



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 2005-06 revenue estimates. The table on the next page provides the 2004-05 and 2005-06 estimates and 2003-04 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 2005-06 estimate of \$27,471,000 is \$2,110,000 or 8.3 percent greater than the 2004-05 estimate of \$25,361,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$83,000 is estimated in each year for interest revenue.

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 2004-05 estimate is \$3,788,000 which reflects two months of revenue collections. The 2005-06 estimate is \$16,640,000 which reflects a full year of revenue collections.

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 2005-06 estimate of \$27,472,000 is \$2,110,000 or 8.3 percent more than the 2004-05 estimate of \$25,362,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion. The 2004-05 estimate includes one-time interest earnings of \$1,300,000 resulting from delayed land purchases.

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 2005-06 estimate of \$109,888,000 is \$8,441,000 or 8.3 percent greater than the 2004-05 estimate of \$101,447,000. 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 2005-06 fare box revenue estimate of \$23,132,000 is 0.9 percent greater than the 2004-05 estimate, and reflects the continued expansion of services. The 2005-06 estimate also includes interest earnings of \$6,961,000 which is a 5.4 percent decrease from 2004-05.

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 the police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2005-06 is \$2,699,000.

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 2005-06 estimate is \$52,977,000, which is \$1,305,000 or 2.5 percent more than the 2004-05 estimate of \$51,672,000. The growth in the residential and commercial sector is driving increases in the revenue for 2005-06. The increased revenue is primarily associated with increases in permits and plan review associated with this growth.



NON-GENERAL FUND REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2003-04 Actual	2004-05 Estimate	2005-06 Budget	Increase/(Decrease) from 2004-05 Est.	
				Amount	Percent
Special Revenue Funds					
Neighborhood Protection	\$ 23,133	\$ 25,444	\$ 27,554	\$ 2,110	8.3%
Public Safety Enhancement	0	3,788	16,640	12,852	339.3
Parks and Preserves	23,957	26,662	27,471	810	3.0
Transit 2000	121,168	131,744	139,981	8,237	6.3
Court Awards	3,036	3,343	2,699	(644)	(19.3)
Development Services	47,036	51,672	52,977	1,305	2.5
Capital Construction	18,170	19,427	20,098	671	3.5
Sports Facilities	13,311	14,284	15,086	802	5.6
Arizona Highway User Revenue	115,438	118,406	122,493	4,087	3.5
Local Transportation Assistance	7,245	7,130	7,130	—	0.0
Regional Transit Revenues	9,531	10,610	10,732	122	1.1
Community Reinvestment	2,094	2,084	2,084	—	0.0
Secondary Property Tax	94,923	102,356	110,461	8,105	7.9
Impact Fee Program Administration	0	3,015	3,165	150	5.0
Court Special Fees	1,604	1,671	1,736	65	3.9
Monopole Rental	123	133	133	—	0.0
Tennis Center	24	23	23	—	0.0
Heritage Square	17	16	16	—	0.0
Other Restricted Revenues	5,614	16,870	7,192	(9,678)	(57.4)
Grants					
Public Housing Grants	66,694	70,371	67,065	(3,306)	(4.7)
Human Services Grants	46,630	47,395	43,931	(3,464)	(7.3)
Community Development	19,009	22,943	33,381	10,438	45.5
Criminal Justice	11,575	19,892	7,843	(12,049)	(60.6)
Public Transit Grants	9,287	10,365	7,457	(2,908)	(28.1)
HOPE VI Grant	4,781	20,695	6,849	(13,846)	(66.9)
Other Grants	10,151	15,725	11,869	(3,856)	(24.5)
Subtotal - Grants	\$ 168,127	\$ 207,386	\$ 178,395	\$(28,991)	(14.0)%
Total Special Revenue Funds	\$ 654,551	\$ 746,064	\$ 746,067	\$ 3	0.0%
Enterprise Funds					
Aviation	219,275	233,443	240,367	6,924	3.0
Water System	250,046	256,365	287,350	30,985	12.1
Wastewater System	146,805	152,035	158,947	6,912	4.5
Solid Waste	100,110	105,958	111,826	5,868	5.5
Civic Plaza	51,448	55,699	60,234	4,535	8.1
Golf Courses	6,116	6,702	7,281	579	8.6
Total Enterprise Funds	\$ 773,800	\$ 810,202	\$ 866,005	\$ 55,803	6.9%
TOTAL NON-GENERAL FUND REVENUE	\$1,428,351	\$1,556,266	\$1,612,072	\$ 55,806	3.6%





Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998. This tax is intended to reimburse Phoenix residents for the use of their public rights-of-way by the telecommunications industry. The 2005-06 estimate is \$19,298,000, or a 3.9 percent increase over 2004-05 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program.

The 2005-06 estimate also includes interest earnings, for which, \$850,000 is estimated in 2004-05 and \$800,000 is estimated in 2005-06.

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 2005-06 estimate is \$14,761,000, which is \$802,000 more than the 2004-05 estimate of \$13,959,000. The revenue estimates are consistent with the General Fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2005-06 estimate includes \$6.6 million for the hotel/motel portion and \$8.2 million for the short-term car rental portion. Also, \$325,000 is estimated in each year for interest revenue.

Arizona Highway User Revenue

The State Transportation Financing Plan adopted by the Legislature in 1981 and amended in 1982 and 1985 includes 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.

ARIZONA HIGHWAY USER REVENUES (In Thousands of Dollars)

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2001-02	\$100,406	\$(2,192)	(2.1)%*
2002-03	104,596	4,190	4.2
2003-04	111,757	7,161	6.9
2004-05 (Est.)	116,786	5,029	4.5
2005-06 (Est.)	120,873	4,087	3.5

*2000 Census adjustment to population is reflected.

