



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

Report to the City Council and Budget Review Commission
Prepared by City Treasurer – Finance and Accounting Division
December 16, 2010



FINANCIAL REPORT FOR YEAR-TO-DATE NOVEMBER 2010

The following is a financial summary of the City's YTD November 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.

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

Operating Results YTD November 2010 (\$ in millions)				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$110.8	\$110.2	(\$0.6)	-1%
Uses	109.0	100.9	8.1	7%
Change in Fund Balance	\$1.8	\$9.3	\$7.5	

Operating Results November 2010 (\$ in millions)				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$25.9	\$26.0	\$0.1	0%
Uses	21.9	21.2	0.7	3%
Change in Fund Balance	\$4.0	\$4.8	\$0.8	

GENERAL FUND

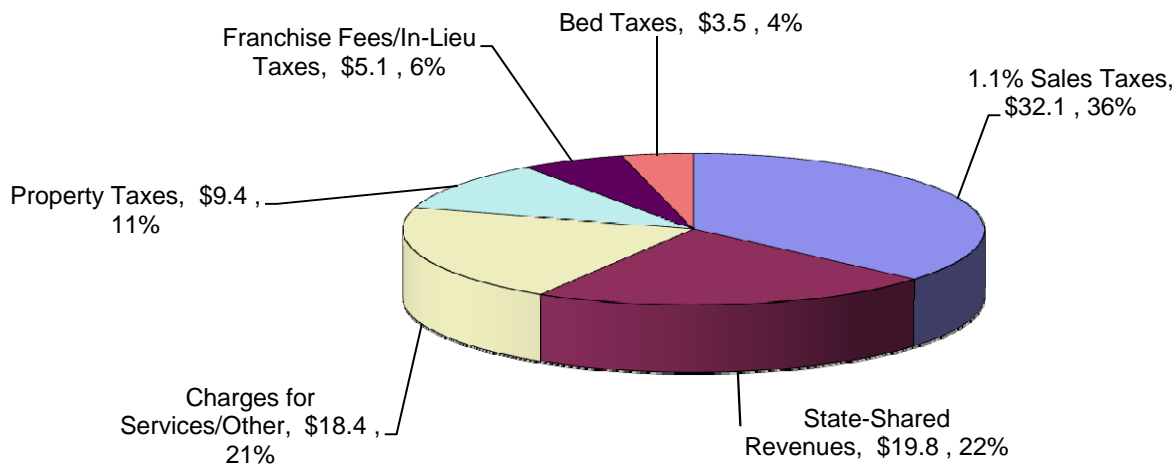
FY 2010/11
(\$ in millions)

	Adopted Budget	Revised Budget	Change	% Change
Sources	\$243.2	\$243.2	\$0.0	0%
Uses	251.6	251.6	0.0	0%
Change in Fund Balance	(\$8.4)	(\$8.4)	\$0.0	
Beginning Fund Balance	\$37.2	\$39.0	\$1.8	
Ending Fund Balance	\$28.7	\$30.5	\$1.8	
Reserved	\$26.2	\$26.2	\$0.0	
Contingency	\$2.5	\$2.5	\$0.0	
Unreserved	\$0.0	\$1.8	\$1.8	

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.

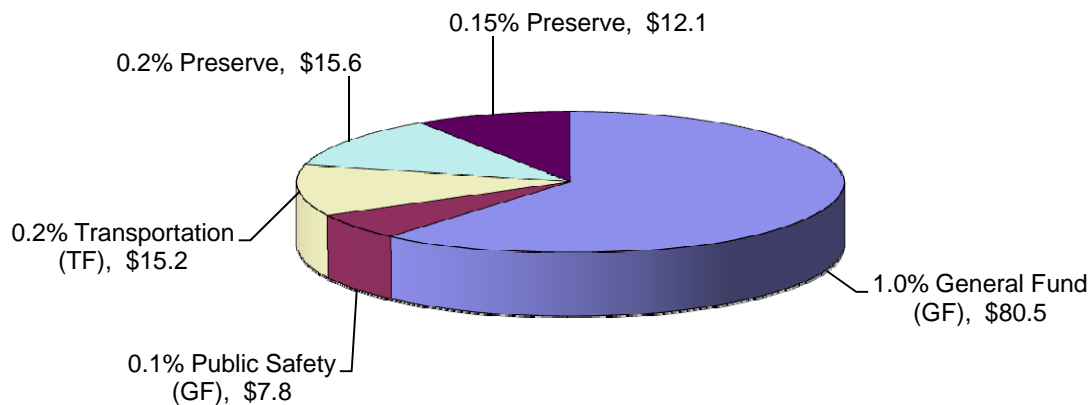
General Fund Revenues \$88.3 Million Fiscal Year-to-Date November 2010



