytic screenings conducted in-house	84,116	90,381	90,381
Telephone calls:			
Received	981,967	996,697	1,001,606
Percent answered	94%	96%	96%
Customer payments processed by customer services staff (excludes mailed payments)	985,419	1,000,200	1,005,127
Emergency repairs to water distribution system	6,265	5,850	5,850
Percent of water leaks repaired within the 5-day standard	94%	96%	98%
Average gallons of water used per capita per day	192	198	198

*Based on 10 months actual experience.

Gallons of water produced systemwide (in billions) increased due to population increases and increased demand from the city of Mesa. Gallons of water supplied per \$.01 decreased as a result of water rate increases needed to support debt service for new treatment facilities and replacement of existing infrastructure.

