



# Financial Report Fiscal Year-to-Date As of August 2010

Report to the City Council and Budget Review Commission  
Prepared by City Treasurer - Finance and Accounting Division  
September 20, 2010



## FINANCIAL REPORT FOR YEAR-TO-DATE AUGUST 2010

The following is a financial summary of the City's YTD August 2010 General Fund, Transportation Fund and the 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 revenues and expenditures 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 as well as bed tax activity.

Fiscal year (twelve months) 2009/10 actuals are not finalized and; therefore, designated as not available, "NA", throughout the monthly financial report.

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

<b>Operating Results YTD August 2010 (\$ in millions)</b>				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$44.4	\$40.5	(\$3.9)	-9%
Uses	42.9	38.0	4.9	11%
Change in Fund Balance	\$1.5	\$2.5	\$1.0	

<b>Operating Results August 2010 (\$ in millions)</b>				
	Revised Budget	2010/11 Actual	Change	% Change
Sources	\$18.5	\$16.3	(\$2.2)	-12%
Uses	21.7	20.4	1.3	6%
Change in Fund Balance	(\$3.2)	(\$4.1)	(\$0.9)	

## GENERAL FUND

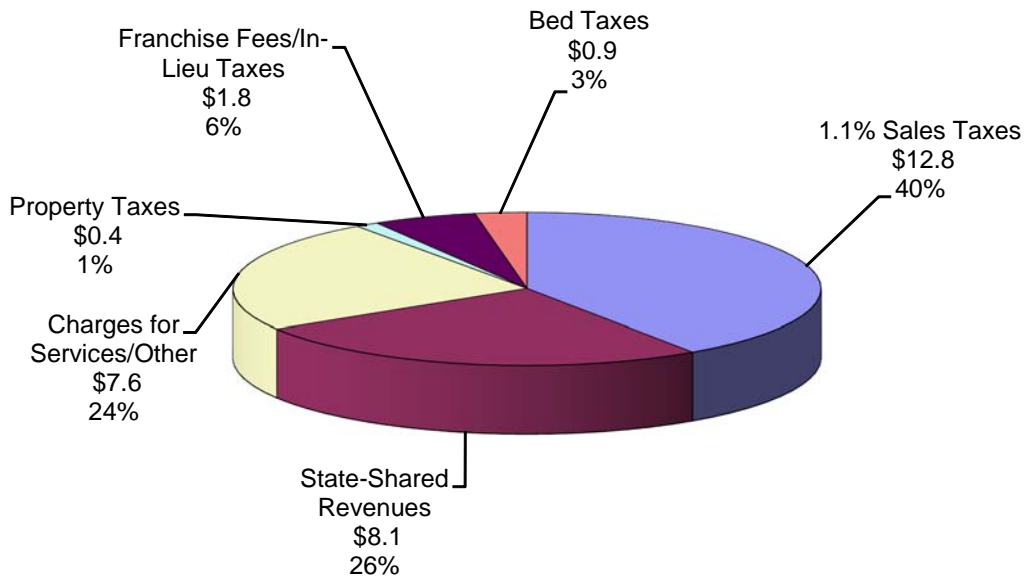
**FY 2010/11**  
**(\$ in millions)**

	Adopted <u>Budget</u>	Revised <u>Budget</u>	<u>Change</u>	<u>% Change</u>
Sources	\$243.4	\$243.4	\$0.0	0%
Uses	<u>251.6</u>	<u>251.5</u>	<u>0.1</u>	0%
Change in Fund Balance	(\$8.2)	(\$8.1)	\$0.1	
Beginning Fund Balance	<u>37.2</u>	<u>37.2</u>	<u>0.0</u>	
Ending Fund Balance	<u><u>\$28.7</u></u>	<u><u>\$28.8</u></u>	<u><u>\$0.1</u></u>	
Reserved	\$26.2	\$26.2	\$0.0	
Contingency	\$2.5	\$2.5	\$0.0	
Unreserved	\$0.0	\$0.1	\$0.1	

### 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.

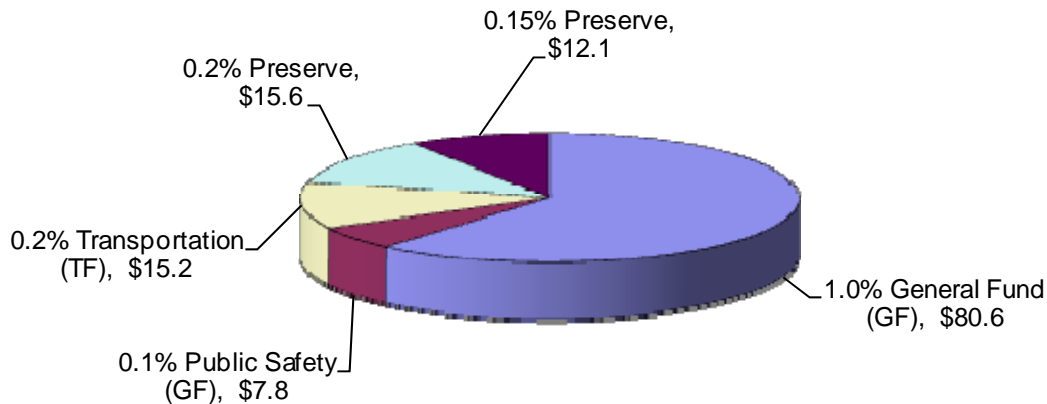
### General Fund Revenues \$31.6 Million Fiscal Year-to-Date August 2010



