



Financial Report Fiscal Year-to-Date As of December 2010

Report to the City Council and Budget Review Commission
Prepared by City Treasurer – Finance and Accounting Division
January 19, 2011



FINANCIAL REPORT FOR YEAR-TO-DATE DECEMBER 2010

The following is a financial summary of the City's YTD December 2010 General Fund, Transportation Fund and Fleet Fund. The focus of the report is on the General Fund, which is the primary operating fund of the City. The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, parks and recreation, planning and economic development, general administration of the City, and any other activity for which a special fund has not been created.

The report includes a summary for sources and uses by major categories. Significant budget to actual variances are highlighted. The report also includes Appendix 1 which details the City's Privilege (Sales) Tax by major category. Sales Tax receipts received in the current month are based on prior-month activity. Sales Tax and Bed Tax revenue budgets have been revised to better reflect collections year-to-date and updated assumptions through fiscal year end.

Note: Amounts are rounded in millions; therefore, differences may occur.

Operating Results YTD December 2010 (\$ in millions)				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$133.4	\$134.4	\$1.0	1%
Uses	126.5	119.5	7.0	6%
Change in Fund Balance	\$6.9	\$14.9	\$8.0	

Operating Results December 2010 (\$ in millions)				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$22.5	\$24.1	\$1.6	7%
Uses	21.2	18.8	2.4	11%
Change in Fund Balance	\$1.3	\$5.3	\$4.0	

GENERAL FUND

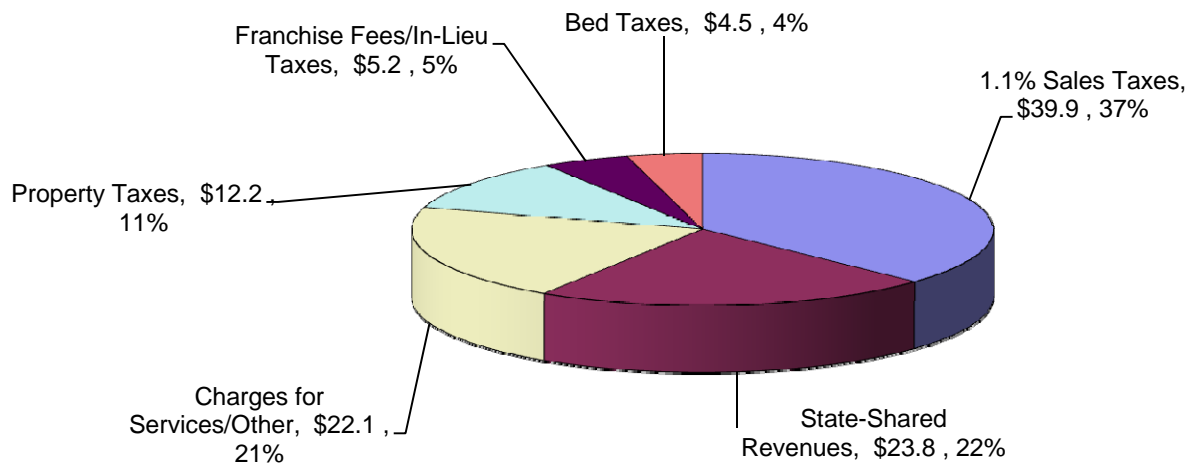
FY 2010/11
(\$ in millions)

	Adopted Budget	Revised Budget	Change	% Change
Sources	\$243.2	\$242.7	(\$0.5)	0%
Uses	251.6	247.1	4.5	2%
Change in Fund Balance	(\$8.4)	(\$4.4)	\$4.0	
Beginning Fund Balance	\$37.2	\$39.0	\$1.8	
Ending Fund Balance	\$28.7	\$34.4	\$5.7	
Reserved	\$26.2	\$25.6	(\$0.6)	
Contingency	\$2.5	\$2.4	(\$0.1)	
Unreserved	\$0.0	\$6.4	\$6.4	

Sources

The General Fund is the primary operating fund of the City. It exists to account for the resources devoted to finance the services traditionally associated with local government such as police and fire protection, parks and recreation, planning and economic development, general administration of the City, and any other activity for which a special fund has not been created.

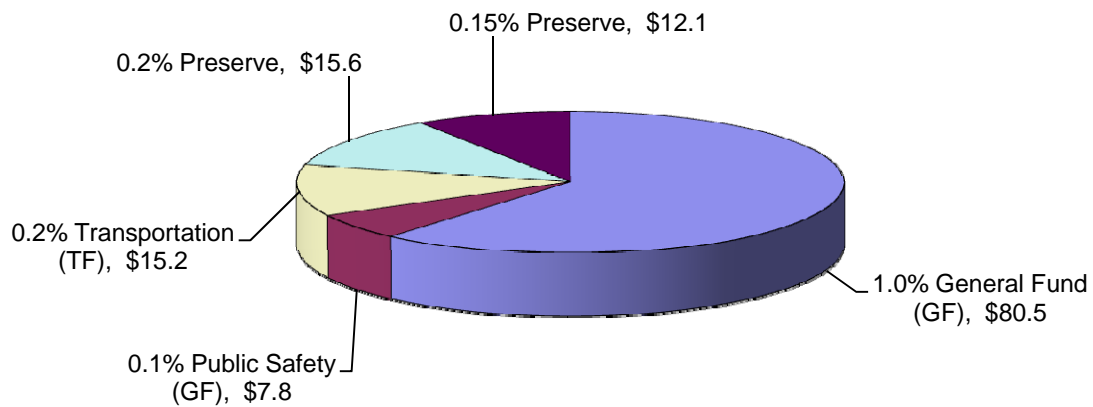
General Fund Revenues \$107.7 Million Fiscal Year-to-Date December 2010



	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
1.1% Sales Taxes	\$95.7	\$85.8	\$88.3	\$85.9
State-Shared Revenues	62.2	55.5	48.6	48.6
Charges for Services/Other	50.1	49.1	46.7	46.7
Property Taxes	22.6	23.3	24.7	24.7
Franchise Fees/In-Lieu Taxes	11.5	11.5	11.6	11.6
Bed Taxes	1.5	7.1	10.6	12.5
Total Revenue	\$243.6	\$232.3	\$230.5	\$230.0
Transfers In	28.5	19.2	12.7	12.7
Total Sources	\$272.1	\$251.5	\$243.2	\$242.7
% Change vs. Prior Year		-8%	-3%	-3%

