

VOLUME ONE

BUDGET SUMMARY

City of Scottsdale, Arizona
FY 2018/19 Budget

Adopted FY 2018/19 Budget

City of Scottsdale, Arizona

Volume One

Budget Summary



City Council

W.J. "Jim" Lane, Mayor
Guy Phillips, Vice Mayor
Suzanne Klapp
Virginia Korte
Kathy Littlefield
Linda Milhaven
David N. Smith

Administrative Staff

Jim Thompson, City Manager
Brent Stockwell, Assistant City Manager
Jeff Nichols, City Treasurer
Judy Doyle, Budget Director



FY 2018/19 Adopted Budget

The City of Scottsdale's FY 2018/19 budget is comprised of three volumes:

Volume One – Budget Summary begins with an **About Scottsdale** section and includes the city's award winning annual report. The report is produced for taxpayers and demonstrates the city's commitment to good government and responsible fiscal action in a citizen-centric format.

The **Overview** section of Volume One includes the City Manager's Adopted and Proposed Budget Transmittal letters. The letters are used to transmit the adopted and proposed budgets to City Council and highlight the prevailing economic condition under which the budget was prepared. The section also includes an Executive Summary which highlights items, issues and trends that shaped the FY 2018/19 budget. This section describes in further detail the city's budget development process including:

- Roles and responsibilities of City Council, divisional staff and review teams
- Budget adoption, implementation and amendment processes
- Use of contingency/reserves
- Basis of accounting used to prepare the budget
- Operating and capital budget relationship

This section includes a budget planning and development calendar to offer a visual timeline of the strategic planning process along with the city divisional staff that support the budget development efforts. This section concludes with a summary of the city's adopted Comprehensive Financial Policies and Governing Guidance, which are used to build the budget and manage the city's finances.

The **Budget by Fund** section begins with *Fund Accounting - Fund Types* which provides a description of the generic governmental fund types used by the city. The remainder of this section provides a total budget overview, total appropriation, fund overviews, fund summaries and Five-Year Financial Forecasts as well as information on the sources, uses, transfers, and ending fund balances, including *Sales Tax Five-Year Forecast by Business Category, Debt Service Expense, Long-Term Debt Outstanding, Property Tax Supported Debt* and *Legal Debt Margins*.

Volume Two – Division Operating Budget provides detailed information on each of the city's divisions, including descriptions, prior year highlights, priorities, staffing, and a summary of the operating budgets by expenditure category and the applicable funding sources.

Volume Three – Capital Improvement Plan provides the basis for control of expenditures for the acquisition of significant city assets and construction of all capital facilities. A five-year Capital Improvement Plan is developed and updated annually, including anticipated funding sources.



FY 2018/19 Adopted Budget



FY 2018/19 Adopted Budget – Volume One
 Budget Summary
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Where we've been and where we're going

Fifty years ago, Scottsdale celebrated the opening of City Hall. Completing a project of that scale required cooperation between a renowned architect, residents and city staff. Thousands celebrated its grand opening, an opportunity that will be recreated this fall with 'Scottsdale Celebrate '68.'

Like constructing a building, operating a city is a collaborative effort. Voters elect a mayor and six council members to govern. Nearly 2,700 employees and more than 5,100 volunteers serve our nearly 250,000 residents.

As residents, your tax dollars support city services. Read this annual report to learn how. Please contact the City Manager's Office if you have comments or suggestions on how we can improve this report: 480-312-2800 | citymanager@ScottsdaleAZ.gov



Value Scottsdale's Unique Lifestyle and Character



Highlighted Accomplishments

- ▶ The city launched a rebranding effort to focus attention on Old Town Scottsdale and its unique character.

Looking Forward

- ▶ Scottsdale Arts, with additional financial support from the city, will continue to grow Canal Convergence, a destination event that brings increasing amounts of people and attention to Scottsdale.

WestWorld hosted **280 days** of special events



More than 9,000 people dug into the 42nd **Mighty Mud Mania**



Get Involved

Looking for a way to contribute your skills? Volunteer as an Old Town Ambassador.