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). For 2005-06, it is anticipated that Phoenix will receive \$99.0 million from the 27.5 percent share and \$21.9 million from the 3 percent share.

The total 2005-06 AHUR estimate of \$122,493,000 is \$4,087,000 or 3.5 percent more than the 2004-05 estimate of \$118,406,000. Included in the estimate is \$120,873,000 state-shared AHUR, which is \$4,087,000 or 3.5 percent more than the 2004-05 estimate. Also included in the estimate for both years is \$1,620,000 in interest earnings and other income. The state-shared increase is based on anticipated increases at the state level of 6.9 percent in gasoline tax collections, 7.4 percent in motor carrier tax collections (trucking), 4.0 percent in vehicle license tax collections and 2.7 percent in vehicle

registrations. The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2001-02.

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 2005-06 estimate for LTA revenue is \$7.1 million which assumes the \$23 million maximum is reached. The city receives 31 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), other state funding agencies, the sale of bus service provided to other jurisdictions, and bus shelter advertising. The 2005-06 estimate of \$10,732,000 is \$122,000 or 1.1 percent above the 2004-05 estimate of \$10,610,000. The increase is due to modest increases in other government participation.

Community Reinvestment

The 2005-06 estimate of \$2,084,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements. Redevelopment areas include Sky Harbor Center and the downtown area.

Secondary Property Tax

By law, the secondary property tax is earmarked for servicing general obligation bond principal and interest costs. There is no statutory limitation on the property taxes levied for debt service purposes.

As discussed in the General Fund revenues section, the estimated property tax rate is \$0.8584. To maintain our current \$1.82 total rate, the resulting secondary rate is \$0.9616 per \$100 of assessed value for 2005-06. The 2005-06 secondary property tax levy of \$109,811,000 is based on this projected rate and secondary assessed valuation of \$11.42 billion, but also reflects the previously discussed \$5,000,000 shifted to the primary property tax levy. This levy is \$8,055,000 or 7.9 percent greater than the 2004-05

SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2001-02	\$ 8,232	8.7%	\$ 82,642	13.7%	\$1.00
2002-03	8,803	6.9	89,948	8.8	1.02
2003-04	9,792	11.2	94,984	5.6	0.97
2004-05 (Est.)	10,490	7.1	101,756	7.1	0.97
2005-06 (Est.)	11,420	8.9	109,811	7.9	0.96

levy of \$101,756,000. The increase is primarily because of an 8.9 percent increase in net assessed property values for Phoenix, offset by the \$5,000,000 shift. Also included in the 2005-06 estimate is \$650,000 in interest earnings, an 8.3 percent increase above 2004-05.

The total property tax rate of \$1.82 for 2005-06 has remained unchanged since 1995-96.

The following above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2001-02.

Impact Fee Program Administration

In 1987, the City Council established an Impact Fee Program. Impact fees are charged in addition to building permit fees 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. In conjunction with the Impact Fee Program, an administrative fee of three percent of the impact fee amount 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 are significant enough to require separate accounting. The 2004-05 and 2005-06 revenue estimates are \$3,015,000 and \$3,165,000 respectively. Because it

is related to development activity, this revenue source can be volatile. Rising interest costs could slow new development and as a result a conservative growth rate of 5.0 percent is assumed for 2005-06.

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 2005-06 estimate of \$9,100,000 is \$9,613,000 below the 2004-05 estimate of \$18,713,000. The decrease is primarily due to one-time donations of \$9,100,000 dedicated to the Phoenix Art Museum expected in 2004-05.

Public Housing Grants

The 2005-06 Assisted Housing grants revenue included in the annual operating budget is \$67,065,000. 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 2005-06 revenue estimate of \$43,931,000 is \$3,464,000 less than the 2004-05 estimate of \$47,395,000. 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 2005-06 CDBG entitlement plus carryover amounts is \$33,381,000.

Criminal Justice Grants

The 2005-06 grant revenue for Criminal Justice programs is estimated to be \$7,843,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$1.3 million, \$3.1 million in Homeland Security grants, and renewals of ongoing state grants.

Public Transit Grants

The 2005-06 Federal Transit Administration Grant estimate is \$7,457,000 reflecting a decrease of \$2,908,000 below the 2004-05 estimate of \$10,365,000.

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 \$6,849,000 of that grant will be earned and expended in 2005-06.

Other Grants

The 2005-06 budget also includes \$11,869,000 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, Civic Plaza and Golf. These enterprise funds fully recover their costs through user fees associated with the provision of their services. This category also includes the Civic Plaza that, in addition to the user fees associated with the operation of the Civic Plaza, 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 2005-06 is anticipated to be \$240,367,000, which is \$6,924,000 or 3.0 percent greater than the 2004-05 estimate of \$233,443,000. The 2005-06 estimate anticipates conservative growth in airline fees, concessions and parking revenues, and increased fuel sales as airport activity continues to return to a more normal level.

The first table on page 71 shows Aviation revenue by major category and annual percent change since 2001-02.

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 2005-06 is projected to be \$287,350,000, which is \$30,985,000 or 12.1 percent more than the \$256,365,000 estimate for 2004-05. The 2005-06 estimate reflects modest increases in metered water sales from account growth, a 7 percent rate increase, as well as continued economic growth and from increased revenues related to the Val Vista Treatment Plant.

The second table on page 71 shows water system revenues by major category since 2001-02.

