

The following section summarizes assumptions, trends, major influences, restrictions and composition of the City's revenue sources.

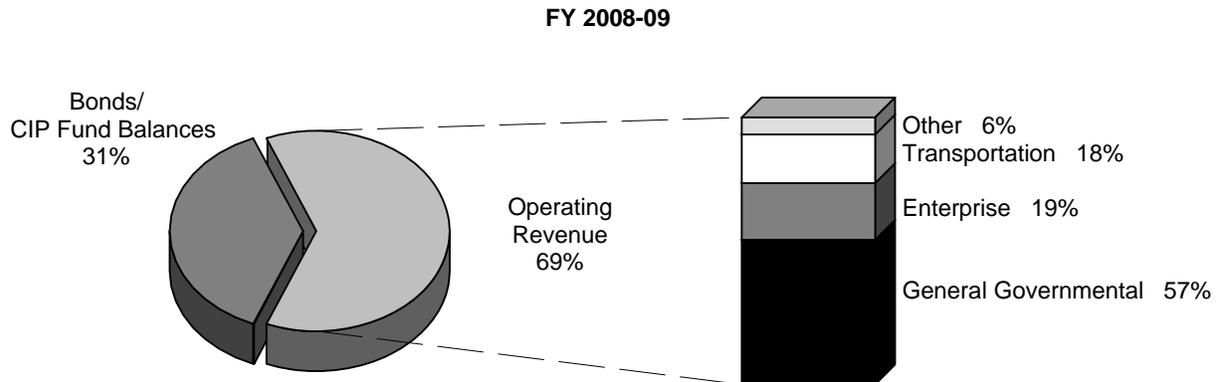


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## Total Revenue



Total revenue for FY 2008-09 is \$534.7 million reflecting \$366.7 million in operating revenue and \$168 million from bond proceeds, fund balances and other funding sources. The FY 2008-09 operating revenue total represents 4.5% growth over FY 2007-08. The growth in operating revenue sources is primarily in the Transportation/Transit area and consists largely of federal grants. Another significant growth area is the Miscellaneous category of General Governmental, which serves as a holding account for new revenue sources identified as part of the budget balancing plan. The decrease in bonding and other funding sources is directly related to the contraction in the Capital Improvement Program (CIP) budget.

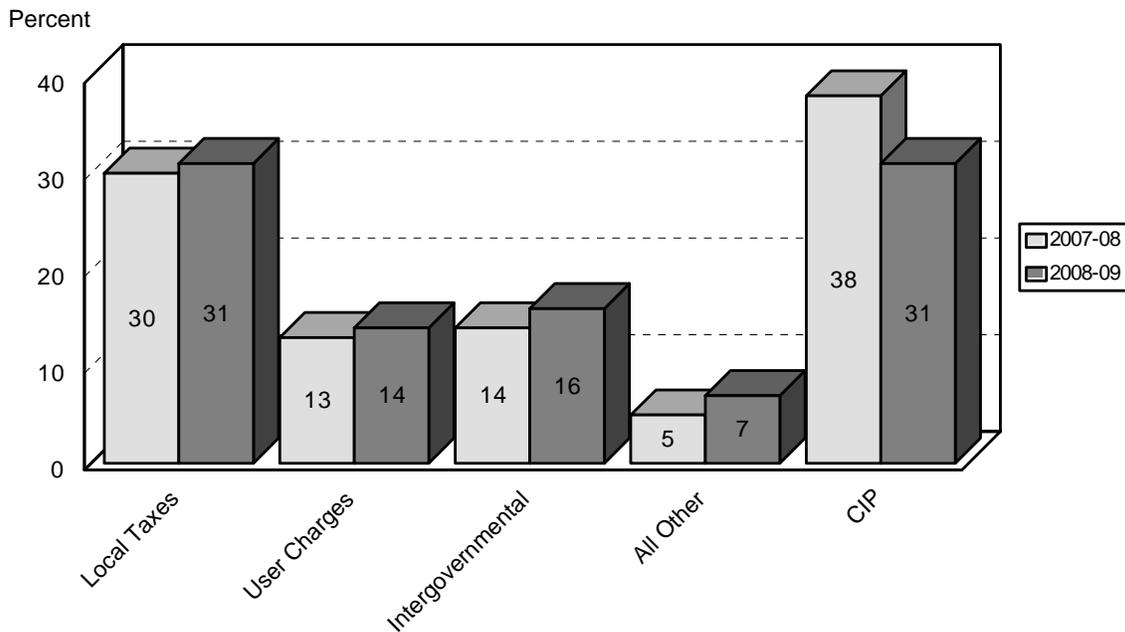


<b>TOTAL REVENUE</b>		
	<b>FY 2007-08 Budget</b>	<b>FY 2008-09 Budget</b>
<b>OPERATING REVENUE</b>		
General Governmental		
Local Taxes, Licenses and Permits, and Debt	\$126,343,034	\$124,812,733
Intergovernmental	48,496,600	47,959,311
Charges for Services	11,463,351	11,212,246
Miscellaneous	15,366,709	24,829,393
Transportation/Transit	57,678,474	67,122,473
Performing Arts	8,077,567	7,596,956
CDBG/Section 8 Housing	11,016,572	11,026,195
Rio Salado Special Revenue	1,358,770	1,550,804
Enterprise	67,359,772	70,555,646
<b>TOTAL OPERATING REVENUE</b>	<b>\$347,160,849</b>	<b>\$366,665,757</b>
<b>Operating Revenue Per Capita</b>	<b>\$2,073</b>	<b>\$2,174</b>
Bond/Note Proceeds	148,535,953	97,414,407
CIP Other Funding	32,154,815	43,754,937
Fund Balances	32,015,701	26,863,981
<b>TOTAL REVENUE</b>	<b>\$559,867,318</b>	<b>\$534,699,082</b>
<b>Total Revenue Per Capita</b>	<b>\$3,343</b>	<b>\$3,171</b>

# Total Revenue by Source



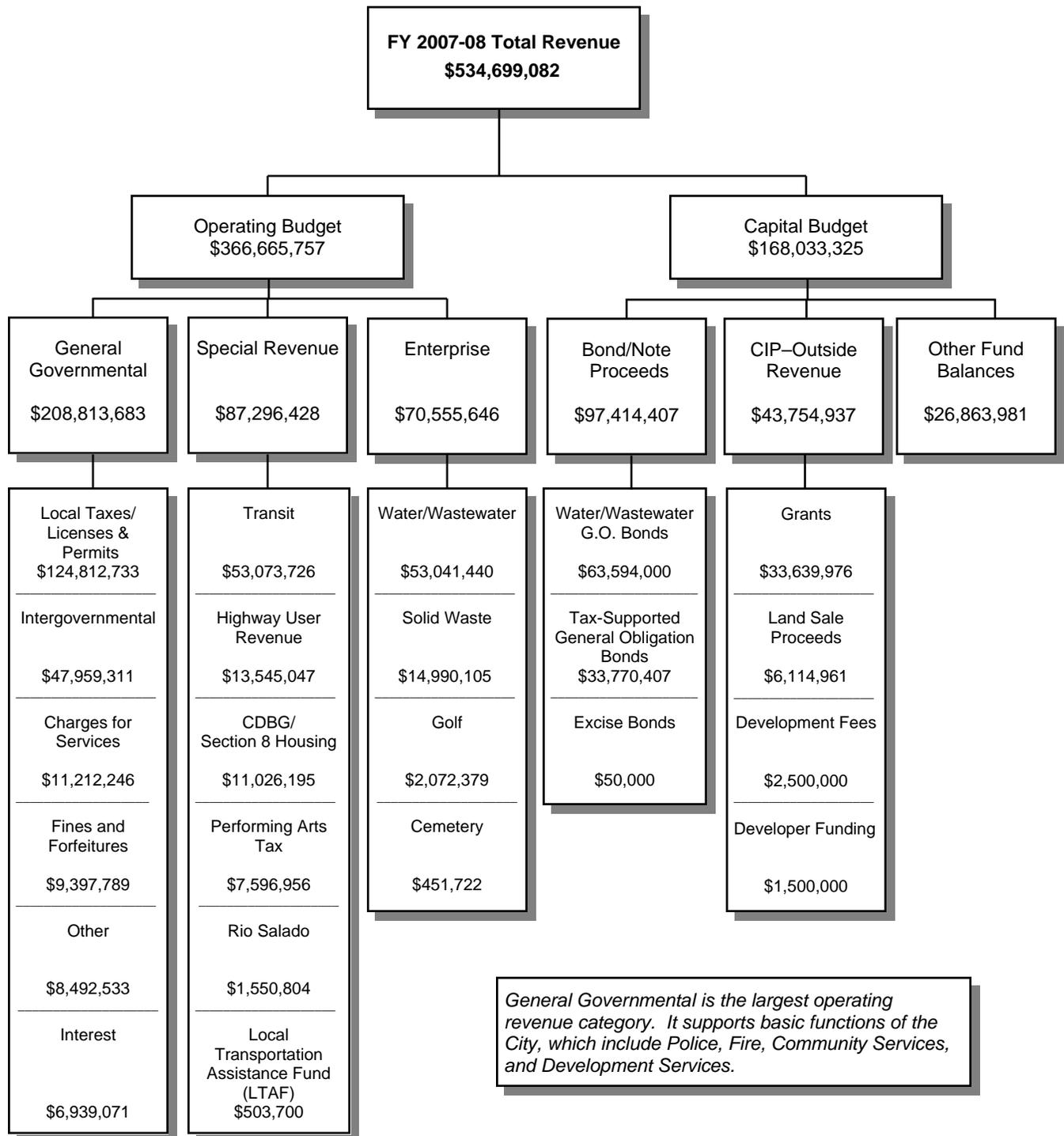
**Comparative Revenue by Source  
FY 2007-08 Budget to FY 2008-09 Budget**