	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	\$88.3
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	10.6
Total Revenue	\$243.6	\$232.3	\$230.5	\$230.5
Transfers In	28.5	19.2	12.7	12.7
Total Sources	\$272.1	\$251.5	\$243.2	\$243.2
% Change vs. Prior Year		-8%	-3%	

	Fiscal Year-to-Date November 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised Budget	Favorable/(Unfavorable)	
					Amount	Percent
1.1% Sales Taxes	\$39.6	\$33.9	\$32.1	\$33.5	(\$1.4)	-4%
State-Shared Revenues	26.6	23.3	19.8	20.5	(0.7)	-3%
Charges for Services/Other	20.8	20.0	18.4	17.4	1.0	6%
Property Taxes	7.9	7.7	9.4	9.6	(0.2)	-2%
Franchise Fees/In-Lieu Taxes	6.0	6.2	5.1	5.4	(0.3)	-6%
Bed Taxes	0.5	1.9	3.5	2.9	0.6	21%
Total Revenue	\$101.4	\$93.0	\$88.3	\$89.3	(\$1.0)	-1%
Transfers In	5.9	13.3	7.9	7.0	0.9	13%
Total Sources	\$107.3	\$106.3	\$96.2	\$96.3	(\$0.1)	0%
% Change vs. Prior Year		-1%	-10%			

**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. 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	\$80.5
0.10% Public Safety Sales Tax	8.4	7.5	7.8	7.8
Total General Fund Sales Taxes	\$95.7	\$85.8	\$88.3	\$88.3
% Change vs. Prior Year		-10%	3%	

	Fiscal Year-to-Date November 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised Budget	Favorable/(Unfavorable) Amount	Percent
1.00% General Purpose Sales Tax	\$36.1	\$30.9	\$29.2	\$30.5	(\$1.3)	-4%
0.10% Public Safety Sales Tax	3.5	3.0	2.9	3.0	(0.1)	-3%
Total General Fund Sales Taxes	\$39.6	\$33.9	\$32.1	\$33.5	(\$1.4)	-4%
% Change vs. Prior Year		-14%	-5%			

Actual to Revised Budget variance of (\$1.4) million or (4%):

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%	

	Fiscal Year-to-Date November 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised	Favorable/(Unfavorable)	
				Budget	Amount	Percent
State Revenue Sharing	\$14.6	\$12.6	\$9.5	\$9.5	\$0.0	0%
State Shared Sales Tax	8.4	7.1	7.0	7.4	(0.4)	-5%
Auto Lieu Tax	3.6	3.6	3.3	3.6	(0.3)	-8%
Total State Shared Revenues	\$26.6	\$23.3	\$19.8	\$20.5	(\$0.7)	-3%
% Change vs. Prior Year		-12%	-15%			

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

State sales taxes saw their first year-over-year positive growth since December 2007 largely as a result of increases in the retail sales category. While favorable, the budget estimates were even more optimistic than 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%	

	Fiscal Year-to-Date November 2010					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	Actual	Actual	Actual	Revised	Favorable/(Unfavorable)	
				Budget	Amount	Percent
<i>Taxes - Local</i>						
Stormwater Water Quality Charge	\$0.4	\$0.4	\$0.4	\$0.4	\$0.0	0%
<i>Licenses, Permits & Fees</i>						
Building Permit Fees & Charges	3.2	3.2	3.4	3.0	0.4	13%
Recreation Fees	1.2	1.3	1.3	1.2	0.1	8%
WestWorld	0.6	0.4	0.4	0.5	(0.1)	-20%
Fire Service Charges	1.7	0.7	0.3	0.3	-	0%
Business Licenses & Fees	0.5	0.6	0.6	0.6	-	0%
<i>Fines & Forfeitures</i>						
Court Fines	2.6	2.9	1.8	1.9	(0.1)	-5%
Photo Enforcement Revenue	1.2	0.8	0.8	0.8	-	0%
Parking Fines	0.1	0.1	0.1	0.2	(0.1)	-50%
Library Fines & Fees	0.2	0.1	0.2	0.1	0.1	100%
<i>Interest Earnings/Property Rental</i>						
Interest Earnings	1.4	1.0	0.7	0.7	-	0%
Property Rental	1.2	1.0	1.0	0.5	0.5	100%
<i>Other Revenue</i>						
Indirect/Direct Cost Allocation	5.4	6.7	5.6	5.7	(0.1)	-2%
Intergovernmental Revenue	0.5	0.5	0.4	0.3	0.1	33%
Miscellaneous	0.5	0.2	0.2	0.2	-	0%
Reimbursements	0.1	0.1	1.2	1.0	0.2	20%
Total Charges for Services/Other	\$20.8	\$20.0	\$18.4	\$17.4	\$1.0	6%
% Change vs. Prior Year		-4%	-8%			

