

2009-10 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2009-10 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 2009-10 budget, financed by operating funds, totals \$3,673,457,000. As shown in the pie chart on page 23, the General Fund portion of \$1,111,799,000 is approximately 30 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste, Convention Center and Golf, make up another 34 percent of the total. Special Revenue funds such as Arizona Highway User Revenues, Local Transportation Assistance, and grant funds such as Community Development Block Grants,

Human Services grants and Housing grants represent the remaining 36 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 pie chart on page 23 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 2009-10 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 bar chart on page 23 presents the General Fund budget on a department-by-department basis.

The table below provides a comparison of the 2009-10 budget to the 2008-09 adopted budget. Actual expenditures for the 2007-08 fiscal year also are included.

Citywide operating and maintenance expenditures are expected to decline as a result of budget cuts both in the General Fund and the Enterprise funds. Pay-as-you-go capital also is expected to decline due to flat and declining revenue growth in Water, Wastewater and Aviation, and Sonoran Preserve land purchases in 2008-09 that will not occur in 2009-10.

2009-10 Budget Compared to 2008-09 Adopted Budget (In Millions of Dollars)

	2007-08 Actual Expenditures	2008-09 Adopted Budget	2009-10		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$2,169.2	\$2,531.9	\$2,517.1	(\$14.8)	(0.6%)
Capital Expenditures	378.9	584.4	533.2	(51.2)	(8.8)
Debt Service	526.5	619.5	623.2	3.7	0.6
Total	\$3,074.6	\$3,735.8	\$3,673.5	(\$62.3)	(1.7%)



2009-10 GENERAL FUND BUDGET OVERVIEW

The 2009-10 General Fund budget of \$1,111,799,000 provides for ongoing operating and maintenance and a small amount of pay-as-you-go capital expenditures. The table below compares the 2009-10 General Fund budget with the adopted 2008-09 budget.

The operating and maintenance expenditures for 2009-10 are decreased 5.7 percent compared to the 2008-09 adopted budget. These decreases are primarily the result of budget reductions made in mid-2008-09 and continuing through 2009-10 as a result of declining economic conditions. The pay-as-you-go capital expenditures are decreased 83.6 percent compared to the 2008-09 adopted budget. The capital expenditures are down due to shifting some pay-as-you-go capital projects to lease-purchase financing. Budget reductions are described in detail in the Department Program Summary section of this document.

The following pie charts show the 2009-10 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.

2009-10 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 2009-10 beginning fund balances of \$867.3 million include \$35.8 million in General funds, \$471.9 million in Special Revenue funds and \$359.6 million in Enterprise funds. The estimated beginning fund balance for Special Revenue and Enterprise funds include: Transit 2000 - \$247.1 million; Water - \$128.3 million; Aviation - \$81.1 million; Wastewater - \$100.4 million; Convention Center - \$27.3 million; Parks and Preserves - \$48.4 million; Solid Waste - \$31.1 million; Grant funds - \$34.1 million; Arizona Highway User Revenue - \$13.4 million; Development Services - \$11.1 million; Sports Facilities - \$33.9 million and \$75.3 million in various other restricted funds.

2008-09 General Fund Estimated Ending Balance

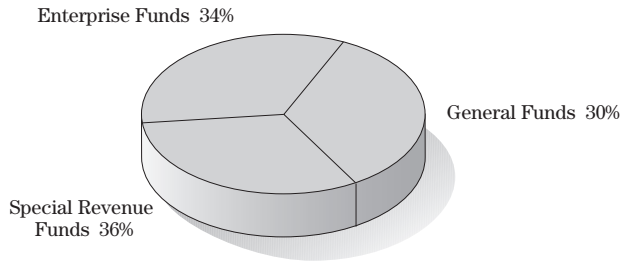
As shown in the table on page 25, the estimated 2008-09 ending General Fund balance is \$35.8 million. The balance results primarily from a \$106.5 million decrease in operating expenditures, a \$5.3 million decrease in pay-as-you-go capital expenditures and a \$32.2 million increase in transfers, which were offset by a \$104.6 million decrease in operating revenues and a \$3.9 million lower beginning balance. The decrease in estimated 2008-09 General Fund expenditures is largely due to unused contingency funds and mid-year budget cuts made as a result of the extended economic recession.