 **Learn more at ScottsdaleAZ.gov, search "about"**



Seek Sustainability

Highlighted Accomplishments

- ▶ Residents diverted 28 percent of household waste to recycling, rather than shipping it to the landfill.
- ▶ The city recycled 8.3 million gallons of wastewater per day, treating it to a high standard and delivering it to turf irrigation at 24 golf courses, a service paid for by users of the recycled system.
- ▶ The city recharged 4.8 million gallons per day of ultra-pure, advanced-treated recycled water back into our local aquifer, replenishing our groundwater.

Looking Forward

- ▶ Scottsdale's solid waste team will continue to work with residents to increase the residential recycling rate to 30 percent by 2020.



Mechanized residential trash collection with standardized containers was **invented in 1969 by Scottsdale city staff.**

The average Scottsdale household **pays less** for monthly water, wastewater, trash and recycling pickup than residents in most other Valley cities.



\$66
Gilbert



\$79
Scottsdale



\$87
Average



\$123
Mesa

Actual bills may vary based on actual usage and size of property.

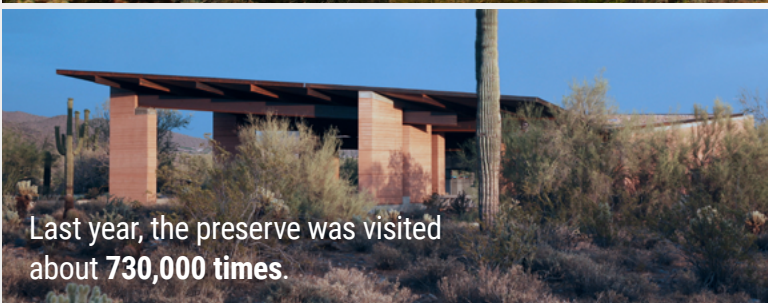
Source: City of Tempe



Preserve Meaningful Open Space



At nearly 48 square miles, Scottsdale's **McDowell Sonoran Preserve** is larger than San Francisco, covering one-third of Scottsdale's land area.



Last year, the preserve was visited about **730,000 times.**

Photos: McDowell Sonoran Conservancy/Michael Burns, Chris Brown

Highlighted Accomplishments

- ▶ New trailheads at Granite Mountain and Fraesfield will improve access into the northern reaches of Scottsdale's McDowell Sonoran Preserve.

Looking Forward

- ▶ Community Services will begin a new master plan for Vista del Camino Park and the adjacent Indian Bend Wash to improve park amenities, open spaces and functionality of this key storm water conveyance system.



Get Involved

Protect the beauty of the Sonoran Desert by volunteering at Pinnacle Peak Park.



Advance Transportation

Highlighted Accomplishments

- ▶ The city completed the Mustang Transit Center, which improved access to Mustang Library and HonorHealth Shea Medical Center, added connections to regional transit lines with additional capacity for future routes and provided better access for bicyclists and pedestrians using the Camelback Walk.
- ▶ Thanks to voter-approved bond financing, the city is well over halfway to resurfacing 20 streets, which will improve driving conditions and lower maintenance costs. By summer of 2019, over 194 lane miles will have been replaced—54 more than the original estimate.
- ▶ The city added bicycle lanes on Chaparral Road and bicycle signal detection at 16 intersections.

Looking Forward

- ▶ Trolley routes to change this fall will reduce travel times and expand service, including free 20-minute service frequency to neighborhoods from Roosevelt and Raintree.



More than 2 million people used public transit in Scottsdale last year on both Valley Metro buses and the **Scottsdale Trolley**.



You can explore Scottsdale's public art through **Cycle The Arts ride**, held each spring.



Enhance Neighborhoods



4:46 minutes for average fire response time



4:57 minutes for average police response time



1,282 number of families with children under five served at Paiute Neighborhood Center



447 volunteers with Vista del Camino and Paiute Neighborhood Center



1.1 million visitors to five library branches

Highlighted Accomplishments

- ▶ An all-inclusive playground was installed at Chaparral Park, serving both able-bodied children and those with disabilities.
- ▶ The city developed Scottsdale EZ, a single, mobile-optimized system to report issues that need to be fixed.
- ▶ Thanks to bond financing approved by voters in 2015, Fire Station 605 on Shea Boulevard was renovated to modern standards, and Fire Station 613 in Desert Foothills was built, replacing a “temporary” modular building that was used for more than 20 years.

Looking Forward

- ▶ The treatment systems at all four city aquatic centers will be modernized by the end of 2018. The advanced systems will improve water quality and swimming conditions while eliminating the need to store and handle large amounts of chemicals, making things safer for the public and staff.