	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>
1.1% Sales Taxes	\$95.7	NA	\$88.4	\$88.4
State-Shared Revenues	62.2	NA	48.6	48.6
Charges for Services/Other	50.2	NA	46.8	46.8
Property Taxes	22.6	NA	24.7	24.7
Franchise Fees/In-Lieu Taxes	11.5	NA	11.6	11.6
Bed Taxes	1.5	NA	10.6	10.6
Total Revenue	\$243.7	NA	\$230.7	\$230.7
Transfers In	28.4	NA	12.7	12.7
Total Sources	\$272.1	NA	\$243.4	\$243.4
% Change vs. Prior Year				

	Fiscal Year-to-Date August				Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Revised Budget</u>	<u>Amount</u>	<u>Percent</u>
1.1% Sales Taxes	\$16.7	\$13.8	\$12.8	\$13.4	(\$0.6)	-4%
State-Shared Revenues	10.8	9.7	8.1	8.4	(0.3)	-4%
Charges for Services/Other	8.7	8.3	7.6	7.5	0.1	1%
Property Taxes	0.4	0.4	0.4	0.5	(0.1)	-20%
Franchise Fees/In-Lieu Taxes	2.7	2.8	1.8	1.9	(0.1)	-5%
Bed Taxes	0.7	0.7	0.9	0.9	-	0%
Total Revenue	\$40.0	\$35.7	\$31.6	\$32.6	(\$1.0)	-3%
Transfers In	2.1	10.6	4.7	4.7	-	0%
Total Sources	\$42.1	\$46.3	\$36.3	\$37.3	(\$1.0)	-3%
% Change vs. Prior Year		10%	-22%			

**1.65% Sales Tax \$131.3 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 two of the sales taxes categories (utilities and construction) have seen dramatic decreases over prior year and August has 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
			Adopted	Revised
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
1.00% General Purpose Sales Tax	\$87.3	NA	\$80.6	\$80.6
0.10% Public Safety Sales Tax	8.4	NA	7.8	7.8
Total General Fund Sales Taxes	\$95.7	NA	\$88.4	\$88.4
% Change vs. Prior Year				

	Fiscal Year-to-Date August				Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)	
				Revised		
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
1.00% General Purpose Sales Tax	\$15.2	\$12.6	\$11.6	\$12.2	(\$0.6)	-5%
0.10% Public Safety Sales Tax	1.5	1.2	1.2	1.2	0.0	0%
Total General Fund Sales Taxes	\$16.7	\$13.8	\$12.8	\$13.4	(\$0.6)	-4%
% Change vs. Prior Year		-17%	-7%			

**Actual to Revised Budget variance of (\$0.6) 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. 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
			Adopted	Revised
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
State Revenue Sharing	\$35.1	NA	\$22.8	\$22.8
State Shared Sales Tax	18.9	NA	17.6	17.6
Auto Lieu Tax	8.2	NA	8.2	8.2
Total State Shared Revenues	\$62.2	NA	\$48.6	\$48.6
% Change vs. Prior Year				

	Fiscal Year-to-Date August					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	Revised	Favorable/(Unfavorable)	
				<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
State Revenue Sharing	\$5.9	\$5.1	\$3.8	\$3.8	\$0.0	0%
State Shared Sales Tax	3.5	3.0	2.9	3.2	(0.3)	-9%
Auto Lieu Tax	1.4	1.6	1.4	1.4	0.0	0%
Total State Shared Revenues	\$10.8	\$9.7	\$8.1	\$8.4	(\$0.3)	-4%
% Change vs. Prior Year		-10%	-16%			

**Actual to Revised Budget variance of (\$0.3) million or (4%):** State Sales Tax distribution is down 2.8 percent versus the prior year; the budget assumed that the State Sales tax distribution would be down only 2.0 percent. The temporary \$0.01 cent sales tax increase will not be distributed to municipalities but instead used for education, public safety and health and human services. State Shared Sales Taxes are paid to municipalities two months in arrears; therefore, this Monthly Financial Report for August is reporting June collections. Sales Tax revenues at the State fell in June and July (which will be reported in the September Monthly Financial Report) following positive growth in April and May. These latest collections may be evidence that the economic recovery may be slower than anticipated.