**Where the Money Comes From**

Revenue Source	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Revised	FY 2008-09 Budget
<b>Local Taxes</b>				
Local Sales Taxes	\$84,230,110	\$86,881,100	\$81,488,000	\$81,755,760
Transit Tax	35,199,038	36,250,700	33,922,155	33,888,200
Other Local Taxes	33,132,986	39,328,884	38,982,298	42,935,723
Performing Arts	7,007,790	7,270,400	6,933,500	6,933,500
<b>User Charges</b>				
Water/Wastewater	46,176,228	47,405,102	47,405,102	49,735,878
Solid Waste	11,894,983	12,823,128	12,508,049	12,746,096
Community Services	6,954,381	8,206,619	8,339,934	8,568,376
Building/Trades & Planning/Zoning	5,996,136	5,458,132	6,166,068	5,432,944
<b>Intergovernmental</b>				
State Shared Revenue	41,452,989	48,496,600	46,004,360	47,959,311
HURF/LTAF	12,368,114	11,998,090	11,998,090	12,321,777
CDBG/Section 8 Housing	12,659,330	11,016,572	11,041,465	11,026,195
Transit State & Federal	8,911,662	6,812,889	6,753,100	15,796,053
<b>All Other</b>				
Interest Revenue	12,210,400	8,635,367	11,218,447	10,342,309
Miscellaneous Revenue	9,039,047	8,108,063	7,666,736	16,497,596
Fines and Forfeitures	7,219,330	7,268,553	7,001,308	9,397,789
Licenses and Permits	1,331,264	1,200,650	1,202,360	1,328,250
<b>Bonds/Note Proceeds</b>	122,103,743	148,535,953	148,535,953	97,414,407
<b>CIP - Outside Revenue</b>	47,623,748	32,154,815	32,154,815	43,754,937
<b>Other - Fund Balance</b>	23,389,885	32,015,701	32,015,701	26,863,981
<b>Total Revenue</b>	<b>\$528,901,164</b>	<b>\$559,867,318</b>	<b>\$551,337,441</b>	<b>\$534,699,082</b>

# Components of Total Revenue



## Comparative Operating Revenue by Major Source and Fund



Revenue Source	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Revised	FY 2008-09 Budget
<b>General Fund</b>				
Local Taxes				
City Sales Tax	\$83,660,885	\$86,188,300	\$80,688,000	\$80,946,760
Primary Property Tax	9,002,646	10,221,221	9,856,746	10,811,100
Transient Lodging Tax	3,199,002	3,267,200	3,359,838	3,405,200
Franchise Fees	2,693,254	2,671,000	2,706,000	3,129,000
<i>Total Local Taxes</i>	<i>98,555,787</i>	<i>102,347,721</i>	<i>96,610,584</i>	<i>98,292,060</i>
Intergovernmental Revenue				
State Sales Tax	15,758,491	17,948,400	15,821,814	15,853,500
State Income Tax	18,823,759	23,354,600	23,334,280	24,827,700
Vehicle License Tax	6,870,739	7,193,600	6,848,266	7,278,111
<i>Total Intergovernmental</i>	<i>41,452,989</i>	<i>48,496,600</i>	<i>46,004,360</i>	<i>47,959,311</i>
Building & Trades/Planning & Zoning	5,969,413	5,458,132	6,166,068	4,950,944
Cultural and Recreational				
Registration Fees	3,917,503	4,847,119	4,843,919	4,959,119
Recreation Admission Charges	346,379	348,500	339,488	384,656
Library Fines and Fees	441,570	351,200	441,748	441,748
Other Cultural and Recreation Fees	587,784	458,400	462,403	475,779
<i>Total Cultural and Recreational</i>	<i>5,293,236</i>	<i>6,005,219</i>	<i>6,087,558</i>	<i>6,261,302</i>
Fines, Fees and Forfeitures				
Traffic Fines	1,641,315	1,683,000	1,683,000	3,766,000
Criminal Fines	1,210,189	1,213,100	1,213,100	1,213,100
Parking Fines	377,935	448,600	300,000	400,000
Other Fines, Fees and Forfeitures	3,992,421	3,923,853	3,805,208	4,018,689
<i>Total Fines, Fees and Forfeitures</i>	<i>7,219,330</i>	<i>7,268,553</i>	<i>7,001,308</i>	<i>9,397,789</i>
Business/Non-Business Licenses	1,331,264	1,200,650	1,202,250	1,337,250
Other Revenue Sources				
SRP Payment in Lieu of Taxes	540,000	542,500	542,500	569,600
Interest Income	7,437,463	5,424,874	7,500,000	6,939,071
Other Miscellaneous Revenue and Loan	3,906,445	2,673,282	1,442,118	8,492,533
<i>Total Other Revenue</i>	<i>11,886,438</i>	<i>8,640,656</i>	<i>9,484,728</i>	<i>16,001,204</i>
<b>Total General Fund</b>	<b>\$171,708,457</b>	<b>\$179,417,531</b>	<b>\$172,556,856</b>	<b>\$184,199,860</b>
<b>Debt Service Fund</b>				
Secondary Property Tax	\$16,465,111	\$21,364,887	\$21,239,938	\$23,726,547
SRP Payment in Lieu of Taxes	918,614	887,276	887,276	887,276
Interest Income	28,720			
<b>Total Debt Service Fund</b>	<b>\$17,412,445</b>	<b>\$22,252,163</b>	<b>\$22,127,214</b>	<b>\$24,613,823</b>



<b>Revenue Source</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Budget</b>	<b>FY 2007-08 Revised</b>	<b>FY 2008-09 Budget</b>
<b>Transit Fund</b>				
Transit Tax	\$34,971,294	\$36,250,700	\$33,922,155	\$33,888,200
Lottery Transfer In	257,013	253,100	253,100	248,100
ASU-Flash Transit	529,273	521,000	521,000	610,370
Interest Income	1,141,839	261,290	759,000	617,000
Federal and State Funding	8,125,376	6,038,789	5,979,000	14,937,583
Miscellaneous Revenue	659,381	1,342,535	1,342,535	2,772,473
<b>Total Transit Fund</b>	<b>\$45,684,176</b>	<b>\$44,667,414</b>	<b>\$42,776,790</b>	<b>\$53,073,726</b>
<b>Transportation Funds</b>				
Highway User Revenue Tax	\$11,854,088	\$11,484,090	\$11,484,090	\$11,818,077
Maintenance of Effort	1,034,480	870,000	1,035,000	1,035,000
State Lottery Proceeds	514,026		514,000	503,700
Other Revenue	9,854		209,970	691,970
<b>Total Transportation Funds</b>	<b>\$13,412,448</b>	<b>\$13,011,060</b>	<b>\$13,243,060</b>	<b>\$14,048,747</b>
<b>Rio Salado Fund</b>				
City Sales Tax	\$796,969	\$692,800	\$800,000	\$800,000
Transient Lodging Tax	240,068	224,800	240,000	242,000
Primary Property Tax	74,291	150,000	150,000	165,000
Interest Income	200,474	137,754	190,000	190,000
Miscellaneous Revenue	159,994	153,416	153,254	153,804
<b>Total Rio Salado Fund</b>	<b>\$1,471,796</b>	<b>\$1,358,770</b>	<b>\$1,533,254</b>	<b>\$1,550,804</b>
<b>Performing Arts</b>				
Performing Arts Tax	\$7,007,790	\$7,270,400	\$6,933,500	\$6,933,500
Interest Income	692,499	457,167	415,165	241,956
Fees and Admission		350,000	350,000	421,500
<b>Total Performing Arts</b>	<b>\$7,700,289</b>	<b>\$8,077,567</b>	<b>\$7,698,665</b>	<b>\$7,596,956</b>
<b>Total CDBG/Section 8 Housing Funds</b>	<b>\$12,659,330</b>	<b>\$11,016,572</b>	<b>\$11,041,465</b>	<b>\$11,026,195</b>
<b>Solid Waste Fund</b>				
Residential Service	\$7,267,215	\$7,585,714	\$7,562,051	\$7,699,066
Commercial Service	4,627,664	5,237,414	4,945,998	5,047,030
Roll-Off Service	1,554,770	1,205,927	1,609,011	1,650,261
Recycling	301,940	210,000	261,000	375,000
Sludge Disposal	61,875	85,000	85,000	88,400
Interest Income	175,153	126,348	126,348	126,348
Other Miscellaneous Revenue	60,741		6,740	4,000
<b>Total Solid Waste Fund</b>	<b>\$14,049,358</b>	<b>\$14,450,403</b>	<b>\$14,596,148</b>	<b>\$14,990,105</b>



<b>Revenue Source</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Budget</b>	<b>FY 2007-08 Revised</b>	<b>FY 2008-09 Budget</b>
<b>Water/Wastewater Fund</b>				
Charges for Service-Water				
Water Consumption	\$18,212,218	\$19,418,054	\$19,418,054	\$19,752,617
Water Service	7,461,068	7,696,027	7,696,027	7,936,238
Irrigation	323,827	332,212	332,212	332,212
Other Water Charges	905,266	586,000	586,000	576,500
<i>Total Charges for Service-Water</i>	<i>26,902,379</i>	<i>28,032,293</i>	<i>28,032,293</i>	<i>28,597,567</i>
Charges for Service-Wastewater				
Sewer Usage	12,330,870	12,484,476	12,484,476	13,582,260
Sewer Service	6,845,102	6,778,333	6,778,333	7,446,051
Other Wastewater Charges	123,592	110,000	110,000	110,000
<i>Total Charges for Service-Wastewater</i>	<i>19,299,564</i>	<i>19,372,809</i>	<i>19,372,809</i>	<i>21,138,311</i>
Interest Income	2,484,914	2,222,229	2,222,229	2,222,229
Land and Facility Rental	520,000	520,000	520,000	536,000
Loan Repayment from General Fund	542,833	542,833	542,833	542,833
Other Miscellaneous Revenue	(45,016)	61,000	61,000	4,500
<b>Total Water/Wastewater Fund</b>	<b>\$49,704,674</b>	<b>\$50,751,164</b>	<b>\$50,751,164</b>	<b>\$53,041,440</b>
<b>Golf Fund</b>				
Greens Fees	\$1,689,063	\$1,731,400	\$1,760,331	\$1,742,472
Pro Shop and Restaurant Revenue	223,222	301,100	323,145	324,202
Interest Income	19,410	5,705	5,705	5,705
Other Revenue Sources	853			
<b>Total Golf Fund</b>	<b>\$1,932,548</b>	<b>\$2,038,205</b>	<b>\$2,089,181</b>	<b>\$2,072,379</b>
<b>Cemetery Fund</b>				
Lot & Burial Sales	\$18,339	\$120,000	\$217,175	\$451,722
Interest Income	29,928			
<b>Total Cemetery Fund</b>	<b>\$48,267</b>	<b>\$120,000</b>	<b>\$217,175</b>	<b>\$451,722</b>
<b>Total Revenue - All Funds</b>	<b>\$335,783,788</b>	<b>\$347,160,849</b>	<b>\$338,630,972</b>	<b>\$366,665,757</b>