	Fiscal Year-to-Date December 2010				Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)	
	Actual	Actual	Actual	Revised Budget	Amount	Percent
1.1% Sales Taxes	\$48.4	\$41.8	\$39.9	\$40.1	(\$0.2)	0%
State-Shared Revenues	31.6	27.8	23.8	24.3	(0.5)	-2%
Charges for Services/Other	24.9	24.1	22.1	21.4	0.7	3%
Property Taxes	11.7	11.5	12.2	13.0	(0.8)	-6%
Franchise Fees/In-Lieu Taxes	6.1	6.3	5.2	5.4	(0.2)	-4%
Bed Taxes	0.6	2.5	4.5	4.6	(0.1)	-2%
Total Revenue	\$123.3	\$114.0	\$107.7	\$108.8	(\$1.1)	-1%
Transfers In	6.7	14.1	7.8	7.8	-	0%
Total Sources	\$130.0	\$128.1	\$115.5	\$116.6	(\$1.1)	-1%
% Change vs. Prior Year		-1%	-10%	-9%		

**1.65% Sales Tax \$131.2 Million
2010/11 Adopted Budget**



Sales Taxes

Scottsdale's total City sales tax rate is 1.65 percent. Of that amount, 0.55 percent is dedicated to the specific purposes related to transportation and preservation (which are accounted for in Special Revenue Funds) and 0.10 percent is dedicated to public safety (accounted for in the General Fund). The remaining 1.0 percent of the sales tax is also accounted for in the General Fund and is available to fund basic municipal services such as police, fire, libraries, and parks. Sales tax receipts received in the current month are based on prior month activity. This general-purpose sales tax is the City's single largest revenue source. Revenues from three of the sales taxes categories (construction, automotive and rental) have seen dramatic decreases over the prior year and have not resumed to "normal" levels. Several automotive dealerships left the City to relocate elsewhere or have permanently closed. The sales tax category results can be found in Appendix 1.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
1.00% General Purpose Sales Tax	\$87.3	\$78.3	\$80.5	\$78.3
0.10% Public Safety Sales Tax	8.4	7.5	7.8	7.6
Total General Fund Sales Taxes	\$95.7	\$85.8	\$88.3	\$85.9
% Change vs. Prior Year		-10%	3%	0%

	Fiscal Year-to-Date December 2010				Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)	
	Actual	Actual	Actual	Revised Budget	Amount	Percent
1.00% General Purpose Sales Tax	\$44.2	\$38.2	\$36.4	\$36.6	(\$0.2)	-1%
0.10% Public Safety Sales Tax	4.2	3.6	3.5	3.5	0.0	0%
Total General Fund Sales Taxes	\$48.4	\$41.8	\$39.9	\$40.1	(\$0.2)	0%
% Change vs. Prior Year		-14%	-5%	-4%		

Actual to Revised Budget variance of (\$0.2) million or (0%):

Sales tax revenues are down in the rental category driven by declining commercial rental rates even though the vacancy rates are somewhat steady. The construction category also continues to be below budget estimates. Additionally, automotive sales continue to be slow. See Appendix 1 for further information about results by sales tax categories.

State-Shared Revenues

These revenues are derived from state shared sales taxes, income taxes (revenue sharing), and vehicle license taxes (auto lieu) based on a statutorily determined formula, primarily driven by population. On a per capita basis, sales taxes generated in Scottsdale tend to be higher than most other cities/towns due to higher wealth, consumer spending habits, and larger amounts of visitor/tourist spending. As directed by statute, the State distributes the shared portion of State sales taxes back to local governments based on population, not by the amount of sales taxes collected within the local jurisdiction.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
State Revenue Sharing	\$35.1	\$30.3	\$22.8	\$22.8
State Shared Sales Tax	18.9	17.3	17.6	17.6
Auto Lieu Tax	8.2	7.9	8.2	8.2
Total State Shared Revenues	\$62.2	\$55.5	\$48.6	\$48.6
% Change vs. Prior Year		-11%	-12%	-12%

	Fiscal Year-to-Date December 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised Budget	Favorable/(Unfavorable)	
					Amount	Percent
State Revenue Sharing	\$17.6	\$15.2	\$11.4	\$11.4	\$0.0	0%
State Shared Sales Tax	9.9	8.5	8.4	8.8	(0.4)	-5%
Auto Lieu Tax	4.1	4.1	4.0	4.1	(0.1)	-2%
Total State Shared Revenues	\$31.6	\$27.8	\$23.8	\$24.3	(\$0.5)	-2%
% Change vs. Prior Year		-12%	-14%	-13%		

Actual to Revised Budget variance of (\$0.5) million or (2%):

State sales taxes saw a second consecutive monthly year-over-year positive growth since December 2007 largely as a result of increases in the retail sales category. While the consecutive monthly year-over-year positive growth is favorable, the State's budget estimates were even more optimistic than the actual results to date.

Charges for Services/Other

Charges for Services include numerous revenues such as building permits, recreation fees, fire department fees, WestWorld fees, interest income, and property rentals. Also included are cost allocations from the General Fund to the enterprise funds. Certain components of this revenue source are subject to dramatic peaks and valleys from year to year. For example, building permit fees are based on developers' interest in construction projects and ability to secure financing for the projects.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
<i>Taxes - Local</i>				
Stormwater Water Quality Charge	\$0.7	\$0.8	\$0.9	\$0.9
<i>Licenses, Permits & Fees</i>				
Building Permit Fees & Charges	6.9	6.9	8.2	8.2
Recreation Fees	3.2	3.3	3.4	3.4
WestWorld	2.7	2.5	2.6	2.6
Fire Service Charges	1.8	1.8	0.6	0.6
Business Licenses & Fees	1.7	1.8	1.7	1.7
<i>Fines & Forfeitures</i>				
Court Fines	6.7	7.5	4.8	4.8
Photo Enforcement Revenue	2.5	1.8	1.7	1.7
Parking Fines	0.4	0.3	0.4	0.4
Library Fines & Fees	0.3	0.4	0.3	0.3
<i>Interest Earnings/Property Rental</i>				
Interest Earnings	3.7	2.1	1.0	1.0
Property Rental	3.2	2.9	2.8	2.8
<i>Other Revenue</i>				
Indirect/Direct Cost Allocation	14.0	13.3	14.0	14.0
Intergovernmental Revenue	1.2	-	0.9	0.9
Miscellaneous	0.6	1.6	0.5	0.5
Reimbursements	0.5	2.1	2.9	2.9
Total Charges for Services/Other	\$50.1	\$49.1	\$46.7	\$46.7
% Change vs. Prior Year		-2%	-5%	-5%