### **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
	<u>Actual</u>	<u>Actual</u>	Adopted	Revised
			<u>Budget</u>	<u>Budget</u>
<i>Taxes - Local</i>				
Stormwater Water Quality Charge	\$0.8	NA	\$0.9	\$0.9
<i>Licenses, Permits &amp; Fees</i>				
Building Permit Fees & Charges	6.9	NA	8.2	8.2
Recreation Fees	3.2	NA	3.4	3.4
WestWorld	2.7	NA	2.6	2.6
Fire Service Charges	1.8	NA	0.6	0.6
Business Licenses & Fees	1.7	NA	1.7	1.7
<i>Fines &amp; Forfeitures</i>				
Court Fines	6.7	NA	4.8	4.8
Photo Enforcement Revenue	2.5	NA	1.8	1.8
Parking Fines	0.4	NA	0.4	0.4
Library Fines & Fees	0.3	NA	0.3	0.3
30 Day Tow Program	0.2	NA	-	-
<i>Interest Earnings/Property Rental</i>				
Interest Earnings	3.7	NA	1.0	1.0
Property Rental	3.2	NA	2.8	2.8
<i>Other Revenue</i>				
Indirect/Direct Cost Allocation	13.8	NA	14.0	14.0
Intergovernmental Revenue	1.2	NA	0.9	0.9
Miscellaneous	0.6	NA	0.5	0.5
Reimbursements	0.5	NA	2.9	2.9
Total Charges for Services/Other	\$50.2	NA	\$46.8	\$46.8
% Change vs. Prior Year				

	Fiscal Year-to-Date August					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Revised Budget</u>	Favorable/(Unfavorable)	
					<u>Amount</u>	<u>Percent</u>
<i>Taxes - Local</i>						
Stormwater Water Quality Charge	\$0.2	\$0.2	\$0.2	\$0.2	\$0.0	0%
<i>Licenses, Permits &amp; Fees</i>						
Building Permit Fees & Charges	1.6	1.3	1.5	1.2	0.3	25%
Recreation Fees	0.5	0.5	0.4	0.6	(0.2)	-33%
WestWorld	0.1	-	0.1	-	0.1	n/a
Fire Service Charges	0.4	0.5	0.1	0.1	-	0%
Business Licenses & Fees	0.1	0.2	0.2	0.2	-	0%
<i>Fines &amp; Forfeitures</i>						
Court Fines	1.1	1.2	0.8	0.8	-	0%
Photo Enforcement Revenue	0.7	0.3	0.3	0.3	-	0%
Parking Fines	-	-	-	0.1	(0.1)	-100%
Library Fines & Fees	0.1	-	0.1	0.1	-	0%
<i>Interest Earnings/Property Rental</i>						
Interest Earnings	0.6	0.5	0.5	0.5	-	0%
Property Rental	0.5	0.5	0.6	0.4	0.2	50%
<i>Other Revenue</i>						
Indirect/Direct Cost Allocation	2.2	2.6	2.2	2.3	(0.1)	-4%
Intergovernmental Revenue	0.2	0.3	-	0.2	(0.2)	-100%
Miscellaneous	0.4	0.1	0.1	0.1	-	0%
Reimbursements	-	0.1	0.5	0.4	0.1	25%
Total Charges for Services/Other	\$8.7	\$8.3	\$7.6	\$7.5	\$0.1	1%
% Change vs. Prior Year		-5%	-8%			

**Actual to Revised Budget variance of \$0.1 million or 1%.** Building Permit Fees & Charges are \$0.3 million higher than forecast due to a larger number of small-valuation type projects than anticipated. The Property Rental favorable variance of \$0.2 million, the Recreation Fees unfavorable variance of (\$0.2) million and the Intergovernmental Miscellaneous unfavorable variance of (\$0.2) million are the result of the budget not being spread appropriately. Budget adjustments will be processed and reflected in September's Monthly Financial Report.

### **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 (\$0.1) million or (20%).** Variance is primarily due to a class action lawsuit against the County Assessor that was in process since 1995 and settled in June 2010. There was no knowledge of the settlement at the time of forecasting and spreading the budget for property taxes.

### **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
	<u>Actual</u>	<u>Actual</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>
Electric Franchise	\$7.8	NA	\$8.2	\$8.2
Cable TV Franchise	3.6	NA	3.3	3.3
Salt River Project Lieu Tax	0.1	NA	0.1	0.1
Total Franchise Fees/In-Lieu Taxes	\$11.5	NA	\$11.6	\$11.6
% Change vs. Prior Year				

	Fiscal Year-to-Date August					
	2008/09	2009/10	2010/11	Revised	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/(Unfavorable)	
					<u>Amount</u>	<u>Percent</u>
Electric Franchise	\$1.8	\$1.9	\$1.7	\$1.9	(\$0.2)	-11%
Cable TV Franchise	0.9	0.9	-	-	-	n/a
Salt River Project Lieu Tax	-	-	0.1	-	0.1	n/a
Total Franchise Fees/In-Lieu Taxes	\$2.7	\$2.8	\$1.8	\$1.9	(\$0.1)	-5%
% Change vs. Prior Year		4%	-36%			

**Actual to Revised Budget variance of (\$0.1) million or (5%):** The unfavorable variance of (\$0.2) million in Electric Franchise is driven by a budget assumption that franchise revenue would increase year over year. The Electric Franchise revenue actually declined by 5.6 percent year over 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 will now be 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 this month (August 2010) and 50 percent of the 5 percent bed tax collections will be transferred to the Special Programs Fund to be used for destination marketing purposes.