Actual to Revised Budget variance of \$1.0 million or 6%:

Building Permit Fees & Charges are \$0.4 million higher than forecast due to a larger number of small-valuation type projects than anticipated. The favorable variance for Property Rental of \$0.5 million 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 (\$0.2) million or (2%):

This 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.

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	Revised
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%	

	Fiscal Year-to-Date November 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%
Total Franchise Fees/In-Lieu Taxes	\$6.0	\$6.2	\$5.1	\$5.4	(\$0.3)	-6%
% Change vs. Prior Year		3%	-18%			

Actual to Revised Budget variance of (\$0.3) million or (6%):

The unfavorable variance of (\$0.2) million 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 \$0.6 million or 21%:

The majority of the positive variance is due to the receipt of a \$0.4 million late payment related to an underpayment of bed taxes over several prior years. Excluding this late payment, bed taxes have a 7% positive variance year-to-date versus the budget.

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).

	Fiscal Year (Twelve Months)			
	2008/09	2009/10	2010/11	2010/11
	Actual	Actual	Adopted	Revised
			Budget	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%	

	Fiscal Year-to-Date November 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	\$4.4	\$3.6	\$0.8	22%
Self Insurance Fund	2.5	-	-	-	-	n/a
Cultural Council	-	0.3	-	-	-	n/a
Community Services/Human Services	-	0.1	-	-	-	n/a
Enterprise Franchise Fees	2.4	2.6	2.6	2.5	0.1	4%
Enterprise In Lieu Property Tax	1.0	1.1	0.7	0.7	-	0%
Water Campus Security	-	0.2	0.2	0.2	-	0%
Total Transfers In	\$5.9	\$13.3	\$7.9	\$7.0	\$0.9	13%
% Change vs. Prior Year		-55%	-88%			

Actual to Revised Budget variance of \$0.9 million or 13%:

The \$0.8 million positive CIP variance is the result of a duplicative transfer. This has been reversed and will be corrected in December's report.

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	\$162.5	-
Contractual	\$48.8	\$54.9	\$54.9	-
Commodities	\$7.7	\$8.9	\$8.9	-
Capital Outlays	\$0.5	\$4.1	\$4.1	-
Total Operating Expenses	\$225.0	\$230.4	\$230.4	-
Debt Service & Contracts Payable	\$9.0	\$11.9	\$11.9	-
Transfers Out	\$20.1	\$9.3	\$9.3	-
Total Uses	\$254.1	\$251.6	\$251.6	-

	Fiscal Year-to-Date November 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable)</u>	
Expenses:				<u>Amount</u>	<u>Percent</u>
Personnel Services	\$70.9	\$64.7	\$67.1	\$2.4	4 %
Contractual	\$19.8	\$20.1	\$22.8	\$2.7	12 %
Commodities	\$2.6	\$2.5	\$3.1	\$0.6	19 %
Capital Outlays	-	\$0.1	\$1.1	\$1.0	91 %
Total Operating Expenses	\$93.3	\$87.4	\$94.1	\$6.7	7 %
Debt Service & Contracts Payable	\$0.8	\$1.6	\$1.3	(\$0.3)	-23 %
Transfers Out	\$1.6	\$2.6	\$1.5	(\$1.1)	-73 %
Total Uses	\$95.7	\$91.6	\$96.9	\$5.3	5 %