## City Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
Current rate of 1.2% can be increased only by electorate.	1998-99	60,100,000	4.9
	1999-00	59,967,700	(0.2)
Certain proceeds are pledged as security for bond payments due under various bond security agreements. Revenue from a voter-approved 0.5% portion are dedicated to transit purposes and 0.1% dedicated funding for Performing Arts. In addition, all transaction privilege tax revenue generated in the Rio Salado Enterprise Fund Zone are deposited to the Rio Salado Fund for the operating expenses of the Rio Salado project.	2000-01	63,602,106	6.1
	2001-02	59,991,774	(5.7)
	2002-03	59,855,000	(0.2)
	2003-04	60,926,575	1.8
	2004-05	66,358,662	8.9
	2005-06	74,365,297	12.1
	2006-07	83,660,885	12.5
	2007-08 est.	80,688,300	(3.6)
	2008-09 est.	80,946,760	0.3

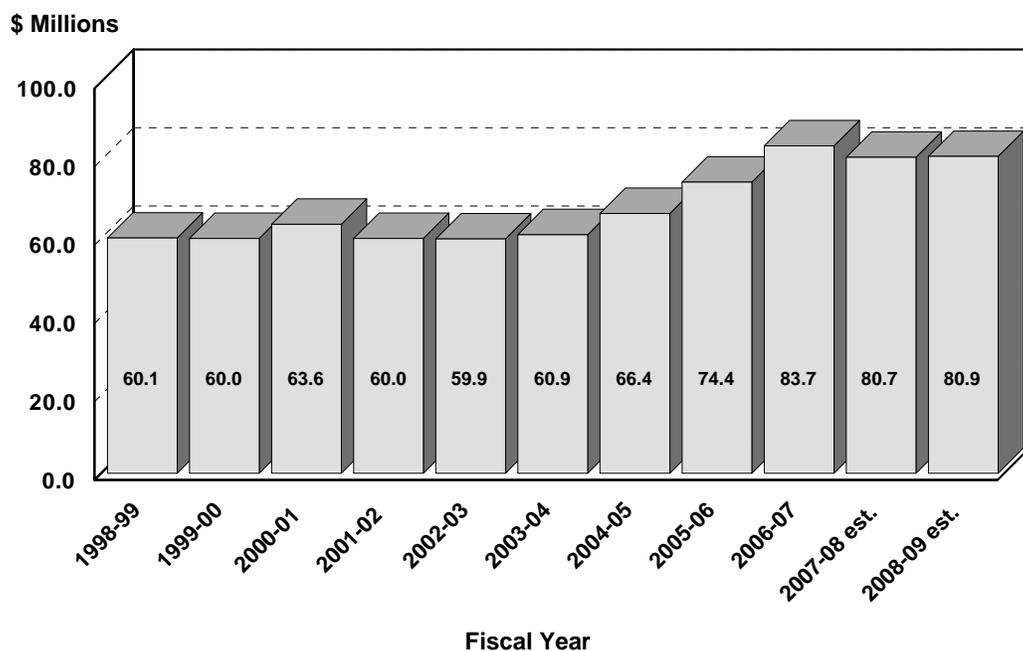
### Assumptions

The City sales tax, known formally as the transaction privilege tax, is derived from a 1.8% tax on a variety of financial transactions, including retail sales, rental payments, contracting sales, utility, telecommunications payments, and hotel/restaurant sales. In FY 1993-94, voters approved a 0.2% increase from 1.0% to 1.2%. Additional increases of 0.5% (September 1996) and 0.1% (January 2001), are devoted to transit and performing arts needs and are not reflected in the amounts above.

A downturn in the national economy accounts for the 2001-03 reduction in sales tax collections. A strong recovery in the period immediately following the recession accounts for the double-digit growth in FY 2005-06 through FY 2006-07. Recent years have seen weaker collections, due largely to the effects of the regional housing market downturn. This is expected to continue in FY 2008-09.

Major Influences: Taxable Sales, Population, and Consumer Price Index

### City Sales Tax



# City Property Tax



Restrictions	Fiscal Year	Amount	Percent Change
<b>Primary Levy:</b>  Limited to annual increase of 2% plus amount generated by new construction. No restriction on usage.	1998-99	15,172,288	9.7
	1999-00	16,561,936	9.2
	2000-01	18,414,400	11.2
	2001-02	18,864,580	2.4
<b>Secondary Levy:</b>  Restricted for debt service purposes only. No limit on rate.	2002-03	20,238,875	7.3
	2003-04	21,373,212	5.6
	2004-05	23,510,234	10.0
	2005-06	25,652,431	9.4
	2006-07	25,707,825	0.2
	2007-08 est.	31,336,684	21.9
	2008-09 est.	34,702,647	10.7

### Assumptions

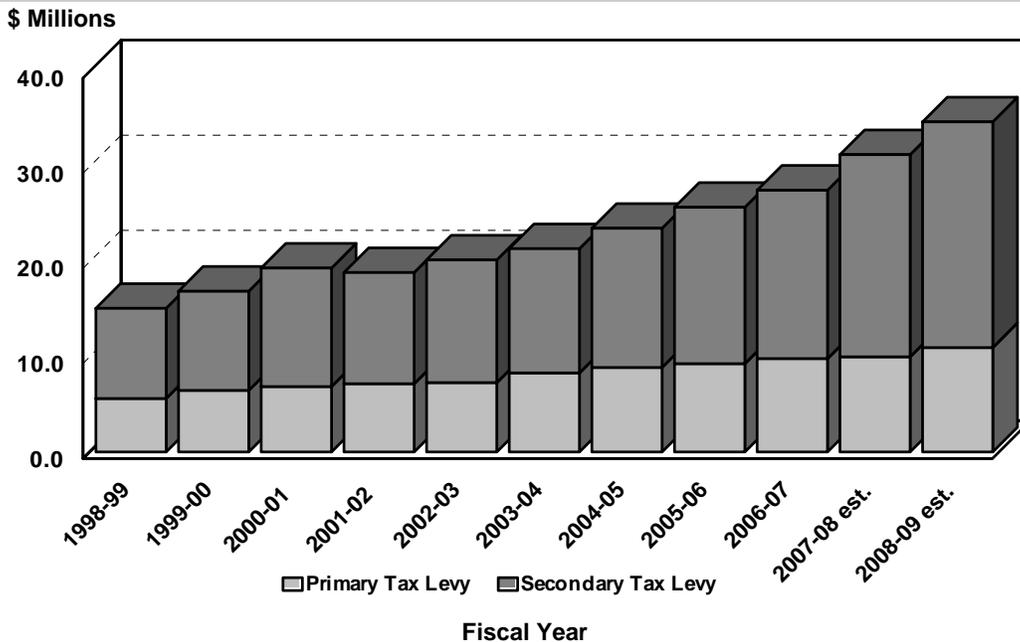
The City's property tax is levied based on the assessed value of the property from the previous February 10th as determined by the Maricopa County Assessor, whose office both bills and collects all property taxes. Changes in total revenue collected during these years have been the result of state policy affecting assessed valuations, assessed valuation growth, and new development.

The combined primary and secondary property tax rate for FY 2008-09 will total \$1.40 per \$100 assessed valuation, consisting of \$0.51 per \$100 of the primary assessed valuation for operating and maintenance costs and \$0.89 per \$100 of secondary assessed valuation to fund principal and interest payments on bonded indebtedness. The City held the aggregate property tax rate at \$1.35 for five fiscal years before increasing it by \$0.05 in FY 2005-06 to \$1.40. The full amount of the increase was applied to the secondary, with the intent that the additional revenue generated be dedicated to repay debt for capital improvement projects.

The proceeds go to different funds. Of the primary levy, \$10.8 million goes to the General Fund and \$165,000 goes to the Rio Salado Fund, and the entire secondary levy of \$23.7 million goes to the Debt Service Fund.

Major Influences: Development, Assessor Appraisal Methodology, State Policy, Population Growth, and Policy Regarding Property Tax Rates

### City Property Tax



# Transient Lodging Tax



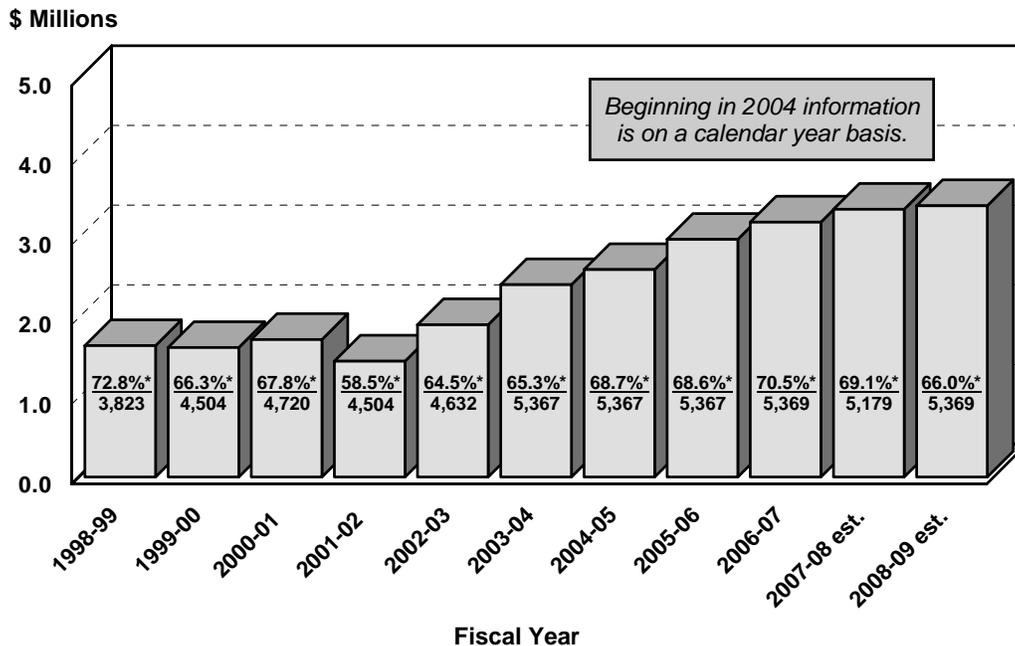
Restrictions	Fiscal Year	Amount	Percent Change
Current rate of 3% can be increased only by electorate.	1998-99	1,649,000	4.1
	1999-00	1,625,300	(1.4)
Of the total amount collected, 2/3 is pledged to the Tempe Convention and Visitors Bureau (TCVB). Excess unrestricted proceeds are deposited into the General Fund, except for bed tax revenue generated within the Rio Salado Enterprise Zone, which is deposited to the Rio Salado Fund for operating costs of the Rio Salado Project.	2000-01	1,725,597	6.2
	2001-02	1,454,927	(15.7)
	2002-03	1,911,752	31.4
	2003-04	2,413,099	26.2
	2004-05	2,603,119	7.9
	2005-06	2,983,156	14.6
The tax originated in June of 1988 at 2% with half (or 1%) dedicated to TCVB. In FY 2001 voters approved an additional 1% for TCVB, increasing the tax from 2% to 3%.	2006-07	3,199,002	7.2
	2007-08 est.	3,359,838	5.0
	2008-09 est.	3,405,200	1.4

## Assumptions

The tax is imposed on businesses who charge for lodging for any period of not more than 30 consecutive days. The increase in the revenue projection beginning in 2001 is reflective of a voter approved 1% increase rather than an increase in lodging structures or occupants.