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

### **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
	<u>Actual</u>	<u>Actual</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>
CIP	\$13.9	NA	\$3.6	\$3.6
Self Insurance Fund	5.0	NA	-	-
Community Services/Human Services	0.1	NA	-	-
Enterprise Franchise Fees	6.4	NA	6.8	6.8
Enterprise In Lieu Property Tax	2.5	NA	1.8	1.8
Water Campus Security	0.5	NA	0.5	0.5
Total Transfers In	\$28.4	NA	\$12.7	\$12.7
% Change vs. Prior Year				



	Fiscal Year-to-Date August					
	2008/09	2009/10	2010/11	2010/11	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Revised Budget</u>	Favorable/(Unfavorable)	
					<u>Amount</u>	<u>Percent</u>
CIP	\$0.0	\$9.0	\$3.6	\$3.6	\$0.0	0%
Cultural Council	-	0.3	-	-	-	n/a
Community Services/Human Services	-	0.1	-	-	-	n/a
Enterprise Franchise Fees	0.6	0.7	0.7	0.7	-	0%
Enterprise In Lieu Property Tax	1.5	0.4	0.3	0.3	-	0%
Water Campus Security	-	0.1	0.1	0.1	-	0%
Total Transfers In	\$2.1	\$10.6	\$4.7	\$4.7	\$0.0	0%
% Change vs. Prior Year		1%	-91%			

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

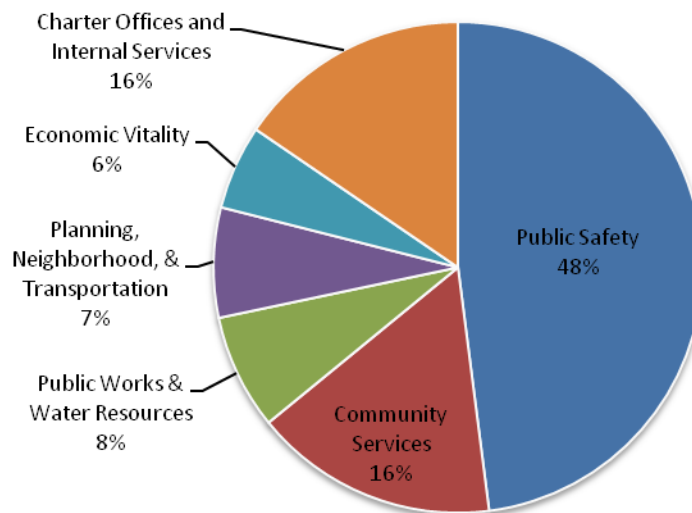
**Note:** The Enterprise Franchise Fees and the Enterprise In Lieu Property Tax were previously reported in the Franchise Fees and In Lieu Taxes category. However, to stay consistent with the City's Comprehensive Annual Financial Report (CAFR) these two items will now be reported in this category.

## 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>
<b>Expenses:</b>				
Personnel Services	NA	\$162.5	\$162.4	(\$0.1)
Contractual	NA	\$54.9	\$54.9	-
Commodities	NA	\$8.9	\$8.9	-
Capital Outlays	NA	\$4.1	\$4.1	-
<b>Total Operating Expenses</b>	<b>NA</b>	<b>\$230.4</b>	<b>\$230.3</b>	<b>(\$0.1)</b>
Debt Service & Contracts Payable	NA	\$11.9	\$11.9	-
Transfers Out	NA	\$9.3	\$9.3	-
<b>Total Uses</b>	<b>NA</b>	<b>\$251.6</b>	<b>\$251.5</b>	<b>(\$0.1)</b>

	Fiscal Year-to-Date August 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>
<b>Expenses:</b>					
Personnel Services	\$27.2	\$25.4	\$25.8	\$0.4	2 %
Contractual	\$7.6	\$8.1	\$9.6	\$1.5	16 %
Commodities	\$0.7	\$0.7	\$1.1	\$0.4	36 %
Capital Outlays	-	-	\$0.5	\$0.5	100 %
<b>Total Operating Expenses</b>	<b>\$35.5</b>	<b>\$34.2</b>	<b>\$37.0</b>	<b>\$2.8</b>	<b>8 %</b>
Debt Service & Contracts Payable	\$0.6	\$0.3	\$0.3	-	-
Transfers Out	\$0.5	\$0.5	\$0.5	-	-
<b>Total Uses</b>	<b>\$36.6</b>	<b>\$35.0</b>	<b>\$37.8</b>	<b>\$2.8</b>	<b>7 %</b>