	Fiscal Year-to-Date December 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised Budget	Favorable/(Unfavorable)	
					Amount	Percent
<i>Taxes - Local</i>						
Stormwater Water Quality Charge	\$0.5	\$0.5	\$0.5	\$0.5	\$0.0	0%
<i>Licenses, Permits & Fees</i>						
Building Permit Fees & Charges	3.6	3.8	3.9	3.7	0.2	5%
Recreation Fees	1.3	1.4	1.4	1.3	0.1	8%
WestWorld	0.8	0.7	0.6	0.8	(0.2)	-25%
Fire Service Charges	1.8	0.7	0.4	0.4	-	0%
Business Licenses & Fees	1.0	1.0	1.0	1.0	-	0%
<i>Fines & Forfeitures</i>						
Court Fines	3.0	3.5	2.1	2.3	(0.2)	-9%
Photo Enforcement Revenue	1.4	0.9	0.9	0.9	-	0%
Parking Fines	0.2	0.1	0.1	0.2	(0.1)	-50%
Library Fines & Fees	0.3	0.2	0.2	0.2	-	0%
<i>Interest Earnings/Property Rental</i>						
Interest Earnings	2.0	1.2	0.9	0.7	0.2	29%
Property Rental	1.4	1.2	1.2	0.7	0.5	71%
<i>Other Revenue</i>						
Indirect/Direct Cost Allocation	6.5	8.0	6.7	6.8	(0.1)	-1%
Intergovernmental Revenue	0.5	0.6	0.5	0.4	0.1	25%
Miscellaneous	0.5	0.2	0.3	0.2	0.1	50%
Reimbursements	0.1	0.1	1.4	1.3	0.1	8%
Total Charges for Services/Other	\$24.9	\$24.1	\$22.1	\$21.4	\$0.7	3%
% Change vs. Prior Year		-3%	-8%	-11%		

Actual to Revised Budget variance of \$0.7 million or 3%:

Building Permit Fees & Charges are higher than forecast due to a larger number of small-valuation type projects than anticipated. The \$0.5 million favorable variance for Property Rental is a timing issue that will be adjusted.

Property Taxes

In the General Fund, property taxes are comprised only of the "Primary" property taxes levied on the assessed value of all property within the City to help pay for basic operations of the City. Secondary property taxes are not included here as they must be used solely for payment of General Obligation bond debt service. Increases in revenue from year to year reflect new property additions to the tax roll and Council actions to increase total revenue consistent with state law.

Actual to Revised Budget variance of (\$0.8) million or (6%):

Most of the budget variance is due to the timing of property tax payments that have not been received as originally planned. An unfavorable variance of (\$0.2) million or (2%) is related to a class action lawsuit against the County Assessor that has been in process since 1995 and was settled in June 2010. The settlement was not known at the time of forecasting the FY2010/11 budget and will result in a year-end variance of (\$0.2) million versus the budget.

Franchise Fees and In-Lieu Taxes

This category represents revenues from utility and cable providers.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
Electric and Gas Franchise	\$7.8	\$8.0	\$8.2	\$8.2
Cable TV Franchise	3.6	3.4	3.3	3.3
Salt River Project Lieu Tax	0.1	0.1	0.1	0.1
Total Franchise Fees/In-Lieu Taxes	\$11.5	\$11.5	\$11.6	\$11.6
% Change vs. Prior Year		0%	1%	1%

	Fiscal Year-to-Date December 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised	Favorable/(Unfavorable)	
				Budget	Amount	Percent
Electric and Gas Franchise	\$4.3	\$4.4	\$4.3	\$4.5	(\$0.2)	-4%
Cable TV Franchise	1.7	1.8	0.7	0.8	(0.1)	-13%
Salt River Project Lieu Tax	0.1	0.1	0.2	0.1	0.1	100%
Total Franchise Fees/In-Lieu Taxes	\$6.1	\$6.3	\$5.2	\$5.4	(\$0.2)	-4%
% Change vs. Prior Year		3%	-17%	-14%		

Actual to Revised Budget variance of (\$0.2) million or (4%):

The unfavorable variance in Electric and Gas Franchise is driven by a budget assumption that franchise revenue would increase by 4.6 percent year over year. The Electric and Gas Franchise revenue actually has declined by 3 percent year-to-date versus prior year, possibly due to conservation of energy costs and milder summer weather.

Note: The Enterprise Franchise Fees and the Enterprise In Lieu Property Tax were previously reported in this category. However, to stay consistent with the City's Comprehensive Annual Financial Report (CAFR) these two items are now reported in the Transfer In.

Bed Taxes

A bed tax is applied to lodging room charges for stays of 29 days or less (transient) in hotels or short-term rentals. Effective July 1, 2010, the bed tax rate was increased from 3 percent to 5 percent. (Beginning in FY 2009/10, 100 percent of the Bed Tax revenue was being recorded in the General Fund with a corresponding transfer of 80 percent to the Special Programs Fund.) Prior to the tax rate increase, 80 percent of the bed tax revenue was transferred to the Special Program Fund and was restricted for tourism development including the payment of contracts to increase tourism and fund debt service for destination attractions. The City started receiving the revenues from the new 5 percent tax rate in September 2010 and 50 percent of the 5 percent bed tax collections are transferred to the Special Programs Fund to be used for destination marketing purposes.

Actual to Revised Budget variance of (\$0.1) million or (2%):

The variance is a timing issue of when taxes are received versus when the collection was anticipated and budgeted. This timing issue is expected to reverse by year end.

Transfers In

For FY 2010/11, transfers in reflect funds received from the Capital Improvement Plan (CIP) Funds and the Water and Sewer Funds (Franchise Fees, In Lieu Property Tax, and Water Campus Security). In Lieu Property Tax transfers from the water and sewer funds are being phased out over the three-year period FY 2010/11 - FY 2012/13.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted Budget	Revised Budget
CIP	\$14.0	\$9.0	\$3.6	\$3.6
Self Insurance Fund	5.0	-	-	-
Cultural Council	-	0.3	-	-
Community Services/Human Services	0.1	0.3	-	-
Enterprise Franchise Fees	6.4	6.5	6.8	6.8
Enterprise In Lieu Property Tax	2.5	2.7	1.8	1.8
Water Campus Security	0.5	0.4	0.5	0.5
Total Transfers In	\$28.5	\$19.2	\$12.7	\$12.7
% Change vs. Prior Year		-33%	-34%	-34%

	Fiscal Year-to-Date December 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised	Favorable/(Unfavorable)	
				Budget	Amount	Percent
CIP	\$0.0	\$9.0	\$3.6	\$3.6	\$0.0	0%
Self Insurance Fund	2.5	-	-	-	-	n/a
Cultural Council	-	0.3	-	-	-	n/a
Community Services/Human Services	-	0.1	-	-	-	n/a
Enterprise Franchise Fees	3.0	3.2	3.1	3.1	-	0%
Enterprise In Lieu Property Tax	1.2	1.3	0.9	0.9	-	0%
Water Campus Security	-	0.2	0.2	0.2	-	0%
Total Transfers In	\$6.7	\$14.1	\$7.8	\$7.8	\$0.0	0%
% Change vs. Prior Year		110%	-45%	-45%		

Actual to Revised Budget variance of \$0 million or 0%:

No explanation necessary.

Note: The Enterprise Franchise Fees and the Enterprise In Lieu Property Tax were previously reported in the Franchise Fees and In Lieu Taxes category. However, to stay consistent with the City's Comprehensive Annual Financial Report (CAFR), these two items are now reported in this category.