Support Economic Vitality

Highlighted Accomplishments

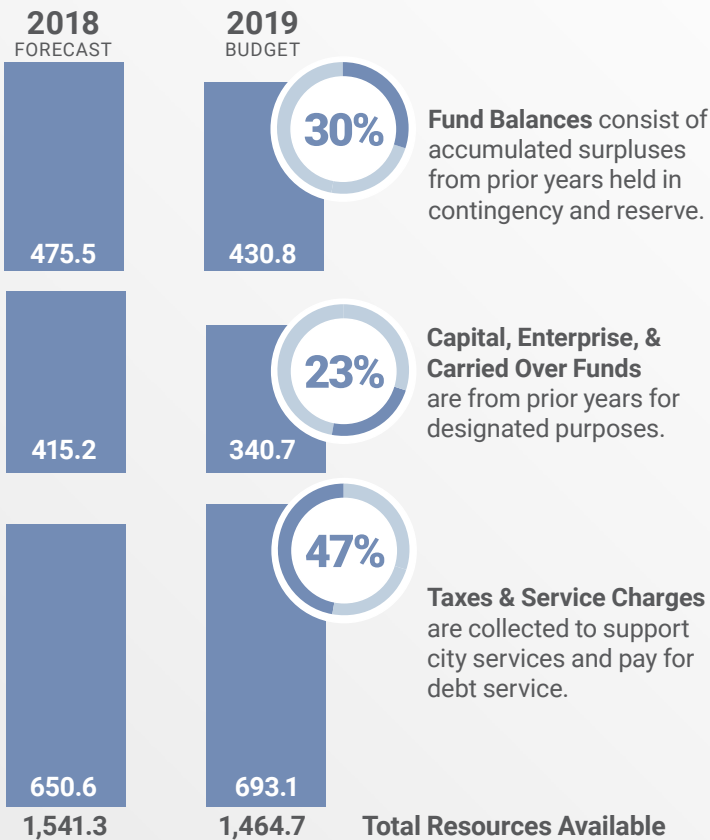
- ▶ Scottsdale Economic Development attracted new companies and helped others expand, resulting in 1,183 new jobs with an average wage of more than \$67,000.
- ▶ The city completed building two 30,000 square foot hangars at Scottsdale Airport, part of the \$27 million Terminal Area Redevelopment Project, which will include a new Aviation Business Center.
- ▶ The Scottsdale Job Board was launched, helping companies advertise open positions and workers find jobs. So far, more than 30 companies have posted around 300 openings.
- ▶ Scottsdale is required by law to adopt a budget each year and cannot spend more than that total amount. This includes all city funds for the fiscal year ending June 30. These numbers are as adopted by the City Council in June 2018. The city's financial statements are audited annually by an independent auditor. The most recent audit for 2017 received a clean opinion.