Major Influences: Economy, Competition from Hotels Located in Neighboring Cities, and Consumer Price Index

## Transient Lodging Tax



\*Percent Occupied/Number of Rooms

# Salt River Project In-Lieu Tax



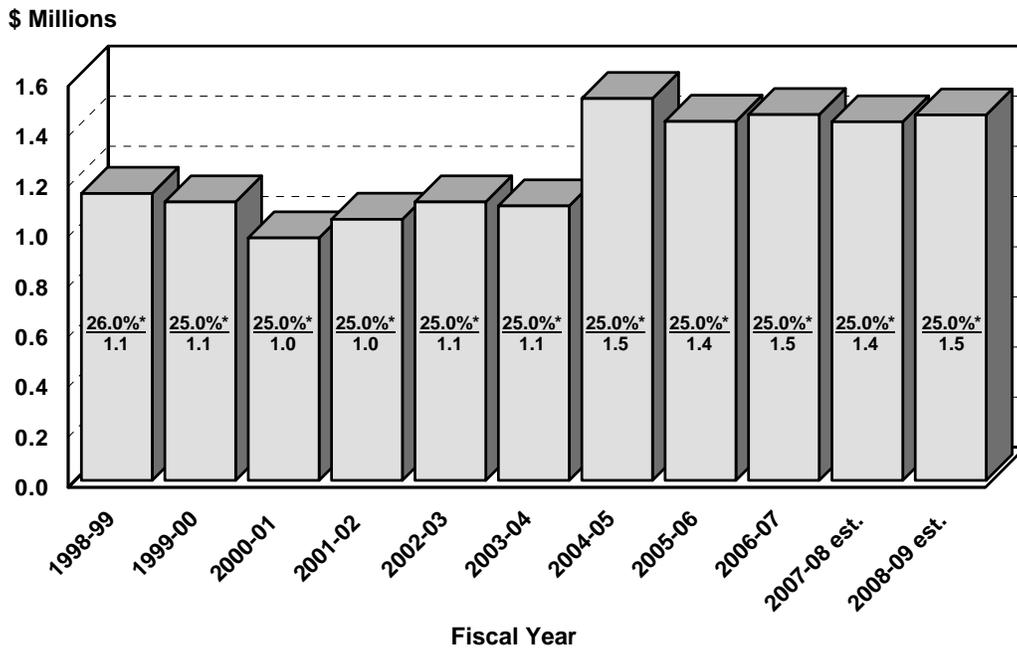
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1998-99	1,144,363	(4.6)
	1999-00	1,110,420	(3.0)
	2000-01	967,193	(12.9)
	2001-02	1,041,291	7.7
	2002-03	1,110,403	6.6
	2003-04	1,094,665	(1.5)
	2004-05	1,522,519	39.1
	2005-06	1,431,678	(6.0)
	2006-07	1,458,614	1.9
	2007-08 est.	1,429,776	(2.0)
	2008-09 est.	1,456,976	1.9

### Assumptions

As a government-operated public utility, the Salt River Project pays no franchise or property taxes. In lieu of these taxes, an amount is received from the utility based on a computation involving property location and plant investment. Proceeds from this revenue source are received through Maricopa County in June and December, and deposited into two different funds. For FY 2008-09 it is estimated that \$569,600 will go to the General Fund and \$887,276 to the Debt Service Fund.

Major Influences: Real Property Value and State Policy (assessment ratio)

### Salt River Project In-Lieu Tax



\*Percents represent the assessment ratio on SRP real property/In-Lieu Tax revenue

# State Shared Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1998-99	12,292,002	17.3
	1999-00	13,511,356	9.9
	2000-01	13,951,532	3.3
	2001-02	12,148,438	(12.9)
	2002-03	12,405,713	2.1
	2003-04	13,345,152	7.6
	2004-05	14,695,069	10.1
	2005-06	16,810,763	14.4
	2006-07	15,758,491	(6.3)
	2007-08 est.	15,821,814	0.4
	2008-09 est.	15,853,500	0.2

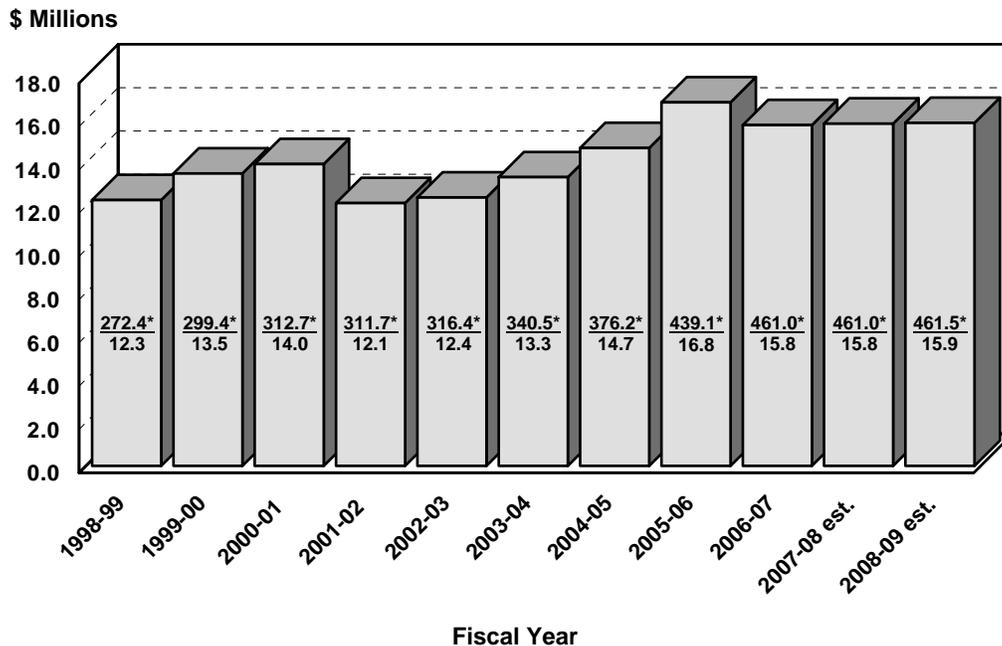
### Assumptions

The state assesses a 5.6% sales tax, of which 0.6% is designated for educational purposes. Of the remaining, cities and towns share in 25% of the collections total (estimated at \$462 million for FY 2008-09) on the basis of their population in relation to total state population. Prior to 2000, Tempe accounted for 4.5% of the state's population, but with the 2000 Census Tempe's share fell to 4.0%. This reduction explains much of the decline in Tempe's state shared sales tax revenue in FY 2001-02. The share declined again to 3.4% with the 2005 mid-decade Census, but due to the robust State revenue growth the City did not experience a year over year net decrease.

The decreased revenue in FY 2006-07 and leveling thereafter is reflective of the slowing state economy following recent years of robust expansion.

Major Influences: Taxable Sales, Population (relative to State) and State Law

### State Shared Sales Tax



\*Total state shared sales tax revenue pool/City's share of pool

# State Shared Vehicle License Tax



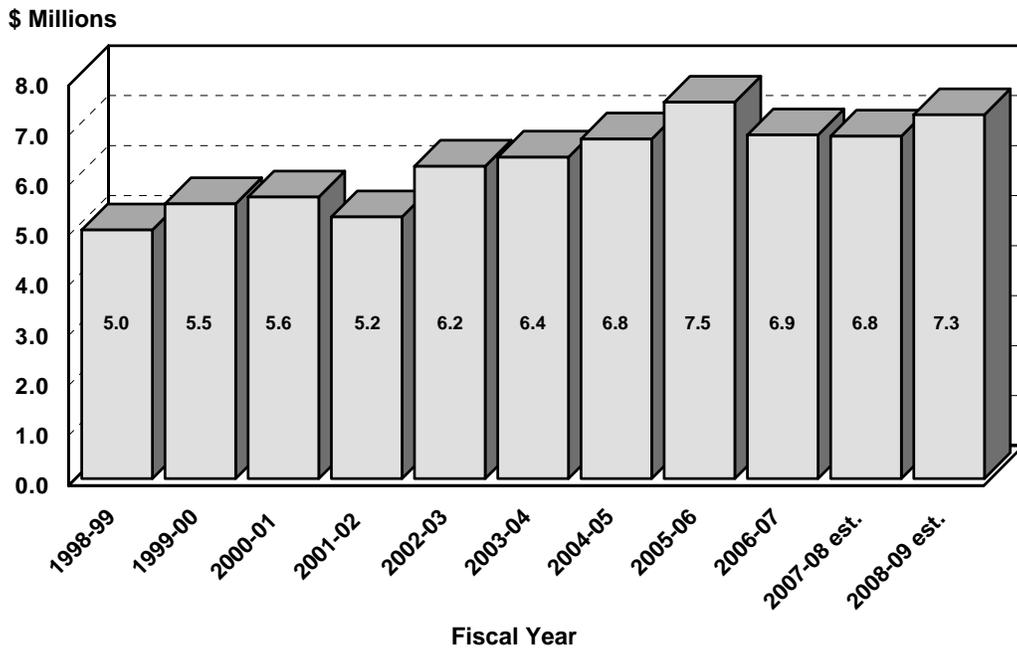
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1998-99	4,971,529	24.4
	1999-00	5,497,492	10.6
	2000-01	5,632,181	2.5
	2001-02	5,233,512	(7.1)
	2002-03	6,247,543	19.4
	2003-04	6,428,101	2.9
	2004-05	6,791,043	5.6
	2005-06	7,527,675	10.8
	2006-07	6,870,739	(8.7)
	2007-08 est.	6,848,266	(0.3)
	2008-09 est.	7,278,111	6.3

### Assumptions

Cities and towns receive 25% of the net revenue collected for vehicle licensing within their county. The respective shares are determined by the Cities' share of population in relation to total incorporated population of the county. The remainder of the revenue collected is shared by schools, counties, and the state. Prior to 2000, Tempe accounted for 4.5% of the state's population. Based on the 2005 Special Census, this figure declined to 3.4%. The FY 2008-09 growth is largely due to the low base set in FY 2007-08, as this revenue amount is at FY 2005-06 levels.