GENERAL FUND USES
(\$ in millions)

	Fiscal Year			
	2009/10 <u>Actual</u>	2010/11 <u>Adopted Budget</u>	2010/11 <u>Revised Budget</u>	2010/11 <u>Approved Adjustments</u>
Expenses:				
*Personnel Services	\$168.0	\$162.5	\$160.9	(\$1.6)
Contractual	\$48.8	\$54.9	\$52.0	(\$2.9)
Commodities	\$7.7	\$8.9	\$7.8	(\$1.1)
Capital Outlays	\$0.5	\$4.1	\$4.2	\$0.1
Total Operating Expenses	\$225.0	\$230.4	\$224.9	(\$5.5)
Debt Service & Contracts Payable	\$9.0	\$11.9	\$11.9	-
Transfers Out	\$20.1	\$9.3	\$10.3	\$1.0
Total Uses	\$254.1	\$251.6	\$247.1	(\$4.5)

	Fiscal Year-to-Date December 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	Actual vs. Budget <u>Favorable / (Unfavorable)</u>	
				<u>Amount</u>	<u>Percent</u>
Expenses:					
*Personnel Services	\$83.6	\$76.7	\$78.9	\$2.2	3 %
Contractual	\$23.7	\$24.5	\$24.7	\$0.2	1 %
Commodities	\$3.4	\$3.0	\$3.4	\$0.4	12 %
Capital Outlays	\$0.1	\$0.1	\$1.6	\$1.5	94 %
Total Operating Expenses	\$110.8	\$104.3	\$108.6	\$4.3	4 %
Debt Service & Contracts Payable	\$1.0	\$2.0	\$2.5	\$0.5	20 %
Transfers Out	\$2.1	\$2.3	\$2.1	(\$0.2)	-10 %
Total Uses	\$113.9	\$108.6	\$113.2	\$4.6	4 %

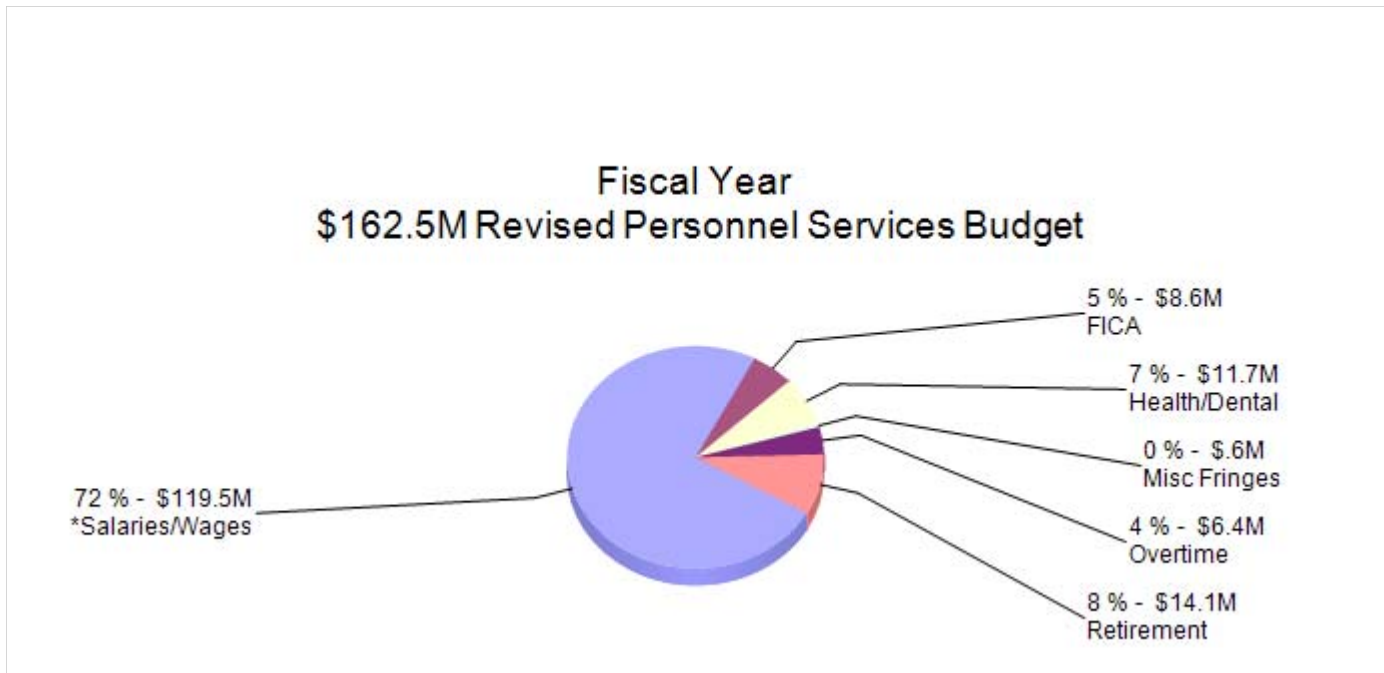
	Fiscal Year-to-Date December 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	Actual vs. Budget <u>Favorable / (Unfavorable)</u>	
				<u>Amount</u>	<u>Percent</u>
Expenses:					
MAYOR AND CITY COUNCIL	\$0.4	\$0.3	\$0.3	-	-
CITY CLERK	0.4	0.6	0.7	0.1	14 %
CITY ATTORNEY	3.2	2.7	2.8	0.1	4 %
CITY AUDITOR	0.4	0.4	0.4	-	-
CITY COURT	2.2	2.0	2.1	0.1	5 %
CITY MANAGER	1.1	0.7	0.8	0.1	13 %
PUBLIC WORKS	7.9	7.1	7.6	0.5	7 %
COMMUNITY & ECONOMIC DEV	12.9	13.7	13.5	(0.2)	-1 %
PUBLIC SAFETY - FIRE	13.3	13.0	13.2	0.2	2 %
PUBLID SAFETY - POLICE	40.6	38.2	39.3	1.1	3 %
FINANCE AND ACCOUNTING	2.6	2.2	2.5	0.3	12 %
HUMAN RESOURCES	1.7	1.4	1.6	0.2	13 %
COMMUNITY SERVICES	17.7	16.8	17.4	0.6	3 %
INFORMATION TECHNOLOGY	5.0	4.7	5.0	0.3	6 %
ADMINISTRATIVE SERVICES	1.5	1.5	1.5	-	-
**Total Operating Expenses	\$110.9	\$105.3	\$108.7	\$3.4	3 %

*Includes vacancy savings, leave accrual payouts and position reclassifications.

**Does not include unallocated vacancy savings, leave accrual payouts and position reclassifications.
YTD December 2010

Personnel Services

Personnel Services include the salaries and wages (pay for time worked, vacation, and sick leave) plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. It is also inclusive of vacancy savings, the medical and vacation leave accrual payouts that are made at the time of separation from the City, and position reclassifications.