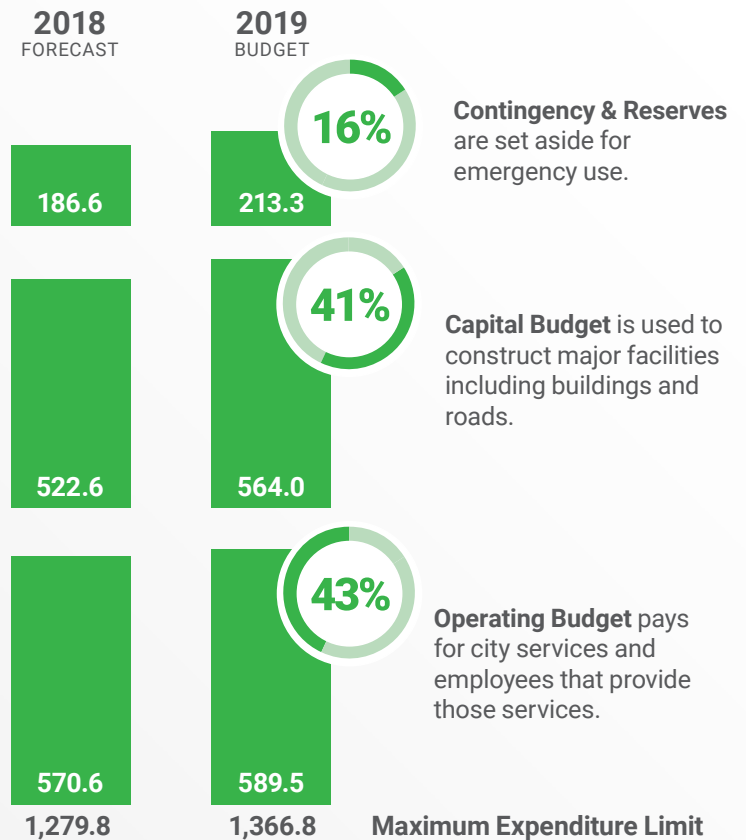
Looking Forward

- ▶ Proposed Museum Square and Southbridge expansions could, if approved, bring more than \$700 million in new mixed-use development to Old Town Scottsdale.

Resources (in millions of dollars)



Expenses (in millions of dollars)