Major Influences: Population (relative to State), State Policy and Auto Sales

### State Shared Vehicle License Tax



# State Shared Income Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1998-99	15,361,479	16.7
	1999-00	17,045,903	11.0
	2000-01	17,890,338	5.0
	2001-02	16,544,791	(7.5)
	2002-03	16,882,535	2.0
	2003-04	14,303,004	(15.3)
	2004-05	14,582,117	2.0
	2005-06	16,607,943	13.9
	2006-07	18,823,759	13.3
	2007-08 est.	23,334,280	24.0
2008-09 est.	24,827,700	6.4	

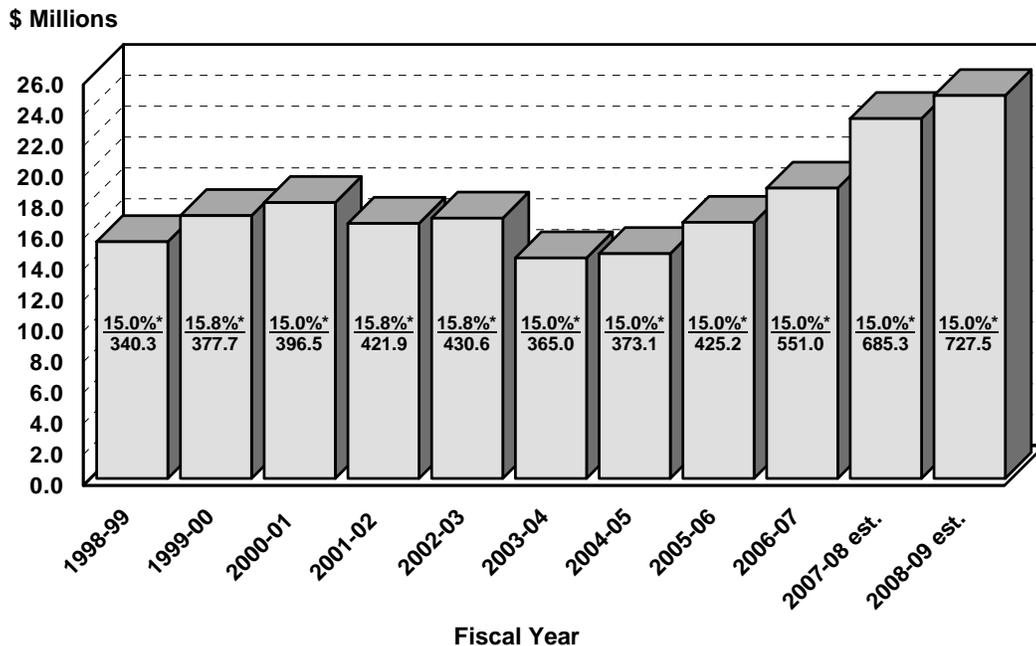
### Assumptions

The right to levy income taxes in Arizona is a state responsibility. Amounts distributed are based on actual income tax collections from two years prior to the fiscal year in which the City receives the funds. Originally, Arizona cities and towns were entitled to receive 15.0% of the State's income tax collections, but this percentage is at the legislature's discretion and has varied from 13.6% in FY 1996-97 to 15.8% in FY 1999-00. Currently, the state shared revenue has been restored to 15.0%.

This state shared revenue is distributed to cities or towns based on the relation of their population to the total population of all incorporated cities and towns in the state. Prior to the 2005 Special Census, Tempe accounted for 4.0% of the state's population, but this share fell to 3.4% for FY 2006-07. The FY 2008-09 estimate is based on an amount appropriated in state law, and as such is not reflective of the recent weakness in the state economy.

Major Influences: Personal Income, Corporate Net Profits, Population (relative to State) and State Policy

### State Shared Income Tax



\* Percent of state income tax collections distributed to cities and towns/Total state shared tax revenue pool (\$ in millions)

## Charges for Services/Recreation and Social Services



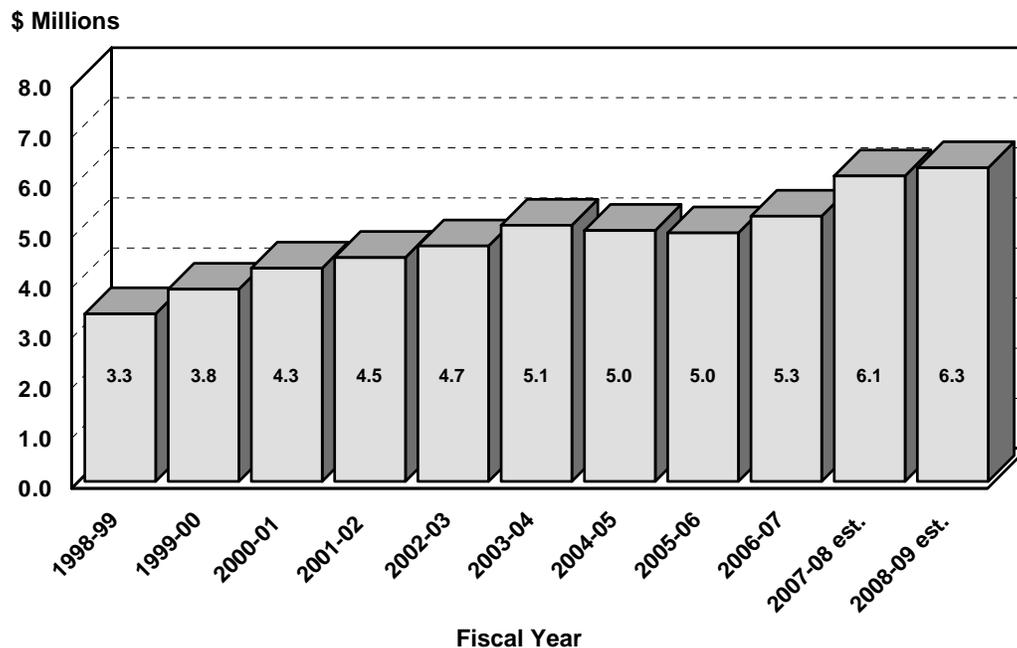
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage, but intended to defray costs of recreation and social service programs.	1998-99	3,345,728	(0.7)
	1999-00	3,836,700	14.7
	2000-01	4,258,777	11.0
	2001-02	4,471,110	5.0
	2002-03	4,699,196	(5.1)
	2003-04	5,113,578	8.8
	2004-05	5,009,690	(2.0)
	2005-06	4,961,260	(1.0)
	2006-07	5,293,236	6.7
	2007-08 est.	6,096,570	15.2
	2008-09 est.	6,261,302	2.7

### Assumptions

Revenue in this category is derived from a wide array of recreational activities (such as softball, swimming, and tennis) and social services programs (such as counseling services and after-school programs). By Council policy, many of these activities and services are partially or fully funded through user charges. Fees are based on a targeted percentage for cost recovery of direct program operating costs, including wages and supply costs but excluding facility costs, administration, and capital outlay. The percentage of recovery of direct program costs is classified by user groups as follows: adult programs, 100% cost recovery; youth programs and senior programs, 50% cost recovery; and all Kiwanis Recreation Center classes/programs, 100% cost recovery. The FY 2007-08 figure reflects increased revenue due to a planned rate increase for the Kid Zone program, and this revenue is expected to continue into FY 2008-09.

Major Influences: Population, Cost Recovery Policy and New Program Development

### Charges for Services/Recreation and Social Services



## Charges for Services/Development Related



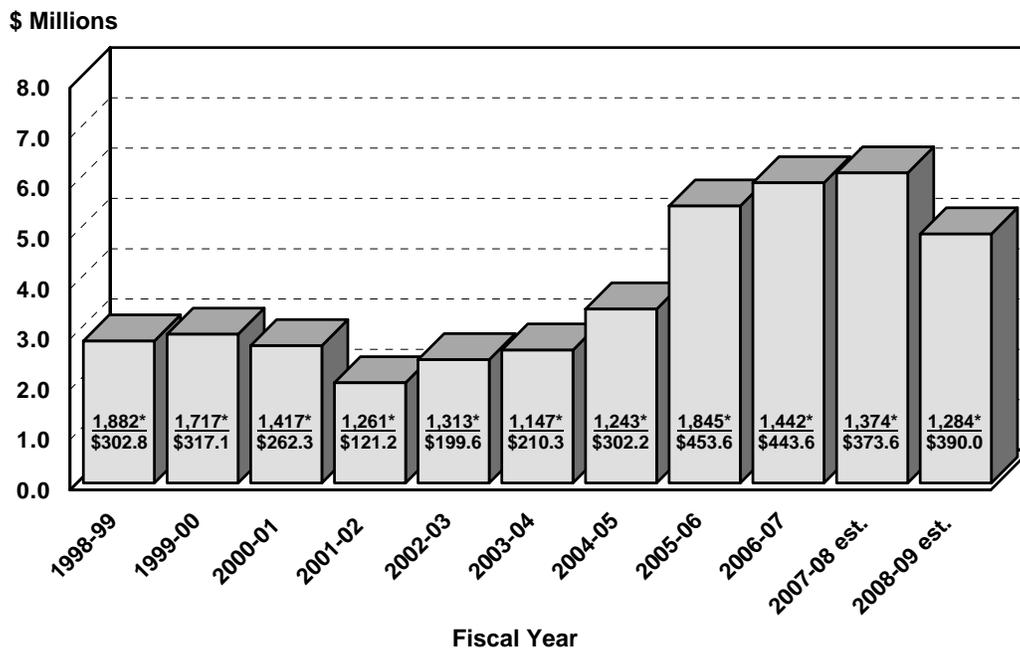
Restrictions	Fiscal Year	Amount	Percent Change
Intended to offset costs related to permitting and planning for residential and commercial development in the City, though there are no restrictions on usage.	1998-99	2,822,892	29.0
	1999-00	2,957,600	4.8
	2000-01	2,730,681	(7.7)
	2001-02	1,993,308	(27.0)
	2002-03	2,450,574	22.9
	2003-04	2,642,589	7.8
	2004-05	3,458,518	30.9
	2005-06	5,506,134	59.2
	2006-07	5,969,413	8.4
	2007-08 est.	6,166,068	3.3
	2008-09 est.	4,950,944	(19.7)

### Assumptions

The annual growth rates shown above reflect the sometimes extreme cyclical nature of development. Following a year that included permit revenue related to the new Arizona Mills Mall, FY 1998-99 saw a drop-off in development activity in all sectors, consistent with declining rates of growth county-wide. Much of the increase in FY 2002-03 was due to a fee/rate increase. The impact of this increase was moderated in subsequent years in light of slow development activity associated with a landlocked community. This trend reversed itself sharply, as the attractiveness of the Tempe downtown for development, as well as the construction of Tempe Marketplace mall increased permitting activity. The FY 2008-09 budgeted decrease is largely the result of large projects working their way out of the construction queue.