	Fiscal Year			
	<u>2009/10 Actual</u>	<u>2010/11 Adopted Budget</u>	<u>2010/11 Revised Budget</u>	<u>2010/11 Approved Adjustments</u>
*Salaries and Wages	\$122.6	\$119.9	\$119.5	(\$0.4)
Overtime	\$6.1	\$7.3	\$6.4	(\$0.9)
Retirement	\$15.2	\$14.2	\$14.1	(\$0.1)
Health/Dental	\$15.1	\$11.8	\$11.7	(\$0.1)
FICA	\$8.4	\$8.7	\$8.6	(\$0.1)
Miscellaneous Fringes	\$0.6	\$0.6	\$0.6	-
Total Personnel Services	\$168.0	\$162.5	\$160.9	(\$1.6)

	Fiscal Year-to-Date December 2010				
	<u>2009/10 Actual</u>	<u>2010/11 Actual</u>	<u>2010/11 Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable) Amount</u>	<u>Percent</u>
*Salaries and Wages	\$62.0	\$58.4	\$59.5	\$1.1	2 %
Overtime	\$2.9	\$2.6	\$3.0	\$0.4	13 %
Retirement	\$6.7	\$6.6	\$6.9	\$0.3	4 %
Health/Dental	\$7.6	\$4.9	\$4.9	-	-
FICA	\$4.2	\$4.0	\$4.3	\$0.3	7 %
Miscellaneous Fringes	\$0.2	\$0.2	\$0.3	\$0.1	33 %
Total Personnel Services	\$83.6	\$76.7	\$78.9	\$2.2	3 %

*Includes Vacancy Savings, leave accrual payouts and position reclassifications.

Actual to Revised Budget variance of \$2.2 million or 3%: The positive variance is primarily the result of vacancy savings. In addition, the favorable variance is also the result of the anticipated Community and Economic Development, Public Works and Police overtime usage which did not occur. The budget spread was developed using last year's overtime activity level as an indicator. It is unknown at this time if this positive variance will result in year-end savings or if the divisions will utilize this in future months. Additionally, the overtime variance creates a favorable variance in the Federal Insurance Contributions Act (FICA) and retirement accounts. The part-time wages budget in Community Services is also contributing to the favorable variance due to the ongoing efforts of re-evaluating work schedules and coverage.

Contractual Services

This category includes expenditures for services performed by firms, individuals, or other City departments.

Actual to Revised Budget variance of \$0.2 million or 1%: The favorable variance relates to invoices for services being received later than expected for contracts such as software maintenance and licensing and architectural and engineering, and the landscape contract. Additionally, the variance is a result of those expenditures that are difficult to budget for because of their unpredictable timing and nature of maintenance repairs and emergencies (e.g. repair, building maintenance services, painting, fire alarm maintenance, elevators, etc).

Commodities

This classification includes supplies, repair and replacement parts, small tools, and maintenance and repairs.

Actual to Revised Budget variance of \$0.4 million or 12%: The favorable variance is also due to the timing of invoices and the budget spread for anticipated expenses as well as citywide efforts to conserve and reduce supplies costs. In addition, the variance is a result of various accounts, such as maintenance services and repair materials, and education and recreation supplies which are difficult to budget in the appropriate period as they do not have a predictable spending pattern.

Capital Outlays

Capital outlays include the purchase of land, the purchase or construction of buildings, structures, and facilities, plus machinery and equipment. It includes expenditures that result in the acquisition or addition of a fixed asset or increase the capacity, efficiency, span of life, or economy of operating an existing fixed asset. For an item to qualify as capital outlay the expenditure must meet all of the following requirements: (1) have an estimated useful life of more than two years; (2) have a unit cost of \$5,000 or more; and (3) be betterment or improvement.

Actual to Revised Budget variance of \$1.5 million or 94%: The favorable variance is the result of the planned capital operating projects that have not been implemented. Staff continues to work on developing project timelines. Once the timelines are finalized the budgets will be adjusted accordingly. In addition, due to budget constraints and the citywide initiative to limit expenses to FY 2009/10, a few operating projects are being re-evaluated to determine if they can be delayed or eliminated.

Debt Service & Contracts Payable

This activity is debt payments related to Municipal Property Corporation (MPC) bonds that are to be repaid through excise taxes and contractual obligations related to development agreements (funded by sales tax rebates) which vary based on the actual sales tax collections.

	Fiscal Year			
	2009/10 <u>Actual</u>	2010/11 <u>Adopted Budget</u>	2010/11 <u>Revised Budget</u>	2010/11 <u>Approved Adjustments</u>
MPC Excise Debt Fund	\$6.7	\$6.7	\$6.7	-
MPC Excise Debt Fund - Bed Tax	-	\$0.7	\$0.7	-
Certificates of Participation (COP)	\$0.9	\$0.9	\$0.9	-
Contracts Payable	\$1.4	\$3.1	\$3.1	-
COP - Radio Financing	-	\$0.5	\$0.5	-
Debt Service & Contracts Payable	\$9.0	\$11.9	\$11.9	-

Fiscal Year-to-Date December 2010					
	<u>2009/10 Actual</u>	<u>2010/11 Actual</u>	<u>2010/11 Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable) Amount</u>	<u>Budget (Unfavorable) Percent</u>
MPC Excise Debt Fund	-	-	-	-	-
MPC Excise Debt Fund - Bed Tax	-	-	-	-	-
Certificates of Participation (COP)	-	-	\$0.5	\$0.5	100 %
Contracts Payable	\$1.0	\$2.0	\$2.0	-	-
COP - Radio Financing	-	-	-	-	-
Debt Service & Contracts Payable	\$1.0	\$2.0	\$2.5	\$0.5	20 %

Actual to Revised Budget variance of \$0.5 million or 20%: The favorable variance is due to the timing of a Certificate of Participation payment. The payment was anticipated and budgeted in December. However, the payment was not processed until January and will be reflected as such in next month's report.

Transfers-Out

Transfers-Out represents the authorized exchanges of cash between funds, divisions, departments and/or capital projects.

Fiscal Year				
	<u>2009/10 Actual</u>	<u>2010/11 Adopted Budget</u>	<u>2010/11 Revised Budget</u>	<u>2010/11 Approved Adjustments</u>
CIP - General Fund Maintenance	\$10.4	\$2.2	\$2.2	-
Transportation Fund	\$3.2	\$1.8	\$1.8	-
Bed Tax Fund	\$6.4	\$5.0	\$6.0	1.0
Special Programs Fund - Community Services	-	\$0.2	\$0.2	-
Special Programs Fund - Planning & Dev Services	\$0.1	\$0.1	\$0.1	-
Total Transfers Out	\$20.1	\$9.3	\$10.3	1.0

Fiscal Year-to-Date December 2010					
	<u>2009/10 Actual</u>	<u>2010/11 Actual</u>	<u>2010/11 Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable) Amount</u>	<u>Budget (Unfavorable) Percent</u>
CIP - General Fund Maintenance	-	-	-	-	-
Transportation Fund	-	-	-	-	-
Bed Tax Fund	\$2.0	\$2.3	\$1.9	(\$0.4)	-21 %
Special Programs Fund - Community Services	-	-	\$0.2	\$0.2	100 %
Special Programs Fund - Planning & Dev Services	-	-	-	-	-
Total Transfers Out	\$2.0	\$2.3	\$2.1	(\$0.2)	-10 %

Actual to Revised Budget variance of (\$0.2) million or (10%): The transfers out reflects transfers to the Special Programs Fund for bed tax revenues (50 percent of the 5 percent total Transient Occupancy Tax collections per adopted financial policy). The Bed Tax Fund unfavorable variance is both the result of the City Council authorized Bed Tax transfer to the Capital Improvement Program for the new WestWorld Americans with Disabilities Act (ADA) parking lot capital project and the spread of the budget. In addition, the positive variance in Community Services is the result of eliminating the Partnership Funding and the Human Services' Affordable Housing program both of which are budget reduction initiatives.