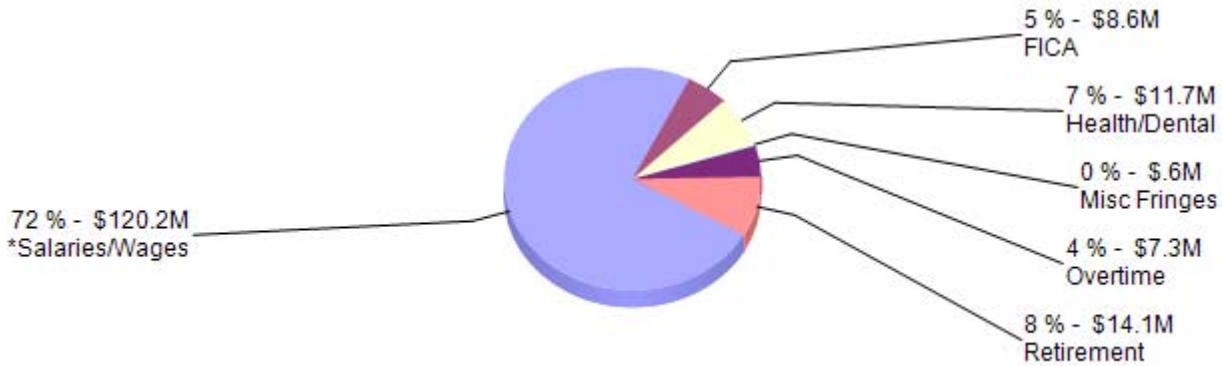
	Fiscal Year-to-Date November 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable)</u>	
Expenses:				<u>Amount</u>	<u>Percent</u>
MAYOR AND CITY COUNCIL	\$0.3	\$0.3	\$0.3	\$0.0	-
CITY CLERK	\$0.4	\$0.4	\$0.7	\$0.3	43 %
CITY ATTORNEY	\$2.7	\$2.3	\$2.4	\$0.1	4 %
CITY AUDITOR	\$0.3	\$0.3	\$0.3	-	-
CITY COURT	\$1.8	\$1.7	\$1.7	-	-
CITY MANAGER	\$0.9	\$0.6	\$0.7	\$0.1	14 %
PUBLIC WORKS	\$6.5	\$5.9	\$6.6	\$0.7	11 %
COMMUNITY & ECONOMIC DEV	\$10.9	\$11.6	\$12.8	\$1.2	9 %
PUBLIC SAFETY	\$45.3	\$42.5	\$44.8	\$2.3	5 %
FINANCE AND ACCOUNTING	\$3.1	\$1.9	\$1.9	-	-
HUMAN RESOURCES	\$1.6	\$1.2	\$1.5	\$0.3	20 %
COMMUNITY SERVICES	\$15.0	\$14.3	\$14.8	\$0.5	3 %
INFORMATION TECHNOLOGY	\$4.4	\$4.1	\$4.5	\$0.4	9 %
ADMINISTRATIVE SERVICES	-	\$1.2	\$1.2	-	-
VACANCY SVGS/PAYOUT/RECLS	\$0.1	(\$0.9)	(\$0.1)	\$0.8	-800 %
Total Operating Expenses	\$93.3	\$87.4	\$94.1	\$6.7	7 %

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.

*(includes Vacancy Savings/Payouts/Reclass)

**Fiscal Year
\$162.5M Revised Personnel Services Budget**



	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	\$125.8	\$121.1	\$120.5	(\$0.6)
Overtime	\$6.1	\$7.3	\$7.3	-
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	-
Vacancy Savings/Payouts/Reclass	(\$3.2)	(\$1.2)	(\$0.3)	\$0.9
Total Personnel Services	\$168.0	\$162.5	\$162.5	\$0.0

	Fiscal Year-to-Date November 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	\$52.7	\$50.2	\$50.6	\$0.4	1 %
Overtime	\$2.2	\$2.0	\$2.6	\$0.6	23 %
Retirement	\$5.7	\$5.6	\$5.8	\$0.2	3 %
Health/Dental	\$6.4	\$4.2	\$4.3	\$0.1	2 %
FICA	\$3.6	\$3.4	\$3.6	\$0.2	6 %
Miscellaneous Fringes	\$0.2	\$0.2	\$0.3	\$0.1	33 %
Vacancy Savings/Payouts/Reclass	\$0.1	(\$0.9)	(\$0.1)	\$0.8	-800 %
Total Personnel Services	\$70.9	\$64.7	\$67.1	\$2.4	4 %