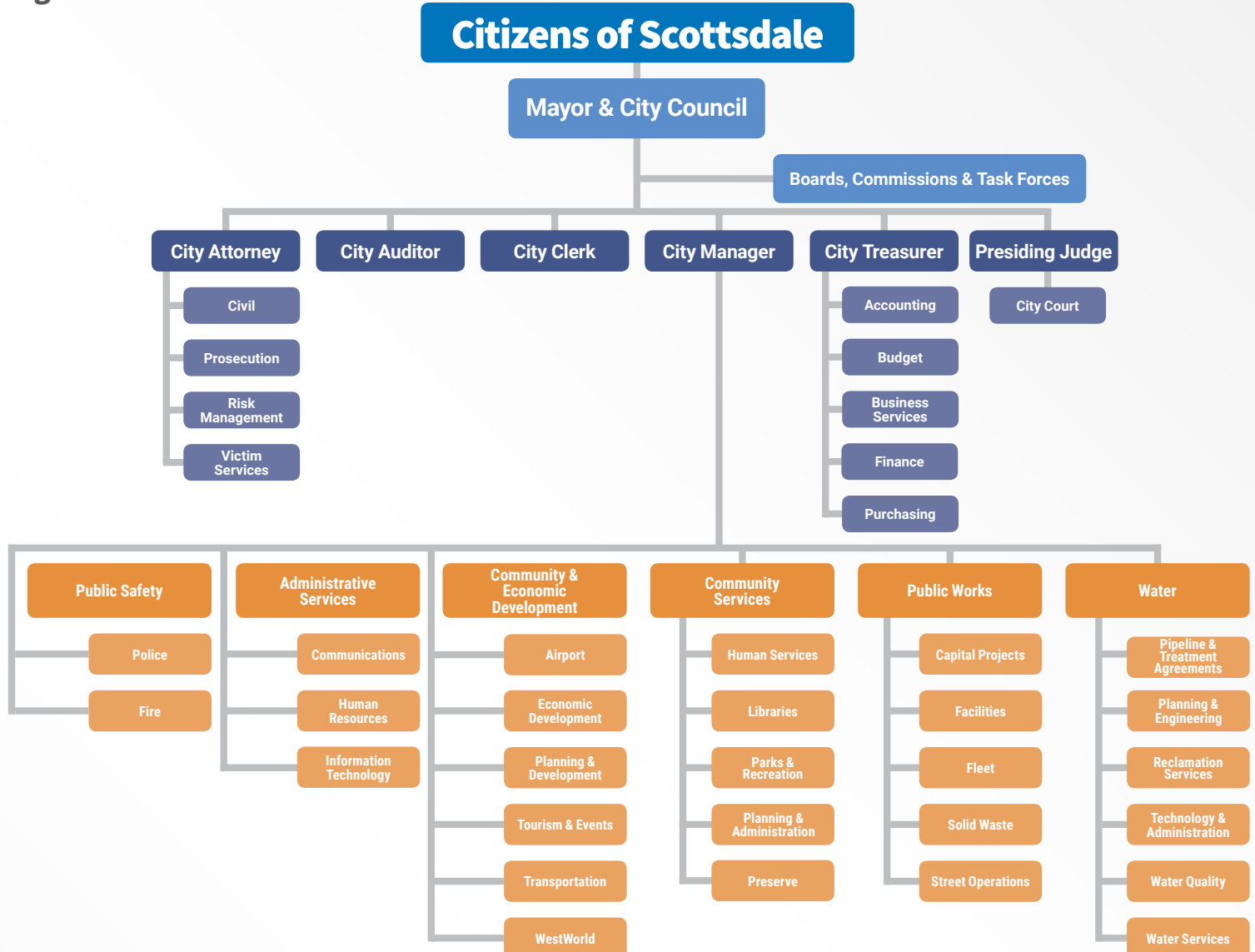


An Introduction to Our Leadership

The City Council is the governing body for Scottsdale. The council consists of the mayor and six council members who are elected to represent the city at large and serve overlapping, four-year terms. These seven citizens oversee city government and set policy, approve programs, appropriate funds, enact laws, select charter officers, and appoint residents to serve on advisory bodies. The mayor is the chair of the Scottsdale City Council and presides over its meetings, which are typically held on Tuesdays in the City Hall Kiva Forum located at 3939 North Drinkwater Boulevard in Old Town Scottsdale.

The City Council hires six officers to advise them on policy issues and run day-to-day operations. They are collectively known as the charter officers, because their positions are spelled out in the City Charter, a voter-approved document which describes the organization and authority of city government in Scottsdale. These positions are the city attorney, city auditor, city clerk, city manager, city treasurer and presiding city judge.

Organization Chart



 **Learn more at ScottsdaleAZ.gov, search "about"**

Scottsdale City Council



Mayor W. J. "Jim" Lane

W. J. "Jim" Lane served for four years on the Scottsdale City Council beginning in June 2004, and began his third term as mayor in January 2017. Mayor Lane currently represents the city as a member of the Flinn Foundation Arizona Bioscience Roadmap Steering Committee. He is the current President of the Arizona Municipal Water Users Association, a member of the Governor's Arizona Workforce Committee, member of the Executive Committee of the League of Arizona Cities and Towns, and a Chairman of the Maricopa Association of Governments Economic Development Committee. He is a former Chairman of the MAG Regional Council and former President of the MAG Executive Board. He serves on the Scottsdale Leadership Advisory Board, Arizona Game and Fish Appointment Recommendation Board, he is a member of the Phoenix Committee on Foreign Relations and an honorary member of the Taliesin West Board of Stewards. He came to Scottsdale from New Jersey in 1973 to take a position with KPMG (Peat Marwick), an international Certified Public Accountant firm. He worked as an Arizona Certified Public Accountant for 20 years with five of those years in public accounting as a financial statement auditor. Mayor Lane has owned and operated businesses in construction, mining, computer technology, telecommunications, regional aviation and financial consulting. Mayor Lane is also a former adjunct professor of Business and Accounting at Scottsdale Community College. He holds a Bachelor of Science degree in Accounting from Saint Joseph's University in Philadelphia.

jlane@ScottsdaleAZ.gov • 480-312-2433



**Councilwoman
Suzanne Klapp**

Suzanne Klapp began her first term on the Scottsdale City Council in January 2009, and began her third term in January 2017. She has more than 40 years of management experience in manufacturing, distribution and retail operations. She began her career with Whirlpool Corp. where she worked for 14 years in a variety of

positions in marketing, communications, human resources, production and material control. Later, she owned a custom plastics manufacturing plant in Indiana. She moved to Scottsdale in 1998 and has since owned custom framing retail stores in Scottsdale and Phoenix. She is a member of the Valley Metro Regional Public Transportation Authority board and is a founder of the Scottsdale Gateway Alliance. She is a graduate of Valley Leadership and is on the Scottsdale Leadership Advisory Board. She serves as Chairman of the City Council's Audit Subcommittee. She holds a Bachelor of Arts degree in English and Journalism from the University of Evansville and Master of Business Administration from Southern Methodist University.

sklapp@ScottsdaleAZ.gov • 480-312-7402



**Councilmember
Virginia Korte**

Councilmember Virginia Korte began her second term on the Scottsdale City Council in January 2017. She has an extensive background in business and non-profit management as well as community service. In 1981 she joined her family business (Ray Korte Chevrolet) to work with and learn from her father where she served

in various roles until becoming general manager and dealer in 1991. After selling the dealership in 1998, Virginia was hired as a biology professor at Scottsdale Community College and became the first Executive Director of their Center for Native & Urban Wildlife, serving until 2002. In 1996, Virginia was named to the Board of Directors of the Scottsdale Area Chamber of Commerce, and in 2002, she was hired as President and CEO. Virginia left the Chamber in 2008 to take on another challenge where she served as President and Chief Executive Officer of Scottsdale Training and Rehabilitation Services (STARS) until 2014. Throughout her 30 plus years in Scottsdale, Virginia served on many nonprofit and community boards and is passionate about public education where she currently serves as a member of the board for Business United for Scottsdale Schools.