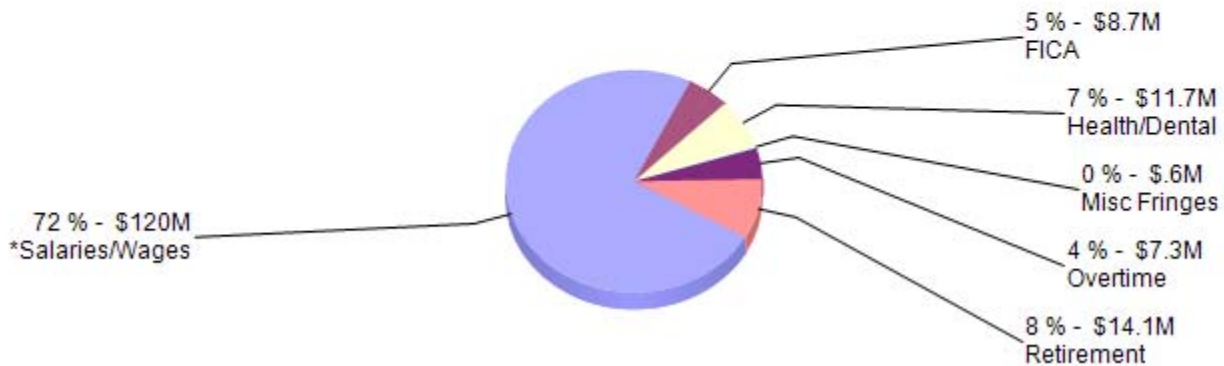
**Fiscal year \$230.3M Revised General Fund Operating Budget**



**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  
\$162.4M Revised Personnel Services Budget**



\*(includes Vacancy Savings/Payouts/Reclass)

	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>
Salaries and Wages	NA	\$121.1	\$121.0	(\$0.1)
Overtime	NA	\$7.3	\$7.3	-
Retirement	NA	\$14.2	\$14.1	(\$0.1)
Health/Dental	NA	\$11.8	\$11.7	(\$0.1)
FICA	NA	\$8.7	\$8.7	-
Miscellaneous Fringes	NA	\$0.6	\$0.6	-
Vacancy Savings/Payouts/Reclass	NA	(\$1.2)	(\$1.0)	\$0.2
<b>Total Personnel Services</b>	<b>NA</b>	<b>\$162.5</b>	<b>\$162.4</b>	<b>(\$0.1)</b>

	Fiscal Year-to-Date August 2010					
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable)</u>		
				<u>Amount</u>	<u>Percent</u>	
Salaries and Wages	\$20.1	\$18.9	\$19.1	\$0.2	1 %	
Overtime	\$0.8	\$0.9	\$1.0	\$0.1	10 %	
Retirement	\$2.1	\$2.0	\$2.1	\$0.1	5 %	
Health/Dental	\$2.6	\$2.4	\$2.4	-	-	
FICA	\$1.4	\$1.3	\$1.3	-	-	
Miscellaneous Fringes	\$0.1	\$0.1	\$0.1	-	-	
Vacancy Savings/Payouts/Reclass	\$0.1	(\$0.2)	(\$0.2)	-	-	
<b>Total Personnel Services</b>	<b>\$27.2</b>	<b>\$25.4</b>	<b>\$25.8</b>	<b>\$0.4</b>	<b>2 %</b>	

YTD August 2010

**Actual to Revised Budget variance of \$0.4 million or 2%:** The positive variance is reflective of anticipated Community Service and Police overtime usage which did not occur. The 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 \$1.5 million or 16%:** The favorable variance relates to invoices for services being received later than expected for contracts such as citywide custodial service, fire service contract and annual software maintenance/licensing. The variance is also a result of those expenditures that are difficult to budget for because of their unpredictable spending pattern (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 36%:** The favorable variance is primarily the result of the timing and receipt of pending invoices. The budget for operating supplies and minor equipment assumed that products purchased in July and August would be billed and paid in August. However, receipt and payment of these invoices are later than anticipated. 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 \$0.5 million or 100%:** 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.

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

Fiscal Year-to-Date August 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>
MPC Excise Debt Fund	-	-	-	-	-
MPC Excise Debt Fund - Bed Tax	-	-	-	-	-
Certificates of Participation (COP)	-	-	-	-	-
Contracts Payable	\$0.6	\$0.3	\$0.3	-	-
COP - Radio Financing	-	-	-	-	-
<b>Debt Service &amp; Contracts Payable</b>	<b>\$0.6</b>	<b>\$0.3</b>	<b>\$0.3</b>	-	-

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

### 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	NA	\$2.2	\$2.2	-
Transportation Fund	NA	\$1.8	\$1.8	-
Bed Tax Fund	NA	\$5.0	\$5.0	-
Special Programs Fund - Community Services	NA	\$0.2	\$0.2	-
Special Programs Fund - Planning & Dev Services	NA	\$0.1	\$0.1	-
<b>Total Transfers Out</b>	<b>NA</b>	<b>\$9.3</b>	<b>\$9.3</b>	-

Fiscal Year-to-Date August 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>
CIP - General Fund Maintenance	-	-	-	-	-
Transportation Fund	-	-	-	-	-
Bed Tax Fund	\$0.5	\$0.5	\$0.5	-	-
Special Programs Fund - Community Services	-	-	-	-	-
Special Programs Fund - Planning & Dev Services	-	-	-	-	-
<b>Total Transfers Out</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.5</b>	-	-