Major Influences: Population, Tax Laws, Economy and Development

### Charges for Services/Development Related



\* Number of building permits/Valuation (\$ in millions)

## Fines and Forfeitures



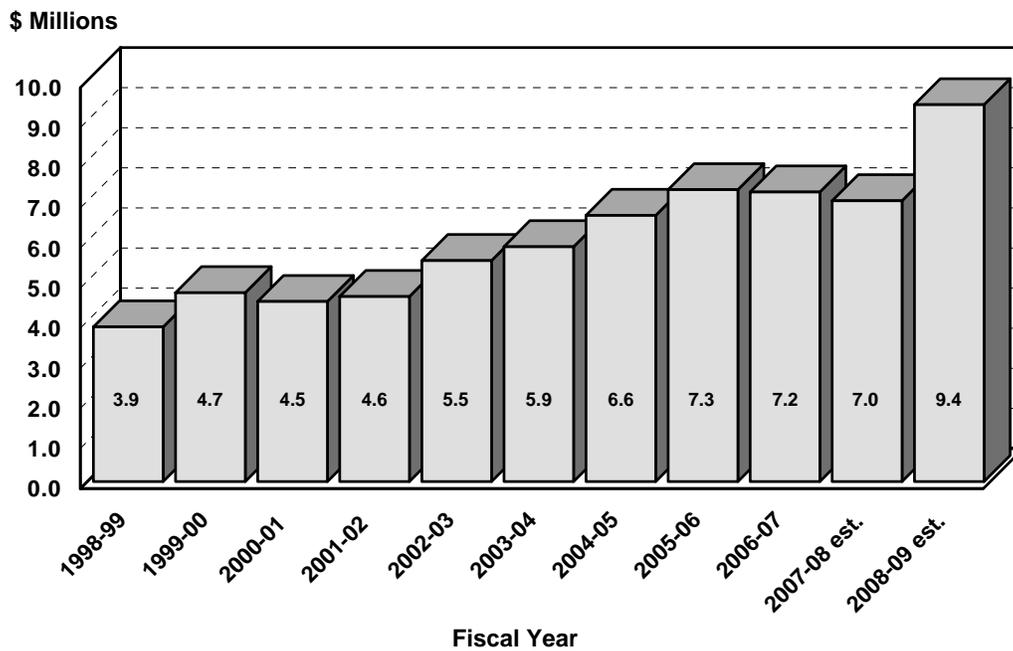
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1998-99	3,856,034	6.1
	1999-00	4,709,700	22.1
	2000-01	4,489,939	(4.7)
	2001-02	4,615,379	2.8
	2002-03	5,510,475	19.4
	2003-04	5,858,482	6.3
	2004-05	6,639,189	13.3
	2005-06	7,278,191	9.6
	2006-07	7,219,330	(0.8)
	2007-08 est.	7,001,308	(3.0)
	2008-09 est.	9,397,789	34.2

### Assumptions

The fines and forfeitures revenue to the City derive from fines related to parking, traffic, criminal, animal control, defensive driving school, adult diversion, domestic violence, and false alarms, plus revenue from public defender reimbursements, forfeitures, and boot fees. The FY 2008-09 increase is due to full implementation of photo radar traffic enforcement.

Major Influences: Population, Crime Rate and Internal Policy (Enforcement, Number of Police Officers)

### Fines and Forfeitures



# Transit Tax



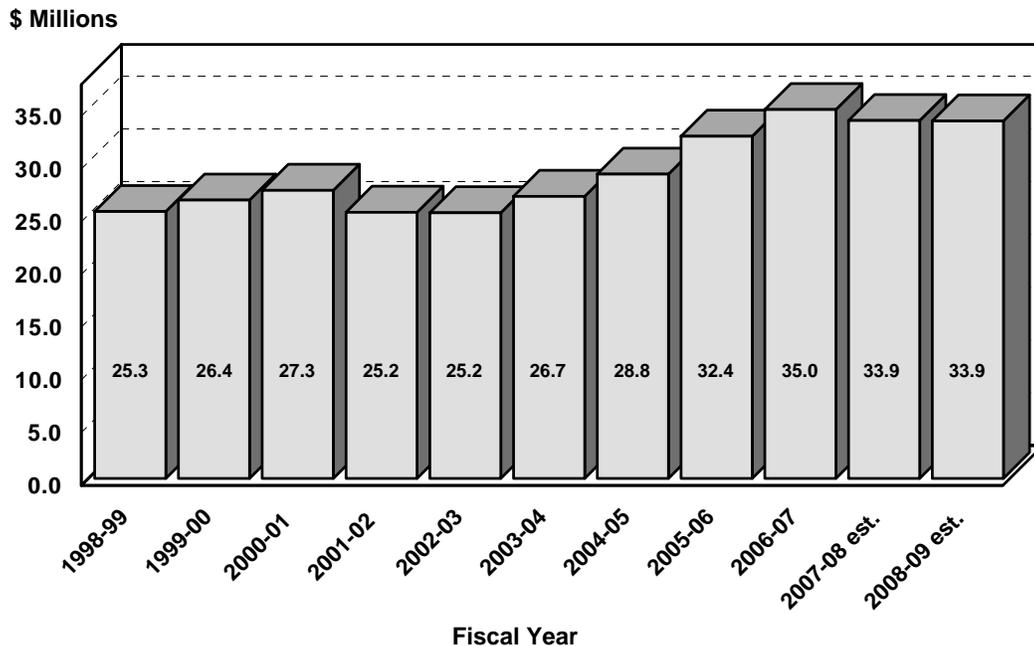
Restrictions	Fiscal Year	Amount	Percent Change
Represents a portion of the City sales tax dedicated by public vote to transit-related purposes, such as bus acquisition and maintenance, connecting bus routes to neighboring cities, bus stop construction, transit planning, and light rail construction.	1998-99	25,300,000	9.0
	1999-00	26,384,500	4.3
	2000-01	27,310,246	3.5
	2001-02	25,229,927	(7.6)
	2002-03	25,187,121	(0.2)
	2003-04	26,740,623	6.2
	2004-05	28,848,493	7.9
	2005-06	32,440,081	12.4
	2006-07	34,971,294	7.8
	2007-08 est.	33,922,155	(3.0)
	2008-09 est.	33,888,200	(0.1)

### Assumptions

The Transit Tax represents 1/2 cent of the 1.8% City Sales Tax. The tax for transit was approved by Tempe voters in September 1996 and became effective January 1, 1997. The revenue for FY 1996-97 only reflects collections over the last half of the fiscal year. Although the estimate for FY 2008-09 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population and Consumer Price Index

### Transit Tax



# Performing Arts Tax



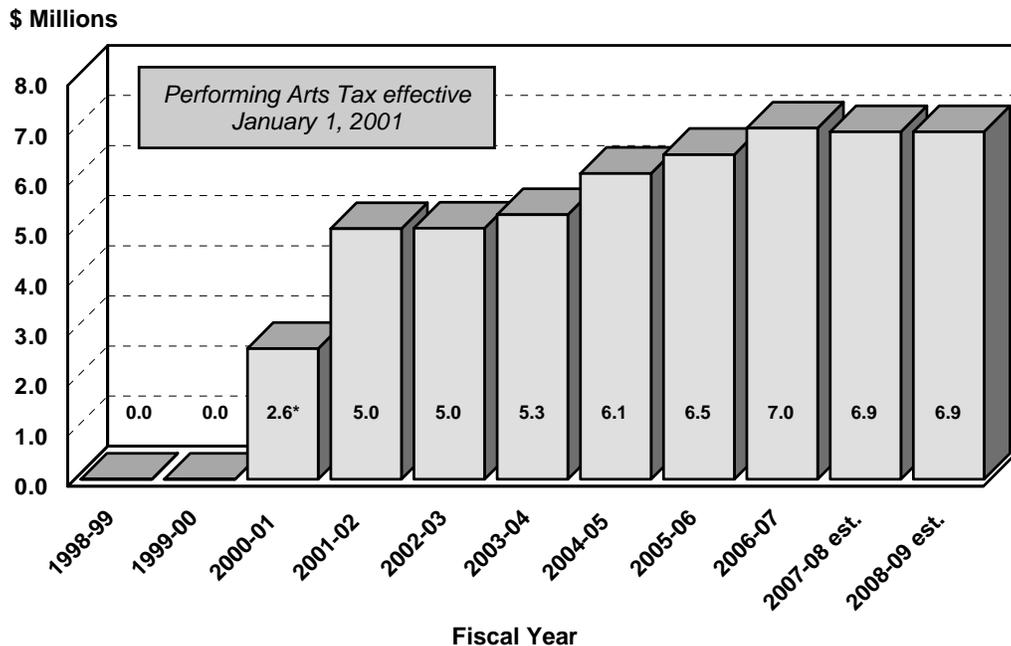
Restrictions	Fiscal Year	Amount	Percent Change
Represents a portion of the City sales tax dedicated by public vote for construction and operation of the Performing Arts Center.  *Collections over a six month period	2000-01*	2,607,541	-
	2001-02	4,999,984	91.2
	2002-03	5,010,392	(0.2)
	2003-04	5,279,580	5.4
	2004-05	6,103,402	15.6
	2005-06	6,480,218	6.2
	2006-07	7,007,790	8.1
	2007-08 est.	6,933,500	(1.1)
	2008-09 est.	6,933,500	0.0

## Assumptions

The Performing Arts Tax represents 1/10 cent of the 1.8% City Sales Tax. This tax was approved in May 2000 and became effective January 2001. Although the estimate for FY 2008-09 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population, and Consumer Price Index