2009-10 General Fund Budget Compared to 2008-09 Adopted Budget (In Millions of Dollars)

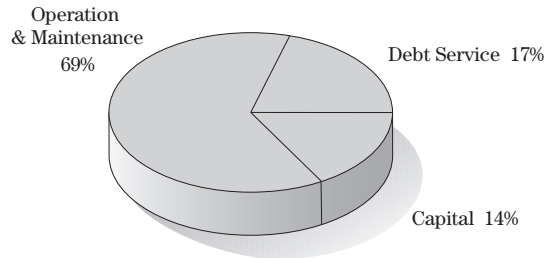
	2007-08 Actual Expenditures	2008-09 Adopted Budget	2009-10		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,086.9	\$1,177.8	\$1,110.8	(\$67.0)	(5.7%)
Capital	6.1	6.1	1.0	(5.1)	(83.6%)
Debt Service	—	—	—	—	0%
Total	\$1,093.0	\$1,183.9	\$1,111.8	(\$72.1)	(6.1%)



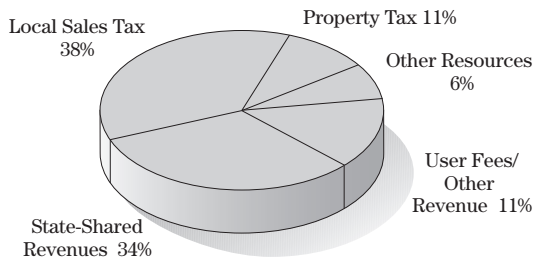
ALL SOURCES OF FUNDS
Total Resources – \$3.7 Billion



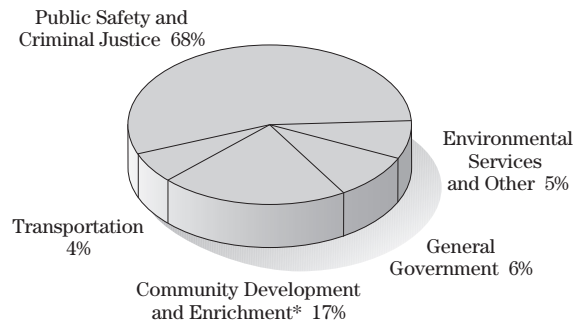
ALL SOURCES OF FUNDS
Total Expenditures – \$3.7 Billion