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

## TRANSPORTATION FUND

FY 2010/11 (\$ in millions)				
	Adopted Budget	Revised Budget	Change	%
			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	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	

### 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>Budget</u>	<u>Budget</u>
HURF Taxes	\$14.1	NA	\$13.8	\$13.8
0.20% City Sales Tax	16.5	NA	15.2	15.2
Other	2.9	NA	3.2	3.2
Total Revenues	<u>\$33.5</u>	<u>NA</u>	<u>32.2</u>	<u>32.2</u>
Transfers In	8.8	NA	2.4	2.4
Total Sources	<u>\$42.3</u>	<u>NA</u>	<u>\$34.6</u>	<u>\$34.6</u>
% Change vs. Prior Year				

	Fiscal Year-to-Date August				Actual vs. Budget	
	2008/09	2009/10	2010/11	2010/11	Favorable/(Unfavorable)	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
HURF Taxes	\$2.5	\$2.4	\$2.3	\$2.4	(\$0.1)	-4%
0.20% City Sales Tax	2.9	2.3	2.2	2.3	(0.1)	-4%
Other	0.2	0.2	(0.9)	1.8	(2.7)	-150%
Total Revenues	<u>\$5.6</u>	<u>\$4.9</u>	<u>\$3.6</u>	<u>\$6.5</u>	<u>(\$2.9)</u>	<u>-45%</u>
Transfers In	-	-	0.6	0.6	-	0%
Total Sources	<u>\$5.6</u>	<u>\$4.9</u>	<u>\$4.2</u>	<u>\$7.1</u>	<u>(\$2.9)</u>	<u>-41%</u>
% Change vs. Prior Year		-13%	-14%			

**Actual to Revised Budget variance of (\$2.9) million or (41%):** The 0.20 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. Additionally, the Other Revenue category assumed a \$1.1 million American Recovery and Reinvestment Act (ARRA) distribution that has not been received and a beginning fiscal year accounting adjustment resulting in an unfavorable variance.

**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>
<b>Expenses:</b>				
Personnel Services	NA	\$6.1	\$6.1	-
Contractual	NA	\$19.7	\$19.7	-
Commodities	NA	\$0.8	\$0.8	-
Capital Outlays	NA	\$0.3	\$0.3	-
<b>Total Operating Expenses</b>	<b>NA</b>	<b>\$26.9</b>	<b>\$26.9</b>	<b>-</b>
Transfers Out	NA	\$7.7	\$7.7	-
<b>Total Uses</b>	<b>NA</b>	<b>\$34.6</b>	<b>\$34.6</b>	<b>-</b>

	Fiscal Year-to-Date August 2010				
	2009/10 <u>Actual</u>	2010/11 <u>Actual</u>	2010/11 <u>Revised Budget</u>	<u>Actual vs. Budget Favorable / (Unfavorable)</u>	
<b>Expenses:</b>				<u>Amount</u>	<u>Percent</u>
Personnel Services	\$1.1	\$1.1	\$1.0	(\$0.1)	-10 %
Contractual	\$1.1	\$1.3	\$3.9	\$2.6	67 %
Commodities	\$0.1	\$0.1	\$0.2	\$0.1	50 %
Capital Outlays	-	\$0.5	-	(\$0.5)	-50 %
<b>Total Operating Expenses</b>	<b>\$2.3</b>	<b>\$3.0</b>	<b>\$5.1</b>	<b>\$2.1</b>	<b>41 %</b>
Transfers Out	-	-	-	-	-
<b>Total Uses</b>	<b>\$2.3</b>	<b>\$3.0</b>	<b>\$5.1</b>	<b>\$2.1</b>	<b>41 %</b>

**Actual to Revised Budget variance of \$2.1 million or 41%:** The favorable variance is primarily the result of the budget spread for the American Recovery and Reinvestment Act (ARRA) paving projects. Staff is working with the project management team to finalize the ARRA project timelines. Once complete the budget will be adjusted accordingly. The positive variance is also attributable to the invoice timing for Transportation's transit contracts with the Trolley and Regional Public Transportation Authority (RPTA). Invoices for these services are expected to be received in October.