Actual to Revised Budget variance of \$2.4 million or 4%: The positive variance is primarily the result of anticipated Community and Economic Development, Community Service and Police overtime usage which did not occur. The overtime budget spread was developed using last year's 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 \$2.7 million or 12%: The favorable variance is primarily attributable to the citywide initiative of limiting expenses to FY 2009/10 actual. The favorable variance also relates to invoices for services being received later than expected for contracts such as utility billing, fire services and software maintenance and licensing. 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 \$0.6 million or 19%: The favorable variance is primarily attributable to divisions limiting expenses to FY 2009/10 actual. The favorable variance is also due to the timing of invoices and the budget spread for anticipated expenses. 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 \$1.0 million or 91%: 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 November 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)	-	-	-	-	-
Contracts Payable	\$0.8	\$1.6	\$1.3	(\$0.3)	-23 %
COP - Radio Financing	-	-	-	-	-
Debt Service & Contracts Payable	\$0.8	\$1.6	\$1.3	(\$0.3)	-23 %

Actual to Revised Budget variance of (\$0.3) million or (23%): Development agreement payments are based on the amount of privilege (sales) tax collections at each development site. Mall performance showed an increase in sales that was higher than what was originally estimated and budgeted; so a payment for the difference was paid this month creating a negative variance.

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	\$5.0	-
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	\$9.3	-

Fiscal Year-to-Date November 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	-	\$0.8	-	(\$0.8)	-80 %
Transportation Fund	-	-	-	-	-
Bed Tax Fund	\$1.5	\$1.8	\$1.5	(\$0.3)	-20 %
Special Programs Fund - Community Services	-	-	-	-	-
Special Programs Fund - Planning & Dev Services	-	-	-	-	-
Total Transfers Out	\$1.5	\$2.6	\$1.5	(\$1.1)	-73 %

Actual to Revised Budget variance of (\$1.1) million or (73%): The unfavorable variance is primarily the result of a duplicative CIP transfer. This has been reversed and will be corrected in December's report. The unfavorable variance is also attributable to 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.

TRANSPORTATION FUND

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

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. 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>Adopted 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	15.2
Other	3.0	3.0	3.2	3.2
Total Revenues	\$33.6	\$31.0	32.2	32.2
Transfers In	8.9	3.6	2.4	2.4
Total Sources	\$42.5	\$34.6	\$34.6	\$34.6
% Change vs. Prior Year		-19%	0%	

	Fiscal Year-to-Date November 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) Amount</u>	<u>Percent</u>
HURF Taxes	\$6.0	\$5.6	\$5.4	\$5.6	(\$0.2)	-4%
0.20% City Sales Tax	6.9	5.7	5.6	5.8	(0.2)	-3%
Other	0.4	1.0	2.4	2.5	(0.1)	-4%
Total Revenues	\$13.3	\$12.3	\$13.4	\$13.9	(\$0.5)	-4%
Transfers In	1.5	0.5	0.6	0.6	-	0%
Total Sources	\$14.8	\$12.8	\$14.0	\$14.5	(\$0.5)	-3%
% Change vs. Prior Year		-14%	9%			

Actual to Revised Budget variance of (\$0.5) million or (3%):

HURF taxes are lower than budget due to less demand of 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 November 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	\$2.8	\$2.7	\$2.6	(\$0.1)	-4 %
Contractual	\$5.1	\$3.7	\$9.0	\$5.3	59 %
Commodities	\$0.2	\$0.2	\$0.4	\$0.2	50 %
Capital Outlays	\$0.1	\$2.7	\$0.1	(\$2.6)	-2,600 %
Total Operating Expenses	\$8.2	\$9.3	\$12.1	\$2.8	23 %
Transfers Out	-	-	-	-	-
Total Uses	\$8.2	\$9.3	\$12.1	\$2.8	23 %

Actual to Revised Budget variance of \$2.8 or 23%: The favorable variance in Contractual Services is primarily attributable to the invoice timing for Transportation's transit contracts with the Phoenix Transit, Regional Public Transportation Authority (RPTA) and the Trolley. The RPTA invoices are yet to be received due to contracts that were modified by City Council in July. The recalculated contract amounts were presented and approved by City Council in October, as such, invoices are anticipated to be received in December. 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 %		