TRANSPORTATION FUND

FY 2010/11				
(\$ in millions)				
	Adopted Budget	Revised Budget	Change	%
			Change	Change
Sources	\$34.6	\$34.2	(\$0.4)	-1%
Uses	34.6	34.6	0.0	0%
Change in Fund Balance	\$0.0	(\$0.4)	(\$0.4)	
Total Fund Balance	\$0.0	(\$0.4)	(\$0.4)	

SOURCES

The Transportation Fund receives and expends the City's allocation of the Arizona Highway User Revenue Tax (HURF) as well as other transportation related revenues. The amount of HURF available to each City is allocated based on population. These monies must be used for street construction, reconstruction, maintenance, or transit. The State of Arizona requires the City to establish and maintain an accounting for Highway User Revenue Funds. The fund also accounts for the 1989 voter approved Transportation Privilege (Sales) Tax of 0.20 percent which is dedicated to funding transportation improvements and operations. Sales Tax receipts received in the current month are based on prior month activity. Fifty percent of the Transportation Sales Tax is transferred to the Capital Improvement Fund for transportation related capital improvement projects.

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised Budget</u>
HURF Taxes	\$14.1	\$13.4	\$13.8	\$13.8
0.20% City Sales Tax	16.5	14.6	15.2	14.8
Other	3.0	3.0	3.2	3.2
Total Revenues	\$33.6	\$31.0	32.2	31.8
Transfers In	8.9	3.6	2.4	2.4
Total Sources	\$42.5	\$34.6	\$34.6	\$34.2
% Change vs. Prior Year		-19%	0%	-1%

	Fiscal Year-to-Date December 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Revised Budget</u>	<u>Favorable/(Unfavorable)</u>	<u>Amount</u>
HURF Taxes	\$7.1	\$6.6	\$6.5	\$6.8	(\$0.3)	-4%
0.20% City Sales Tax	8.3	7.0	6.8	6.9	(0.1)	-1%
Other	0.9	1.4	5.0	2.5	2.5	100%
Total Revenues	\$16.3	\$15.0	\$18.3	\$16.2	\$2.1	13%
Transfers In	1.5	0.5	0.6	0.6	-	0%
Total Sources	\$17.8	\$15.5	\$18.9	\$16.8	\$2.1	13%
% Change vs. Prior Year		-13%	22%	8%		

Actual to Revised Budget variance of \$2.1 million or 13%:

\$2.0 million of the "other" variance is related to American Recovery and Reinvestment Act (ARRA) funding. In FY 2009/10 the City of Scottsdale was awarded \$4.6 million in ARRA funding for street overlay projects. At the time, the City anticipated reimbursements for the federal grant funding at \$2.6 million in FY 2009/10 with the remaining \$2.0 million to be collected in FY 2010/11. The projects did not begin as planned which resulted in \$0 reimbursements received in FY 2009/10. Staff anticipates the full \$4.6 million to be reimbursed and collected in FY 2010/11. An updated revenue forecast for ARRA funding will be processed and reflected in the January 2011 report. HURF taxes are lower than budget due to less demand for fuel due to economic conditions. The .20 percent City Sales Tax revenues are down in the rental category driven by declining commercial rental rates even though the vacancy rates are somewhat steady. The construction category also continues to be below budget estimates. Additionally, automotive sales continue to be slow. See Appendix 1 for further information about results by sales tax categories.

TRANSPORTATION FUND USES
(\$ in millions)

	Fiscal Year			
	2009/10 <u>Actual</u>	2010/11 <u>Adopted Budget</u>	2010/11 <u>Revised Budget</u>	2010/11 <u>Approved Adjustments</u>
Expenses:				
Personnel Services	\$6.5	\$6.1	\$6.1	-
Contractual	\$18.7	\$19.7	\$19.7	-
Commodities	\$0.6	\$0.8	\$0.8	-
Capital Outlays	\$1.4	\$0.3	\$0.3	-
Total Operating Expenses	\$27.2	\$26.9	\$26.9	-
Transfers Out	\$7.5	\$7.7	\$7.7	-
Total Uses	\$34.7	\$34.6	\$34.6	-

	Fiscal Year-to-Date December 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	Actual vs. Budget <u>Favorable / (Unfavorable)</u> <u>Amount</u>	<u>Percent</u>
Expenses:					
Personnel Services	\$3.2	\$3.1	\$3.1	-	-
Contractual	\$5.9	\$4.9	\$9.6	\$4.7	49 %
Commodities	\$0.2	\$0.2	\$0.5	\$0.3	60 %
Capital Outlays	\$0.1	\$2.7	\$0.1	(\$2.6)	-2,600 %
Total Operating Expenses	\$9.4	\$10.9	\$13.3	\$2.4	18 %
Transfers Out	-	-	-	-	-
Total Uses	\$9.4	\$10.9	\$13.3	\$2.4	18 %

Actual to Revised Budget variance of \$2.4 million or 18%: The favorable variance in Contractual Services is primarily attributable to the invoice timing for Transportation's transit contracts with the Regional Public Transportation Authority (RPTA) and the Trolley. The RPTA invoices are yet to be received due to contracts that were modified by the RPTA. The RPTA Board will approve these contracts at their February meeting. City Council will review for approval at the scheduled meeting on March 22nd. In addition, the favorable variance in Contractual Services is a result of American Recovery and Reinvestment Act (ARRA) paving projects expenditures being applied to Capital Outlays and not in the Contractual Services accounts where the funding for those projects is budgeted. This recording of ARRA expenditures is then creating an unfavorable variance in Capital Outlays.