**FLEET MANAGEMENT FUND**  
**FY 2010/11**  
**(\$ in millions)**

	Adopted <u>Budget</u>	Revised <u>Budget</u>	<u>Change</u>	%
				<u>Change</u>
Sources	\$14.4	\$14.4	\$0.0	0%
Uses	<u>\$15.2</u>	<u>\$15.2</u>	<u>\$0.0</u>	0%
Change in Fund Balance	(\$0.8)	(\$0.8)	\$0.0	
Total Est. Fund Balance	<u><u>\$8.2</u></u>	<u><u>\$8.2</u></u>	<u><u>\$0.0</u></u>	

**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) that are 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 vehicle 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)				
	2008/09	2009/10	2010/11	2010/11	2010/11
	<u>Actual</u>	<u>Actual</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Approved Adjustments</u>
Maint/Operation Rates	\$12.9	NA	\$11.2	\$11.2	\$0.0
Replacement Rates	5.4	NA	2.9	2.9	0.0
Other	0.5	NA	0.3	0.3	0.0
Total Revenues	<u>\$18.8</u>	NA	<u>\$14.4</u>	<u>\$14.4</u>	<u>\$0.0</u>
Transfers In	2.0	NA	0.0	0.0	0.0
Total Sources	<u><u>\$20.8</u></u>	NA	<u><u>\$14.4</u></u>	<u><u>\$14.4</u></u>	<u><u>\$0.0</u></u>
% Change vs. Prior Year					

	Fiscal Year-to-Date Aug 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>
Maint/Operation Rates	\$2.1	\$2.0	\$1.8	\$1.8	\$0.0	0%
Replacement Rates	0.9	0.3	0.5	0.5	0.0	0%
Other	0.1	0.0	0.1	0.1	0.0	0%
Total Revenues	<u>\$3.1</u>	<u>\$2.3</u>	<u>\$2.4</u>	<u>\$2.4</u>	<u>\$0.0</u>	<u>0%</u>
Transfers In	0.0	0.0	0.0	0.0	-	0%
Total Sources	<u><u>\$3.1</u></u>	<u><u>\$2.3</u></u>	<u><u>\$2.4</u></u>	<u><u>\$2.4</u></u>	<u><u>\$0.0</u></u>	<u><u>0%</u></u>
% Change vs. Prior Year		-25.8%	4.3%			

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



**FLEET MANAGEMENT FUND USES**  
(\$ in millions)

	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>
<b>Expenses:</b>				
Personnel Services	NA	\$3.1	\$3.1	-
Contractual	NA	\$1.6	\$1.6	-
Commodities	NA	\$6.8	\$6.8	-
Capital Outlays	NA	\$3.7	\$3.7	-
<b>Total Operating Expenses</b>	<b>NA</b>	<b>\$15.2</b>	<b>\$15.2</b>	<b>-</b>
Transfers Out	NA	\$0.0	\$0.0	-
<b>Total Uses</b>	<b>NA</b>	<b>\$15.2</b>	<b>\$15.2</b>	<b>-</b>

	Fiscal Year-to-Date August 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>
<b>Expenses:</b>					
Personnel Services	\$0.5	\$0.5	\$0.5	\$0.0	0 %
Contractual	\$0.2	\$0.2	\$0.4	\$0.2	60 %
Commodities	\$0.5	\$0.1	\$1.2	\$1.0	85 %
Capital Outlays	\$0.0	\$0.1	\$0.7	\$0.6	88 %
<b>Total Operating Expenses</b>	<b>\$1.2</b>	<b>\$0.9</b>	<b>\$2.8</b>	<b>\$1.8</b>	<b>66 %</b>
Transfers Out	\$0.0	\$0.0	\$0.0	\$0.0	-
<b>Total Uses</b>	<b>\$1.2</b>	<b>\$0.9</b>	<b>\$2.8</b>	<b>\$1.8</b>	<b>66 %</b>

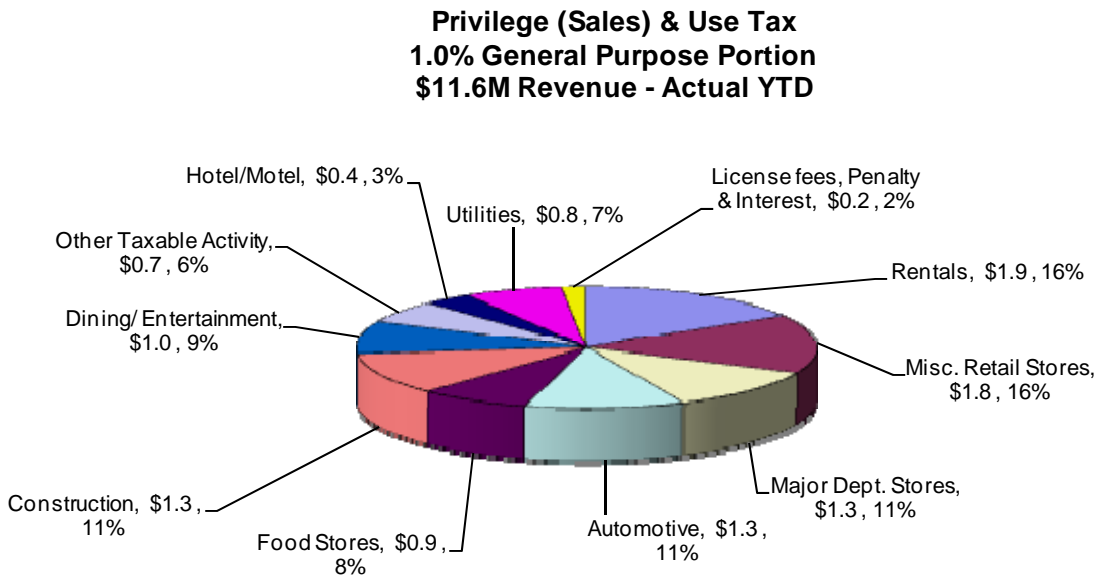
**Actual to Revised Budget variance of \$1.8 million or 66%:** Inventory usage is recorded by accounting one month in arrears. To align the budget with this accounting method a budget adjustment will be submitted and reflected in the September Report. The favorable Capital Outlays variance is the result of difficulty in forecasting the timing of vehicle acquisitions.