Fiscal Year-to-Date November 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	\$5.4	\$4.8	\$4.7	\$4.7	-	-
Replacement Rates	\$2.3	\$0.7	\$1.2	\$1.2	-	-
Interest Earnings	\$0.2	\$0.1	\$0.1	-	\$0.1	-10 %
Other Revenue	\$0.1	\$0.1	-	\$0.1	(\$0.1)	-100 %
Total Revenues	\$8.0	\$5.7	\$6.0	\$6.0	-	0%
Transfers In	-	-	-	-	-	-
Total Sources	\$8.0	\$5.7	\$6.0	\$6.0	-	0%
% Change vs. Prior Year		-28.8 %	5.3 %			

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 November 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	\$1.3	\$1.3	\$1.3	-	-
Contractual	\$0.5	\$0.4	\$0.7	\$0.3	43 %
Commodities	\$1.7	\$1.9	\$2.3	\$0.4	17 %
Capital Outlays	\$1.3	\$0.2	\$1.4	\$1.2	86 %
Total Operating	\$4.8	\$3.8	\$5.7	\$1.9	33 %
Transfers Out	-	-	-	-	-
Total Uses	\$4.8	\$3.8	\$5.7	\$1.9	33 %

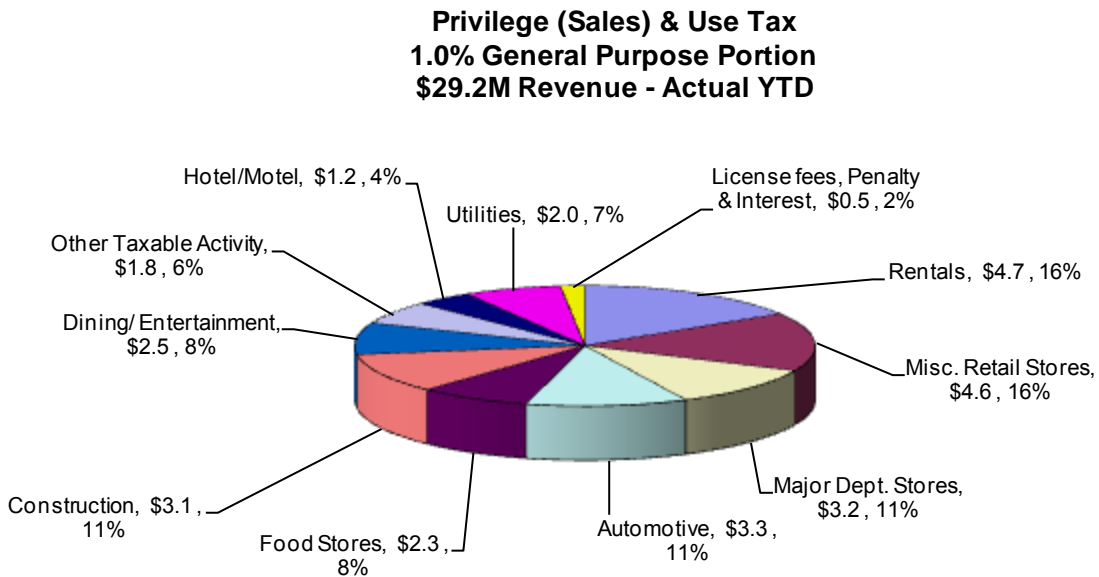
Actual to Revised Budget variance of \$1.9 million or 33%: The commodities favorable variance is primarily a budget spread issue in the fuel account. Additionally, the Capital Outlays favorable variance is attributable to the difficulty of forecasting the timing of vehicle acquisitions.