vkorte@ScottsdaleAZ.gov • 480-312-7456



**Councilwoman
Kathy Littlefield**

Kathy Littlefield began her first term on the Scottsdale City Council in January 2015. She has 25 years of financial and management experience. She co-founded (with her husband Bob Littlefield, who served three terms on the Scottsdale City Council from 2002 to 2015) and continues to manage a successful Scottsdale-

based computer company, NetXpert Systems, Inc. Her previous professional experience includes several years working in the Budget Office of the City of Plano, Texas. Councilwoman Littlefield was President of her Civitan Club (an organization that helps developmentally disabled and underprivileged children) and was chosen "Civitan of the Year" for her efforts during her term of office. Currently she is active in the Daughters of the American Revolution working to help veterans and their families. Councilwoman Littlefield is a Scottsdale native who attended Ingleside Elementary and Arcadia High. She graduated with distinction from Arizona State University in 1970 with a bachelor's degree in business education.

klittlefield@ScottsdaleAZ.gov • 480-312-7412



**Councilman
Guy Phillips**

Guy Phillips began his second term on the Scottsdale City Council in January 2017. Councilman Phillips was raised in Phoenix where he graduated from Camelback High School in 1977. He moved to Scottsdale in 1994. He attended Maricopa Community College and subsequently started the air conditioning

contracting business that he still owns and operates. He was a general contractor and homebuilder whose business was one of the first to implement Scottsdale's Green Building Program. He is a member of the Better Business Bureau, the Arizona Small Business Association, the North Scottsdale Chamber of Commerce, the Heritage Foundation, the National Rifle Association, and the Arizona Archaeological Society. Councilman Phillips has created many startup businesses with a patent pending and in his spare time he likes to restore vintage muscle cars. Scottsdale is where Guy Phillips met his wife Cora, and together they raised a family of five children who all attended Scottsdale public schools.

gphillips@ScottsdaleAZ.gov • 480-312-2374



**Councilwoman
Linda Milhaven**

Linda Milhaven began serving on the Scottsdale City Council in January 2011 and was re-elected to a second term that began in January 2015. She has served in numerous volunteer capacities including Chair of the Board of Trustees of the Scottsdale Cultural Council, Chair of the Board of the Scottsdale Area Chamber of

Commerce and Chair of the Board of the Better Business Bureau. She was a member of Class VIII of Scottsdale Leadership and in 2009 earned their Frank B. Hodges Alumni Achievement Award. As part of her 30 year banking career, she was a community bank president in Scottsdale from 1993 to 2005. Councilwoman Milhaven graduated from Paradise Valley High School. She holds a Bachelor of Arts degree in Psychology from Wellesley College in Wellesley, Massachusetts, and a Masters in Business Administration from Columbia University in New York.

lmilhaven@ScottsdaleAZ.gov • 480-312-7454



**Councilman
David N. Smith**

David N. Smith began his first term on the Scottsdale City Council in January 2015. Councilman Smith has more than 40 years of senior financial management experience, mostly in the public service and not-for-profit sectors. He served as Scottsdale's City Treasurer and Chief Financial Officer from October 2009 until he

retired in July 2013. Prior to that, he served as vice chair of Scottsdale's Budget Review Commission. Before his service with the City of Scottsdale, Councilman Smith was the Chief Financial Officer for Amtrak from 2004 to 2007 and served as the Chief Financial Officer for the Tennessee Valley Authority, the nation's largest electric utility, from 1995 to 2003. He and his wife Diana owned and published the Scottsdale Airpark News from 1986 to 1997. Councilman Smith earned a bachelor's degree in business administration and accounting from Northwestern University and a master's degree in finance from Northwestern's Kellogg School of Management.