## Privilege (Sales), Use & Bed Tax Collections For August 2010 (For Business Activity in July 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 5 percent compared to Budget, and a decrease of 7 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 Budget</u>	<u>Approved Adjustments</u>	<u>Revised Budget</u>
<u>1.00% General Purpose</u>					
Rentals	\$12.5	NA	\$11.5	-	\$11.5
Misc. Retail Stores	12.1	NA	12.7	-	12.7
Major Dept. Stores	8.8	NA	9.1	-	9.1
Automotive	9.6	NA	8.7	-	8.7
Food Stores	6.3	NA	6.4	-	6.4
Construction	13.5	NA	8.5	-	8.5
Dining/ Entertainment	6.9	NA	7.0	-	7.0
Other Taxable Activity	6.2	NA	5.4	-	5.4
Hotel/Motel	4.4	NA	4.3	-	4.3
Utilities	4.4	NA	4.7	-	4.7
License fees, Penalty & Interest	2.6	NA	2.3	-	2.3
Subtotal	<u>\$87.3</u>	<u>NA</u>	<u>\$80.6</u>	<u>-</u>	<u>\$80.6</u>
0.10% Public Safety	\$8.4	NA	\$7.8	-	\$7.8
0.20% Transportation	16.5	NA	15.2	-	15.2
0.20% McDowell Preserve 1995	17.0	NA	15.6	-	15.6
0.15% McDowell Preserve 2004	12.6	NA	12.1	-	12.1
Total	<u>\$141.8</u>	<u>NA</u>	<u>\$131.3</u>	<u>-</u>	<u>\$131.3</u>
% Change vs. Prior Year			2%		2%

	Fiscal Year-to-Date August						
	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	\$2.2	\$2.1	\$1.9	\$2.2	(\$0.3)		-14%
Misc. Retail Stores	2.0	1.7	1.8	1.8	-		0%
Major Dept. Stores	1.4	1.3	1.3	1.3	-		0%
Automotive	1.9	1.4	1.3	1.4	(0.1)		-7%
Food Stores	0.9	0.8	0.9	1.0	(0.1)		-10%
Construction	3.2	1.8	1.3	1.4	(0.1)		-7%
Dining/ Entertainment	1.0	0.9	1.0	0.9	0.1		11%
Other Taxable Activity	0.9	0.8	0.7	0.7	-		0%
Hotel/Motel	0.5	0.4	0.4	0.4	-		0%
Utilities	0.8	1.2	0.8	0.9	(0.1)		-11%
License fees, Penalty & Interest	0.4	0.2	0.2	0.2	-		0%
Subtotal	<u>\$15.2</u>	<u>\$12.6</u>	<u>\$11.6</u>	<u>\$12.2</u>	<u>(\$0.6)</u>		<u>-5%</u>
0.10% Public Safety	\$1.5	\$1.2	\$1.2	\$1.2	-		0%
0.20% Transportation	2.9	2.3	2.2	2.3	(0.1)		-4%
0.20% McDowell Preserve 1995	3.0	2.5	2.3	2.4	(0.1)		-4%
0.15% McDowell Preserve 2004	2.2	1.8	1.7	1.8	(0.1)		-6%
Total	<u>\$24.8</u>	<u>\$20.4</u>	<u>\$19.0</u>	<u>\$19.9</u>	<u>(\$0.9)</u>		<u>-5%</u>
% Change vs. Prior Year		-18%	-7%				

### **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 (\$0.3 Million) or (14%):** The unfavorable variance is a result of commercial building rental rates continuing to be lower than a year ago 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 \$0.0 Million or 0%:** No explanation necessary.

### **Major Department Stores Sales Taxes**

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

**Actual to 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 Budget variance of (\$0.1 Million) or (7%):** The unfavorable variance is a result of automotive sales slowing down compared to recent months. Federal rebate programs have expired, the general economy remains sluggish and Arizona's privilege tax rate increased by 1% effective June 1, 2010.

### **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 (10%):** The unfavorable variance is a result of a grocery store chain reporting a drop in sales compared to a year ago.

### **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 (\$0.1 Million) or (7%):** The unfavorable variance is mostly a result of a decrease in commercial building projects. Collection of construction sales taxes lags fees from new permits by 12 to 15 months, and permit fees were very low a year ago.

### **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 11%:** The favorable variance is a 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 \$0.0 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 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 (11%):*** No specific reason.

**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 \$0.0 Million or 0%:*** No explanation necessary.