FLEET MANAGEMENT FUND

FY 2010/11 (\$ in millions)				
	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Change</u>	<u>% Var</u>
Sources	\$14.4	\$14.4	-	-
Uses	\$15.1	\$15.1	-	-
Change in Fund	(\$0.7)	(\$0.7)	-	-
Beginning Fund	\$9.1	\$9.1	-	-
Ending Fund Balance	\$8.3	\$8.3	-	-

Sources

The Fleet Management Fund is classified as an Internal Service Fund. This fund is structured to recover Fleet costs through annual user fees that are charged to each Division's cost center(s) assigned City vehicles and other related equipment that may incur fleet related expenditures. The annual internal user fees consist of two categories:

1) maintenance and operation (M & O) rates, established to recover the estimated costs of fuel, parts, and labor for vehicles and related equipment, and, 2) replacement rental rates, similar to car payments, except Fleet uses the accumulated payments to purchase a replacement vehicle or related equipment at the end of the current vehicle's useful life.

Fiscal Year (Twelve Months)					
<u>Category:</u>	<u>2008/09 Actual</u>	<u>2009/10 Actual</u>	<u>2010/11 Adopted Budget</u>	<u>2010/11 Revised Budget</u>	<u>2010/11 Approved Adjustments</u>
Maintenance/Operation Rates	\$12.9	\$11.5	\$11.2	\$11.2	-
Replacement Rates	\$5.4	\$1.7	\$2.9	\$2.9	-
Interest Earnings	\$0.4	\$0.3	\$0.1	\$0.1	-
Other Revenue	\$0.2	\$0.4	\$0.2	\$0.2	-
Total Revenues	\$18.9	\$13.9	\$14.4	\$14.4	-
Transfers In	\$2.0	\$1.1	-	-	-
Total Sources	\$20.9	\$15.0	\$14.4	\$14.4	-
% Change vs. Prior Year		-28.2 %	-4.0 %	-4.0 %	

Fiscal Year-to-Date December 2010						
<u>Category:</u>	<u>2008/09 Actual</u>	<u>2009/10 Actual</u>	<u>2010/11 Actual</u>	<u>2010/11 Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable) Amount</u>	<u>Percent</u>
Maintenance/Operation Rates	\$6.4	\$5.8	\$5.6	\$5.6	-	-
Replacement Rates	\$2.7	\$0.8	\$1.4	\$1.4	-	-
Interest Earnings	\$0.3	\$0.1	\$0.1	-	\$0.1	-10 %
Other Revenue	\$0.1	\$0.2	\$0.1	\$0.1	-	-
Total Revenues	\$9.5	\$6.9	\$7.2	\$7.1	\$0.1	1 %
Transfers In	-	-	-	-	-	-
Total Sources	\$9.5	\$6.9	\$7.2	\$7.1	\$0.1	1 %
% Change vs. Prior Year		-27.4 %	4.3 %	2.9 %		

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.
YTD December 2010

FLEET MANAGEMENT FUND USES

(\$ in millions)

Fiscal Year (Twelve Months)				
	<u>2009/10</u> <u>Actual</u>	<u>2010/11</u> <u>Adopted</u> <u>Budget</u>	<u>2010/11</u> <u>Revised</u> <u>Budget</u>	<u>2010/11</u> <u>Approved</u> <u>Adjustments</u>
Expenses:				
Personnel Services	\$3.2	\$3.1	\$3.1	-
Contractual	\$1.2	\$1.5	\$1.5	-
Commodities	\$5.6	\$6.8	\$6.8	-
Capital Outlays	\$3.5	\$3.7	\$3.7	-
Total Operating	\$13.5	\$15.1	\$15.1	-
Transfers Out	\$0.7	-	-	-
Total Uses	\$14.2	\$15.1	\$15.1	-

Fiscal Year-to-Date December 2010					
	<u>2009/10</u> <u>Actual</u>	<u>2010/11</u> <u>Actual</u>	<u>2010/11</u> <u>Revised</u> <u>Budget</u>	<u>Actual vs. Budget</u> <u>Favorable / (Unfavorable)</u>	
				<u>Amount</u>	<u>Percent</u>
Expenses:					
Personnel Services	\$1.6	\$1.6	\$1.6	-	-
Contractual	\$0.6	\$0.6	\$0.8	\$0.2	25 %
Commodities	\$2.0	\$2.4	\$2.8	\$0.4	14 %
Capital Outlays	\$2.2	\$0.8	\$1.7	\$0.9	53 %
Total Operating	\$6.4	\$5.4	\$6.9	\$1.5	22 %
Transfers Out	-	-	-	-	-
Total Uses	\$6.4	\$5.4	\$6.9	\$1.5	22 %

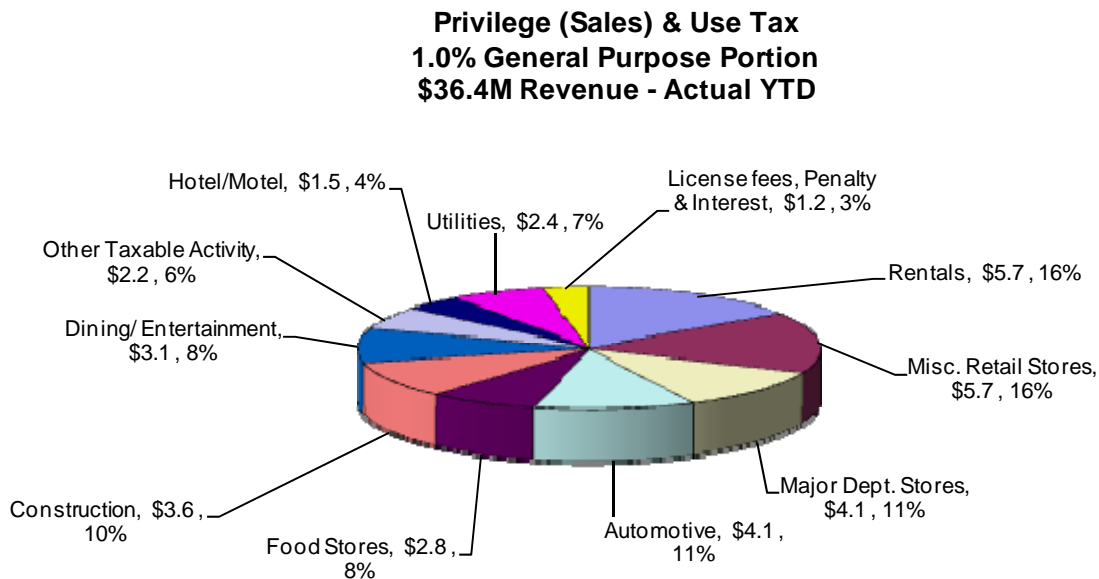
Actual to Revised Budget variance of \$1.5 million or 22%: A budget adjustment was processed and reflected in the November Monthly Financial Report to respread a significant portion of commodities to align with expenditure recording. Remaining Commodities favorable variance reflects the YTD purchase of Fuel versus the established budgeted values. Expect a portion of this variance will be required to offset the rise in Fuel costs. Additionally, the Capital Outlays favorable variance is attributable to the difficulty of forecasting the timing of vehicle acquisitions.