dsmith@ScottsdaleAZ.gov • 480-312-7423

Charter Officers



Jim Thompson
City Manager
jthompson@ScottsdaleAZ.gov
480-312-2800



Bruce Washburn
City Attorney
bwashburn@ScottsdaleAZ.gov
480-312-2659



Sharron Walker
City Auditor
swalker@ScottsdaleAZ.gov
480-312-7867



Carolyn Jagger
City Clerk
cjagger@ScottsdaleAZ.gov
480-312-2411



Jeff Nichols
City Treasurer
jenichols@ScottsdaleAZ.gov
480-312-2364



Joseph Olcavage
Presiding Judge
jolcavage@ScottsdaleAZ.gov
480-312-7604



Welcome to Scottsdale, Arizona

A world-class community

Located in the beautiful Sonoran Desert, Scottsdale is nestled between Paradise Valley and the McDowell Mountains. Scottsdale is a premier community known for a high quality of life with attractive residential, working and shopping areas. It is an internationally recognized visitor destination and a thriving location for business.

Scottsdale consistently ranks among the nation's best places to live, with top-rated schools, award winning parks, low crime and a vibrant economy. Old Town Scottsdale is home to many restaurants, retail shops, art galleries, and hotels. Scottsdale's McDowell Sonoran Preserve, in the city's northern reaches, is the largest municipally-owned park or preserve in the United States. There are recreational opportunities for everyone with many golf courses, tennis courts, parks, pools, bike paths and trails.

Scottsdale was founded by Army Chaplain Winfield Scott in 1888 but was not incorporated until 1951 when Scottsdale was a small community of 2,000 residents situated on about two square miles of land. Today, Scottsdale has nearly 250,000 residents spread across 185 square miles.





All Work and All Play Business

Scottsdale is one of the state's leading job centers with a diverse economy built on medical research, high-tech innovation, tourism and corporate headquarters. Scottsdale is home to nearly 18,000 businesses supplying more than 150,000 jobs. The high-tech innovation center SkySong in south Scottsdale is designed to help companies grow through a unique partnership with nearby Arizona State University. Scottsdale's downtown, Old Town Scottsdale, is an emerging center for high-tech businesses. Farther north, the Scottsdale Airpark is the city's largest employment area and the Scottsdale Cure Corridor is a partnership of premier health care providers and biomedical companies.

Tourism

With great weather, fantastic scenery and a calendar full of special events, Scottsdale is among the most popular tourist destinations in Arizona. About 9 million people visit Scottsdale annually. The city boasts many hotels and resorts, restaurants, and spas. That activity adds up to big business. The annual economic impact of Scottsdale visitors is estimated at several billion dollars. Annual tax revenue generated by visitors was estimated around \$41 million – representing about one in every five city tax dollars.

Special Events

Every January through March, Scottsdale captures the national spotlight with an eclectic mix of sport and cultural events that draw thousands of spectators and millions of television viewers. Scottsdale resorts annually host Fiesta Bowl teams and the city's downtown becomes the focal point for pep rallies and fan parties. The Barrett-Jackson Collector Car Auction headlines a week of local automotive attractions and becomes the star of more than 40 hours of live TV coverage. The Waste Management Phoenix Open unfolds at the TPC Scottsdale, featuring more national TV coverage and the largest, loudest galleries in golf. The Scottsdale Arabian Horse Show – among the largest horse shows in the nation – and Scottsdale's festive Parada del Sol Parade and Rodeo follow later. In March, Major League Baseball takes center stage. Old Town Scottsdale serves as the spring home of the San Francisco Giants and makes the city a headquarters for visiting fans and media from across the nation.



Scottsdale Top Attractions



1. Pinnacle Peak Park



2. Preserve Gateway



3. TPC Scottsdale



4. WestWorld



6. McCormick-Stillman Railroad Park



8. Scottsdale Fashion Square



10. Scottsdale Historical Museum



12. Scottsdale Stadium



5. Scottsdale Airport/Airpark



7. Indian Bend Wash Greenbelt



9. Old Town Scottsdale



11. Scottsdale's Museum of the West



13. SkySong



Photos by: Bernard Gagnon, Ken Greshowak, Maureen Isree, Lou Parker, McDowell Sonoran Conservancy, Daniel Ortega, Bill Timmerman



A special event commemorates a special year in Scottsdale

2018 marks the 50th anniversary of Scottsdale City Hall and Civic Center Library, and to commemorate our iconic civic home, the city is hosting **Scottsdale Celebrate '68**, a modern day take on the community celebration held when the building opened in 1968.