Privilege (Sales) & Use Tax Collections For November 2010 (For Business Activity in October 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 4 percent compared to Budget, and a decrease of 5 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
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u> <u>Budget</u>	<u>Approved</u> <u>Adjustments</u>	<u>Revised</u> <u>Budget</u>
<u>1.00% General Purpose</u>					
Rentals	\$12.5	\$11.2	\$11.5	0.8	\$12.3
Misc. Retail Stores	12.1	12.1	12.7	(0.2)	12.5
Major Dept. Stores	8.8	9.0	9.1	(0.1)	9.0
Automotive	9.6	8.4	8.7	(0.1)	8.6
Food Stores	6.3	6.0	6.4	(0.1)	6.3
Construction	13.5	8.2	8.5	(0.1)	8.4
Dining/ Entertainment	6.9	6.8	7.0	-	7.0
Other Taxable Activity	6.2	5.5	5.4	(0.1)	5.3
Hotel/Motel	4.4	4.0	4.3	(0.1)	4.2
Utilities	4.4	4.8	4.7	(0.1)	4.6
License fees, Penalty & Interest	2.6	2.4	2.3	-	2.3
Subtotal	<u>\$87.3</u>	<u>\$78.3</u>	<u>\$80.5</u>	<u>0.0</u>	<u>\$80.5</u>
0.10% Public Safety	\$8.4	\$7.5	\$7.8	-	\$7.8
0.20% Transportation	16.5	14.6	15.2	-	15.2
0.20% McDowell Preserve 1995	17.0	15.2	15.6	-	15.6
0.15% McDowell Preserve 2004	12.6	11.3	12.1	-	12.1
Total	<u>\$141.8</u>	<u>\$126.9</u>	<u>\$131.2</u>	<u>0.0</u>	<u>\$131.2</u>
% Change vs. Prior Year		-11%	3%		3%

	Fiscal Year-to-Date November						
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget		
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Favorable/(Unfavorable)</u> <u>Amount</u>	<u>Percent</u>	
<u>1.00% General Purpose</u>							
Rentals	\$5.2	\$5.1	\$4.7	\$5.1	(\$0.4)	-8%	
Misc. Retail Stores	4.7	4.3	4.6	4.4	0.2	5%	
Major Dept. Stores	3.3	3.3	3.2	3.4	(0.2)	-6%	
Automotive	4.4	3.5	3.3	3.5	(0.2)	-6%	
Food Stores	2.4	2.2	2.3	2.4	(0.1)	-4%	
Construction	6.8	3.9	3.1	3.5	(0.4)	-11%	
Dining/ Entertainment	2.5	2.4	2.5	2.4	0.1	4%	
Other Taxable Activity	2.6	2.1	1.8	1.9	(0.1)	-5%	
Hotel/Motel	1.5	1.1	1.2	1.2	-	0%	
Utilities	2.0	2.4	2.0	2.1	(0.1)	-5%	
License fees, Penalty & Interest	0.7	0.6	0.5	0.6	(0.1)	-17%	
Subtotal	<u>\$36.1</u>	<u>\$30.9</u>	<u>\$29.2</u>	<u>\$30.5</u>	<u>(\$1.3)</u>	<u>-4%</u>	
0.10% Public Safety	\$3.5	\$3.0	\$2.9	\$3.0	(0.1)	-3%	
0.20% Transportation	6.9	5.7	5.6	5.8	(0.2)	-3%	
0.20% McDowell Preserve 1995	7.1	6.0	5.8	5.9	(0.1)	-2%	
0.15% McDowell Preserve 2004	5.3	4.5	4.3	4.6	(0.3)	-7%	
Total	<u>\$58.9</u>	<u>\$50.1</u>	<u>\$47.8</u>	<u>\$49.8</u>	<u>(\$2.0)</u>	<u>-4%</u>	
% Change vs. Prior Year		-15%	-5%				

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 Budget variance of (\$0.4) million or (8%): 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 Budget variance of \$0.2 million or 5%: Retail sales have been increasing for electronics. Additionally, retail sales have increased by the opening of new stores.

Major Department Stores Sales Taxes

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

Actual to Budget variance of (\$0.2) million or (6%): This unfavorable variance is due in part to continued discounted prices by retailers and slower spending than expected.

Automotive Sales Taxes

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

Actual to Budget variance of (\$0.2) million or (6%): The unfavorable variance is a result of automotive sales slowing down compared to recent months.

Food Stores Sales Taxes

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

Actual to Budget variance of (\$0.1) million or (4%): The unfavorable variance is a result of a grocery store chain reporting a drop in sales.

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 Budget variance of (\$0.4) million or (11%): 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 Budget variance of \$0.1 million or 4%: The favorable variance is the result of late payments and an increase in sales.

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 Budget variance of (\$0.1) million or (5%): This appears to be due to decreases in sales from commercial printing, publishing and advertising.

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 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 Budget variance of (\$0.1) million or (5%): The unfavorable variance is due in part to a decrease in land line telecommunication and increased competition in cellular phone service that results in lower prices.

License Fees, Penalty & Interest

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

Actual to Budget variance of (\$0.1) million or (17%): 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.