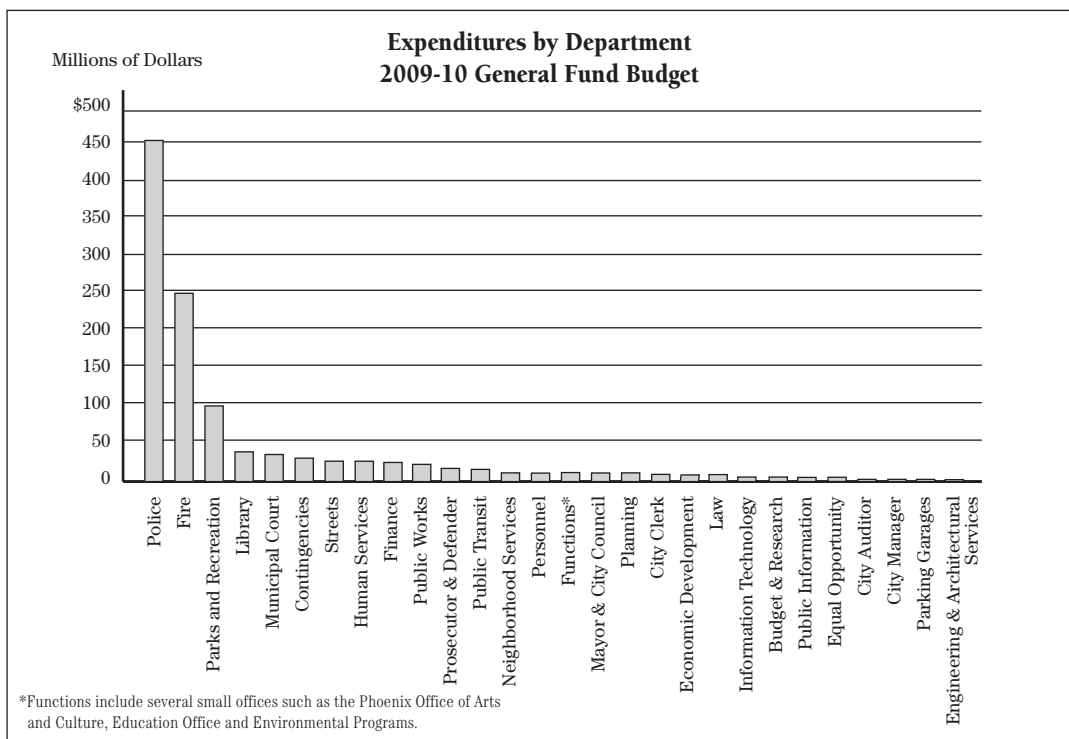
GENERAL FUNDS
Total Resources – \$1,112 Million



GENERAL FUNDS
Total Expenditures – \$1,112 Million



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





2009-10 Estimated Revenues

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2009-10 are estimated at \$3,366,415,000. This is \$267,470,000, or 8.6 percent above the 2008-09 estimate of \$3,098,945,000. General Fund revenues are estimated at \$1,047,279,000, which is \$28,564,000 or 2.8 percent more than the 2008-09 estimates. The following table provides a comparison of the 2009-10 estimated revenues to 2008-09 estimates and 2007-08 actual collections. Detailed explanations by category are provided in the 2009-10 Revenue Estimates section of this document.

State and local economic growth declined in 2007-08 from prior years due to a variety of factors including weakness in the residential and commercial real estate markets, increased unemployment, declines in personal income growth, and increased oil and food prices. The state and local economy has continued to decline due to these factors in 2008-09. It is assumed that growth rates will begin to improve in 2009-10. As a result, local and state sales tax collections are expected to grow at a higher rate than in 2008-09.

Included in 2009-10 estimates for the Enterprise funds are full-year impacts of rate increases for Solid Waste and Water and Wastewater services effective March 2009. The 2009-10 estimate for Special Revenue funds includes a \$20.8 million increase in Transit 2000 funds, an \$18.7 million decrease for Regional Transit funds, a \$4.1 million increase in 2007 Public Safety Expansion funds, and a \$162.0 million increase in Federal funds.

2009-10 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 2009-10 total \$64.2 million. This amount reflects \$44.7 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 Personnel, 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.

Transfers to the General Fund also reflect \$17.2 million in GO Bond Debt from Water, Wastewater and Solid Waste. The Enterprise transfers include \$279,000 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 \$2.0 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 \$64.2 million. A transfer of \$749.1 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.

2009-10 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 2009-10, \$29.8 million is included for the General Fund contingency 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 2009-10 ending balance of \$549.9 million includes: Transit 2000 - \$235.1 million; Water - \$47.5 million; Convention Center - \$3.4 million; Wastewater - \$58.8 million; Solid Waste - \$10.8 million; Aviation - \$74.2 million; 2007 Public Safety Expansion - Police - \$9.6 million; Arizona Highway User Revenue - \$24.3 million; Sports Facilities - \$39.2 million and \$47.0 million in various other Special Revenue and Enterprise funds. Beginning and ending fund balances are provided in more detail in Schedule 1.