## Performing Arts Tax



\* Collections over a 6 month period

# Highway User Tax



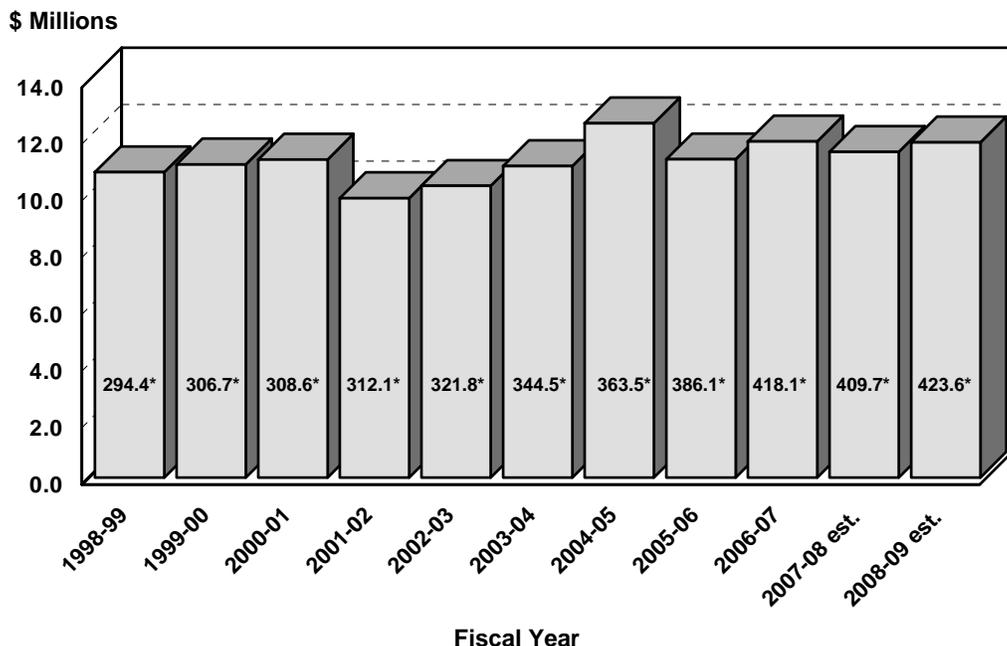
Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway purposes including right-of-way acquisition, construction, reconstruction, maintenance, and payment of debt service on highway and street bonds.	1998-99	10,767,285	21.4
	1999-00	11,041,067	2.5
	2000-01	11,213,830	1.6
	2001-02	9,853,831	(12.1)
	2002-03	10,285,028	4.4
	2003-04	10,981,726	6.8
	2004-05	12,492,819	13.8
	2005-06	11,222,223	(10.2)
	2006-07	11,854,088	5.6
	2007-08 est.	11,484,090	(3.1)
	2008-09 est.	11,818,077	2.9

### Assumptions

Highway User Revenue Fund (HURF) revenue is comprised primarily of a share of the state-imposed tax on fuel (18 cents per gallon), but also includes a portion of vehicle license taxes and other motor carrier permits and fees. Of the statewide total collected HURF revenue, 27.5% is distributed to cities and towns. Half of this pool amount is distributed based on each city or town's percentage share of the statewide total population of all incorporated cities and towns. The remaining one-half is divided into county pools based on each county's share of statewide fuel sales. Within each county, cities and towns receive an allocation based on their percentage share of total incorporated population in the county. Reductions in FY 1996-97 and FY 1997-98 were the result of the 1995 mid-decade Census, which placed Tempe at 4.5% of the state's population, down from the previous 5% share. The FY 2001-02 decline is a reflection of the 2000 Census, which resulted in Tempe's share declining to 4.0%. The 2005 mid-decade Census reduced Tempe's share to 3.4% resulting in a year over year decrease in revenue. For FY 2006-07 through FY 2008-09, negligible growth is anticipated.

Major Influences: Population, State Policy, Economy and Gasoline Sales

### Highway User Tax



\* Total State Shared Highway User Tax Revenue Pool distributed to Cities/Towns.

## Local Transportation Assistance Fund



Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway projects, for any construction or reconstruction in the public right-of-way as well as transit programs.	1998-99	1,000,596	(1.9)
	1999-00	976,015	(2.5)
	2000-01	957,785	(1.9)
	2001-02	900,415	(6.0)
	2002-03	870,471	(3.3)
	2003-04	845,814	(2.8)
	2004-05	820,811	(3.0)
	2005-06	798,826	(2.7)
	2006-07	771,039	(3.5)
	2007-08 est.	767,100	(0.5)
2008-09 est.	751,800	(2.0)	

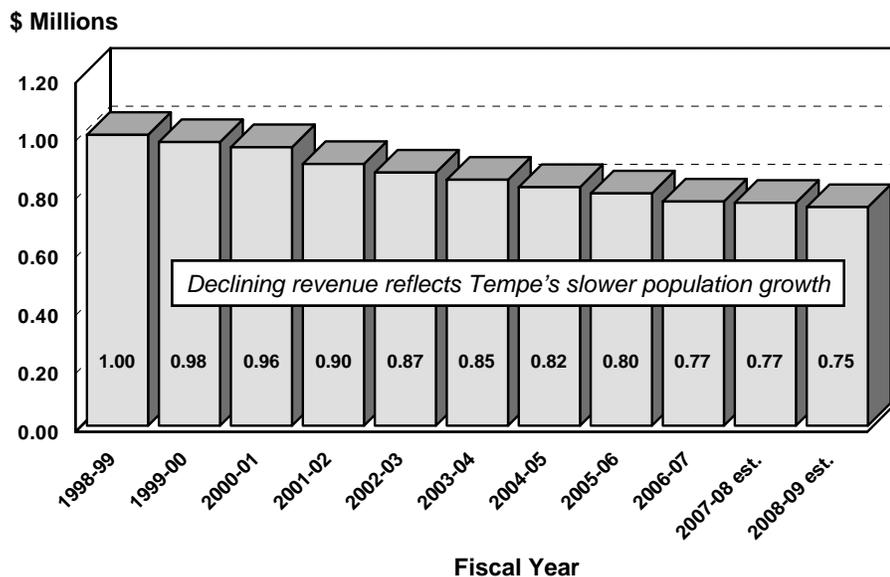
### Assumptions

Revenue is derived from the state lottery game and the multi-state Powerball lottery game. By state statute, the state must distribute at least \$20.5 million annually to cities and towns from state lottery revenue, up to a maximum total distribution pool of \$23 million. Amounts distributed to cities and towns are based on their percentage share of statewide population as determined and updated annually by the state Department of Economic Security. Revenue derived from Powerball may be received only after the state first collects \$31 million from Powerball sales. If this threshold is reached, the state will distribute up to a total of \$18 million from Powerball revenue, dividing the pool into amounts based on each county's share of lottery ticket sales. Amounts from these county pools distributed to cities and towns are based on each city or town's share of incorporated population in the county.

The lottery state shared pool is adjusted every year by population determined by the Department of Economic Security. Tempe's declining share of statewide population accounts for the lottery revenue reduction over the past 10 years.

Major Influences: Population (relative to State) and Lottery Ticket Sales

### Local Transportation Assistance Fund



## Community Development Block Grant/Section 8 Housing Grant



### Restrictions

Community Development Block Grant (CDBG) funds are awarded by the federal government and may be used only for the rehabilitation of owner-occupied housing and the removal of "slum and blight". Section 8 Housing Grants, also federal funds, may be used only for rent and utility subsidies for low income persons.

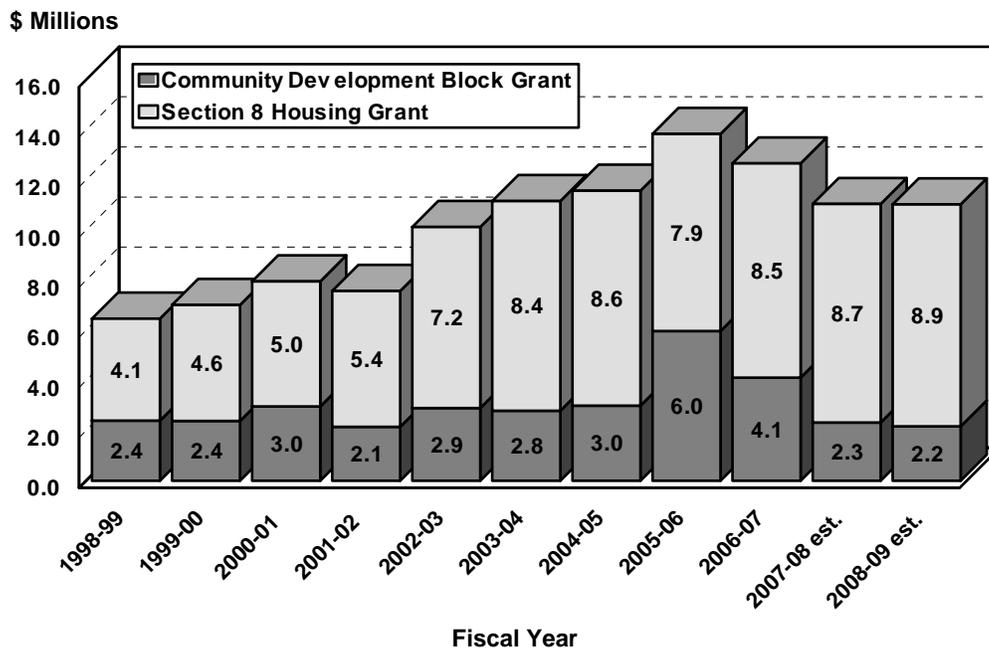
Fiscal Year	Community Development Block Grant		Section 8 Housing Grant	
	Amount	Percent Change	Amount	Percent Change
1998-99	2,399,237	(17.7)	4,068,842	5.9
1999-00	2,390,100	(0.4)	4,624,100	13.6
2000-01	2,967,700	24.2	4,985,700	7.8
2001-02	2,148,750	(27.6)	5,427,291	8.9
2002-03	2,896,728	34.8	7,227,924	33.2
2003-04	2,793,637	(3.6)	8,364,970	10.2
2004-05	2,996,729	7.3	8,577,743	3.7
2005-06	5,973,141	99.3	7,869,697	(8.3)
2006-07	4,115,572	(31.1)	8,543,758	8.6
2007-08 est.	2,324,057	(43.5)	8,717,408	2.0
2008-09 est.	2,169,428	(6.7)	8,856,767	1.6

### Assumptions

Funding levels in both programs are based on a federal formula which reflects local factors such as the percentage of people living in poverty, unemployment, population, age of existing housing, and the need for housing. The recent decline is due to a decrease in the total amount distributed by the Federal government.