Privilege (Sales) & Use Tax Collections For December 2010 (For Business Activity in November 2010)

Appendix 1 contains information regarding the “actual” revenue collections from the 1.0 percent Privilege and Use Tax reflected in the General Fund, 0.2 percent dedicated Transportation Privilege Tax, 0.2 percent dedicated Preserve Privilege and Use Taxes, 0.15 percent additional dedicated Preserve Privilege and Use Taxes, and 0.1 percent dedicated Public Safety Privilege and Use Taxes, including adjustments for related license revenues, late collections and audits. While the report includes the actual year-to-date tax collections for the funds previously noted, only the General Fund portion (1.0 percent) of the tax is unrestricted and available for general government purposes.

The report shows a fiscal year Privilege and Use Tax collection decrease of 1 percent compared to the revised Budget, and a decrease of 4 percent compared to the same period a year ago.



Privilege (Sales) & Use Tax by Category and Fund

	Fiscal Year (Twelve Months)				
	2008/09	2009/10	2010/11	2010/11	2010/11
	Actual	Actual	Adopted Budget	Approved Adjustments	Revised Budget
<u>1.00% General Purpose</u>					
Rentals	\$12.5	\$11.2	\$11.5	0.3	\$11.8
Misc. Retail Stores	12.1	12.1	12.7	(0.2)	12.5
Major Dept. Stores	8.8	9.0	9.1	(0.3)	8.8
Automotive	9.6	8.4	8.7	(0.5)	8.2
Food Stores	6.3	6.0	6.4	(0.2)	6.2
Construction	13.5	8.2	8.5	(0.7)	7.8
Dining/ Entertainment	6.9	6.8	7.0	-	7.0
Other Taxable Activity	6.2	5.5	5.4	(0.2)	5.2
Hotel/Motel	4.4	4.0	4.3	(0.2)	4.1
Utilities	4.4	4.8	4.7	(0.2)	4.5
License fees, Penalty & Interest	2.6	2.4	2.3	(0.1)	2.2
Subtotal	\$87.3	\$78.3	\$80.5	(2.2)	\$78.3
0.10% Public Safety	\$8.4	\$7.5	\$7.8	(0.2)	\$7.6
0.20% Transportation	16.5	14.6	15.2	(0.4)	14.8
0.20% McDowell Preserve 1995	17.0	15.2	15.6	(0.3)	15.3
0.15% McDowell Preserve 2004	12.6	11.3	12.1	(0.7)	11.4
Total	\$141.8	\$126.9	\$131.2	(3.8)	\$127.4
% Change vs. Prior Year		-11%	3%		0%

	Fiscal Year-to-Date December					Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)		
	Actual	Actual	Actual	Budget	Amount	Percent	
<u>1.00% General Purpose</u>							
Rentals	\$6.3	\$6.1	\$5.7	\$5.8	(\$0.1)	-2%	
Misc. Retail Stores	5.8	5.4	5.7	5.6	0.1	2%	
Major Dept. Stores	4.2	4.3	4.1	4.1	-	0%	
Automotive	5.2	4.1	4.1	3.9	0.2	5%	
Food Stores	2.9	2.7	2.8	2.8	-	0%	
Construction	7.7	4.5	3.6	3.9	(0.3)	-8%	
Dining/ Entertainment	3.2	2.9	3.1	3.1	-	0%	
Other Taxable Activity	3.1	2.5	2.2	2.2	-	0%	
Hotel/Motel	1.9	1.5	1.5	1.5	-	0%	
Utilities	2.4	2.8	2.4	2.4	-	0%	
License fees, Penalty & Interest	1.5	1.4	1.2	1.3	(0.1)	-8%	
Subtotal	\$44.2	\$38.2	\$36.4	\$36.6	(\$0.2)	-1%	
0.10% Public Safety	\$4.2	\$3.6	\$3.5	\$3.5	-	0%	
0.20% Transportation	8.3	7.0	6.8	6.9	(0.1)	-1%	
0.20% McDowell Preserve 1995	8.6	7.4	7.0	7.1	(0.1)	-1%	
0.15% McDowell Preserve 2004	6.4	5.5	5.3	5.3	-	0%	
Total	\$71.7	\$61.7	\$59.0	\$59.4	(\$0.4)	-1%	
% Change vs. Prior Year		-14%	-4%	-4%			

Rental Sales Taxes

The rental category includes rentals of commercial and residential real property and personal property rentals, (such as rentals of formal wear, DVD's, home health equipment, recreational goods, electronics, appliances, etc.)

Actual to Revised Budget variance of (\$0.1) million or (2%): The unfavorable variance is the result of commercial building rental rates continuing to be lower and the vacancy rate remaining relatively steady.

Miscellaneous Retail Stores Sales Taxes

This category includes small clothing stores, art galleries, luggage stores, home furnishing stores, jewelry stores, drug stores, hobby stores, household appliance stores, sporting goods stores, florists, computer stores, hardware stores, and pet supply stores.

Actual to Revised Budget variance of \$0.1 million or 2%: The favorable variance is due to retail sales increasing for electronics and clothing.

Major Department Stores Sales Taxes

This category includes large department stores, warehouse clubs, supercenters, and discount department stores.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

Automotive Sales Taxes

The automotive category includes automobile dealers, motorcycle dealers, automotive repair shops, tire shops, car washes, and car leasing companies.

Actual to Revised Budget variance of \$0.2 million or 5%: The favorable variance is a result of an increase in automotive sales in recent months.

Food Stores Sales Taxes

This category includes grocery stores, candy stores, meat markets and convenience stores.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

Construction Sales Taxes

The construction tax is collected on all construction activity; commercial and residential; new and re-model. It also includes landscaping, painting, flooring installation, siding, roofing, concrete, plumbing, heating, electrical, framing, drywall, infrastructure, masonry, finish carpentry, etc.

Actual to Revised Budget variance of (\$0.3) million or (8%): The unfavorable variance is mostly a result of a decrease in commercial building projects.

Dining/Entertainment Sales Taxes

The restaurant category includes restaurants, bars, cafeterias, mobile food vendors, and caterers.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

Other Taxable Activity Sales Taxes

This category includes movie theatres, golf courses, gyms, bowling centers, amusement arcades, interior designers, publishers, banks, doctors, lawyers, accountants, beauty salons, barber shops, personal goods repair shops, photographers, advertising, wholesalers, and manufacturers.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

Hotel/Motel Sales Taxes

This category includes lodging space rental on a short-term basis and other activities provided at the hotel/motel.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

Utilities Sales Taxes

This category includes businesses that provide telecommunication (landlines and cellular), electricity, gas, or water services.

Actual to Revised Budget variance of \$0.0 million or 0%: No explanation necessary.

License Fees, Penalty & Interest

This category consists of application and license fees for Transaction Privilege (sales) tax licenses, interest, and penalties.

Actual to Revised Budget variance of (\$0.1) million or (8%): The unfavorable variance is due to less penalty and interest being paid this year than the year prior. This is due in part to the large amount of interest paid last year with the large audit payments that were received.