In 2009-10, the Enterprise funds in the aggregate are programmed to decline from \$359.6 million at the beginning of 2009-10 to \$182.2 million at year end. The Aviation balance is declining slightly due to slower anticipated growth in operating revenues as a result of reduced passenger activity combined with increased operating expenditures. Solid Waste funds are decreasing due to increased equipment maintenance and replacement costs, and planned maintenance and repairs associated with aging infrastructure. Water funds are decreasing primarily due to increased costs for raw water, budget additions such as staff and equipment to provide maintenance and support for a new booster station, and increased costs for debt service. Wastewater funds are decreasing primarily due to increased costs for wastewater treatment such as electricity and chemical costs, along with the addition of staff to operate the new Unified Plant expansion at the 91st Avenue Wastewater Treatment Plant. The Convention Center Fund balance is declining due to planned increases in operating costs associated with the facility expansion and reduced resources due to large declines in construction sales tax.

Special Revenue Fund balances in the aggregate are expected to decrease from \$471.8 million to \$367.7 million, primarily due to the decrease in the Regional Transit Fund, the Transit 2000 Fund, the Parks and Preserves Fund, the Development Services Fund and the Capital Construction Fund.

The Regional Transit Fund balance is decreasing due to increasing pay-as-you-go capital expenditures for the acquisition of buses and vehicles. The Transit 2000 Fund balance is decreasing due to increasing debt service and contractual services costs due to a full year of Light Rail operations. The Parks and Preserves Fund balance is decreasing due to increased pay-as-you-go capital expenditures including park land acquisition and aquatics renovations. The Capital Construction Fund balance is decreasing due to increasing pay-as-you-go capital expenditures for street improvements.

The Development Services Fund balance largely represents permit revenues received for which inspection services

have not yet been performed. New permitting activities have significantly declined and the fund balance will be drawn down to support inspection services still due.

Negative Fund Balance

Golf Fund expenditures have exceeded revenues for several years. The Parks Department is exploring various ideas, including alternative operating structures, to correct this issue. An example of an alternative operating structure is Papago Golf Course, where operations were recently turned over to a private enterprise in exchange for fixed revenue payments.

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. The Police and Fire Departments plan to bring the fund balances positive through sworn employee attrition followed by holding positions vacant to realize salary savings.

General Fund Balance Analysis (In Thousands of Dollars)

	2007-08	2008-09		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
Resources					
Beginning Balances	\$ 68,689	\$ 43,012	\$ 39,130	\$ (3,882)	(9.0)%
Revenue	1,037,114	1,123,286	1,018,715	(104,571)	(9.3)%
Recoveries	1,515	850	1,100	250	29.4%
Transfers	24,821	16,740	48,985	32,245	192.6%
Total Resources	\$1,132,139	\$1,183,888	\$1,107,930	\$(75,958)	(6.4)%
Expenditures					
Operating Expenditures	1,086,941	1,177,763	1,071,270	(106,493)	(9.0)%
Capital	6,068	6,125	865	(5,260)	(85.9)%
Total Expenditures	\$1,093,009	\$1,183,888	\$1,072,135	\$(111,753)	(9.4)%
Ending Fund Balance	\$ 39,130	\$ —	\$ 35,795	\$ 35,795	100.0+%

2009-10 Estimated Revenues Compared to 2008-09 Estimates (In Thousands of Dollars)

Fund Types	2007-08 Actuals	2008-09 Estimate	2009-10 Estimate	2009-10	
				Amount Change	Percent Change
General	\$1,037,114	\$1,018,715	\$1,047,279	\$ 28,564	2.8%
Special Revenue Funds	944,699	1,019,251	1,196,463	177,212	17.4%
Enterprise Funds	1,095,433	1,060,979	1,122,673	61,694	5.8%
Total	\$3,077,246	\$3,098,945	\$3,366,415	\$267,470	8.6%