Major Influences: Federal Policy, Poverty Levels and Population

### Community Development Block Grant/Section 8 Housing Grant



## Water/Wastewater User Fees



Restrictions	Fiscal Year	Amount	Percent Change
Fees can only be used to support the Water/Wastewater enterprise.	1998-99	37,540,000	(1.0)
	1999-00	46,296,100	23.3
	2000-01	45,349,960	(2.0)
	2001-02	44,591,306	(1.7)
	2002-03	40,586,501	(9.0)
	2003-04	41,037,476	1.1
	2004-05	40,674,305	(0.9)
	2005-06	44,392,262	9.1
	2006-07	46,201,943	4.1
	2007-08 est.	47,405,102	2.6
	2008-09 est.	49,735,878	4.9

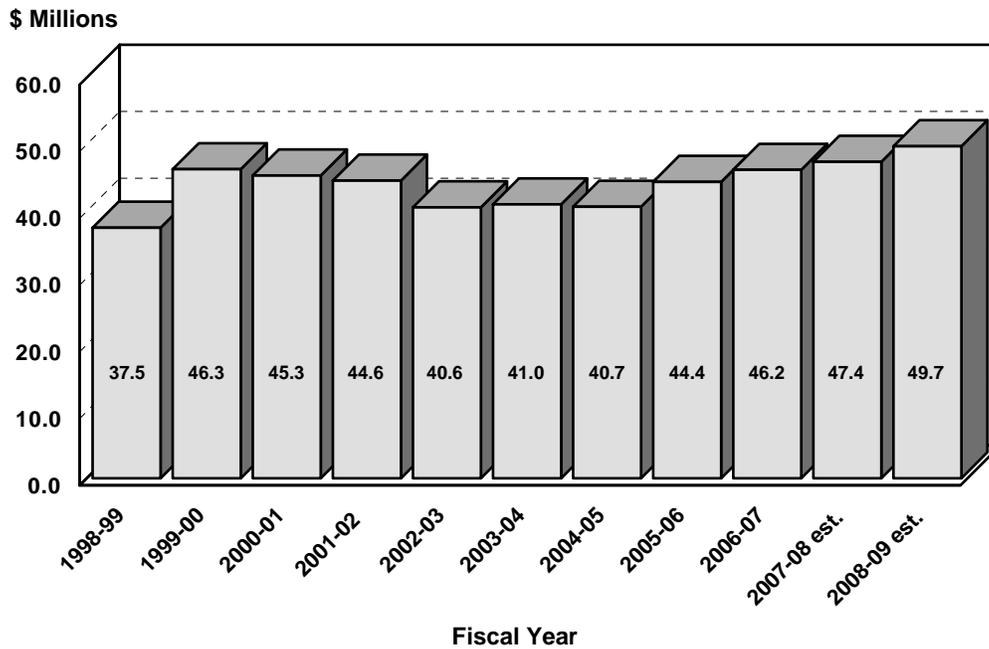
### Assumptions

Water/Wastewater revenue is derived from fees and service charges assessed to residential and commercial customers of the City's water and wastewater systems. Revenue also includes charges to the City's residential irrigation customers. Over the past few years, both water and sewer rates have been adjusted to address increased costs resulting from inflation, debt service on capital projects, and environmental regulation compliance.

In light of the most recent Comprehensive Financial Plan, findings, effective November 1, 2008, water rates will increase by 5.5%, and sewer rates will increase by 20.5%.

Major Influences: Population, Internal Policy, Water Consumption Patterns and Weather

### Water/Wastewater User Fees



# Solid Waste Fees



Restrictions	Fiscal Year	Amount	Percent Change
Used to defray costs of providing solid waste collection and disposal service.	1998-99	9,256,680	2.4
	1999-00	9,840,100	6.3
	2000-01	9,758,199	(0.8)
	2001-02	10,024,863	2.7
	2002-03	10,496,774	4.7
	2003-04	11,014,949	4.9
	2004-05	12,054,563	9.4
	2005-06	13,232,293	9.8
	2006-07	14,049,254	6.2
	2007-08 est.	14,596,148	3.9
	2008-09 est.	14,990,105	2.7

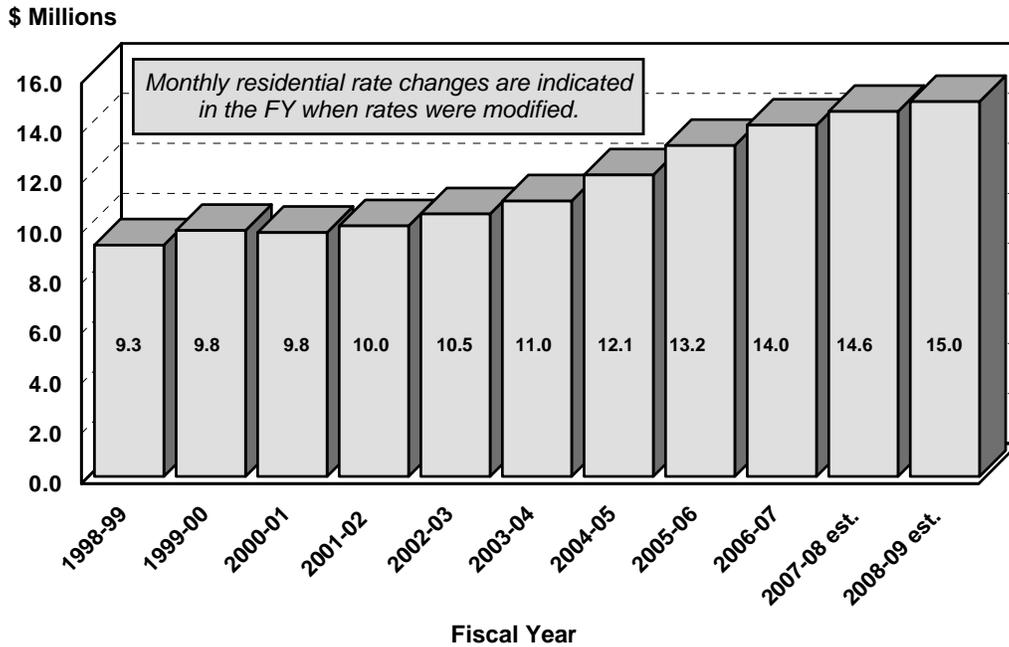
### Assumptions

The collection and disposal of solid waste constitutes the City's second largest enterprise operation. Revenue derives from user fees for residential, commercial, roll-off, and uncontained solid waste service. As the graph below indicates, residential solid waste fees were increased five times starting in FY 1998-99 to address increased landfill and recycling costs.

Effective November 1, 2008, solid waste rates will change. The rate for residential services will increase by 5.0%, while the commercial services rate will increase by 3.0%. Per Council approval, in the fall of 2009, again the residential service rate will increase by 5.0%, while the commercial service charge will increase by 3.0%.

Major Influences: Population, Internal Policy, and Commercial Market/Competition

### Solid Waste Fees



# Golf Course Fees



## Restrictions

Revenue is used to defray costs of operating the Rolling Hills and Ken McDonald golf courses.

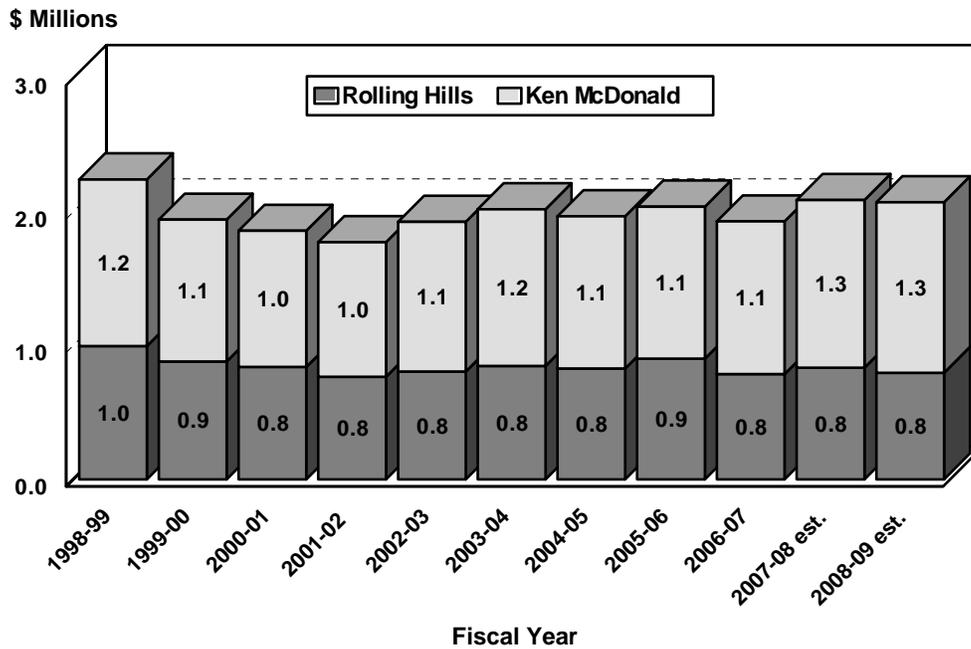
Fiscal Year	Rolling Hills		Ken McDonald	
	Amount	Percent Change	Amount	Percent Change
1998-99	997,000	0.2	1,246,000	0.7
1999-00	882,082	(11.5)	1,060,418	(14.9)
2000-01	840,000	(4.8)	1,018,500	(4.0)
2001-02	767,285	(8.7)	1,006,532	(1.2)
2002-03	806,588	5.1	1,119,184	11.2
2003-04	847,844	5.1	1,172,288	4.7
2004-05	828,454	(2.3)	1,139,519	(2.8)
2005-06	903,047	9.0	1,136,795	(0.2)
2006-07	787,787	(12.8)	1,141,497	0.4
2007-08 est.	834,872	6.0	1,254,309	9.9
2008-09 est.	796,968	(4.5)	1,275,411	1.7

## Assumptions

Revenue from greens fees account for nearly 87% of golf course revenue, with the rest coming from lease agreements with the pro shops and restaurant concessionaires. Our projection conservatively assumes essentially flat revenue growth in light of the uncertainty that can result from weather conditions or fee changes, and competition from private courses.

Major Influences: Competition from Other Golf Courses, Weather, and City Fee Policy

## Golf Course Fees





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