Mark your calendars for **Saturday, October 13** and find details at ScottsdaleAZ.gov, search "[Celebrate '68.](#)"



A civic center of art and culture

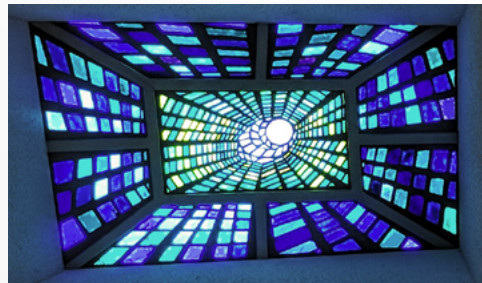
Scottsdale's innovative and longstanding public art program makes the city a special place, contributing to the community's creative, cultural and economic vitality. The program is one of several managed by Scottsdale Arts, the non-profit agency focused on art and culture in Scottsdale. These public art pieces showcase City Hall as we celebrate its 50th anniversary in our World-Class Community.



Fountain of Youth, 1968

By Bennie Gonzales

Location: Civic Center Mall



Kiva Skylights, 1968

By Glidden Parker

Location: City Hall



Windbells, 1968

By Paolo Soleri

Location: City Hall



Mother and Child, 1969

By John Waddell

Location: Civic Center Mall



Woman and Fish, 1968

By Abbot Pattison

Location: Civic Center Mall



Don Quixote, 1968

By Dale Wright

Location: Civic Center Mall

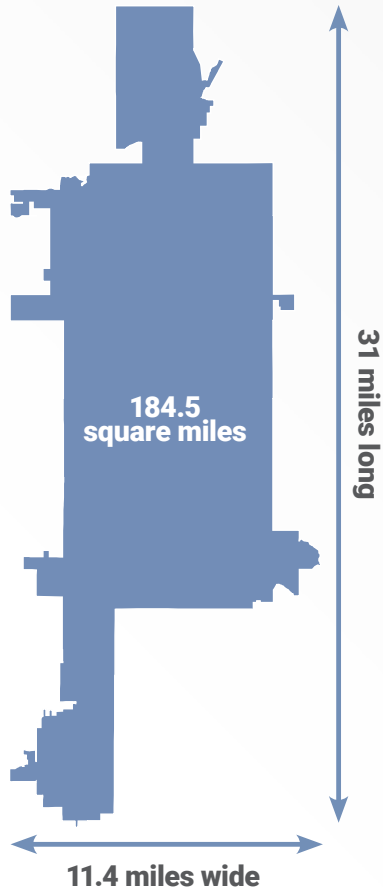
 **Learn more at ScottsdaleAZ.gov, search "about"**

Scottsdale By The Numbers

A Demographic Summary

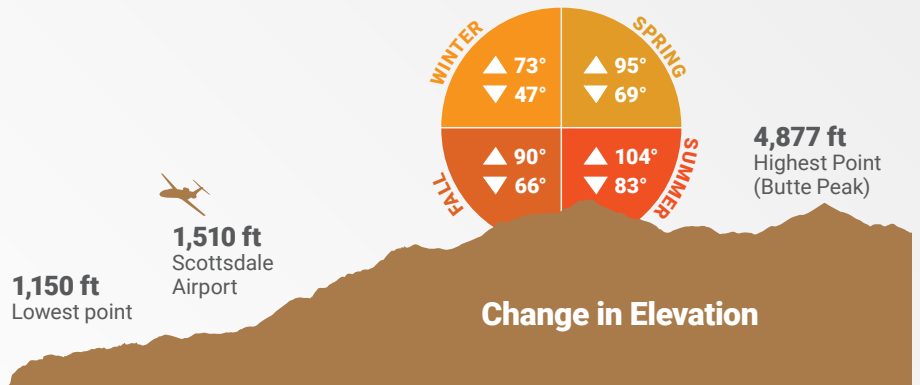
Scottsdale is the 45th largest city in the U.S. by area.

Source: U.S. Census and City of Scottsdale (2010)



Scottsdale's elevation rises by nearly 4,000 feet from south to north.

Source: City of Scottsdale and Scottsdale Airport Weather Station (2017-18)



6 Council Members

6 Appointed Officers

1 Mayor

SCOTTSDALE'S
249,950
CITIZENS
ARE SERVED BY

163 Boards & Commission Members

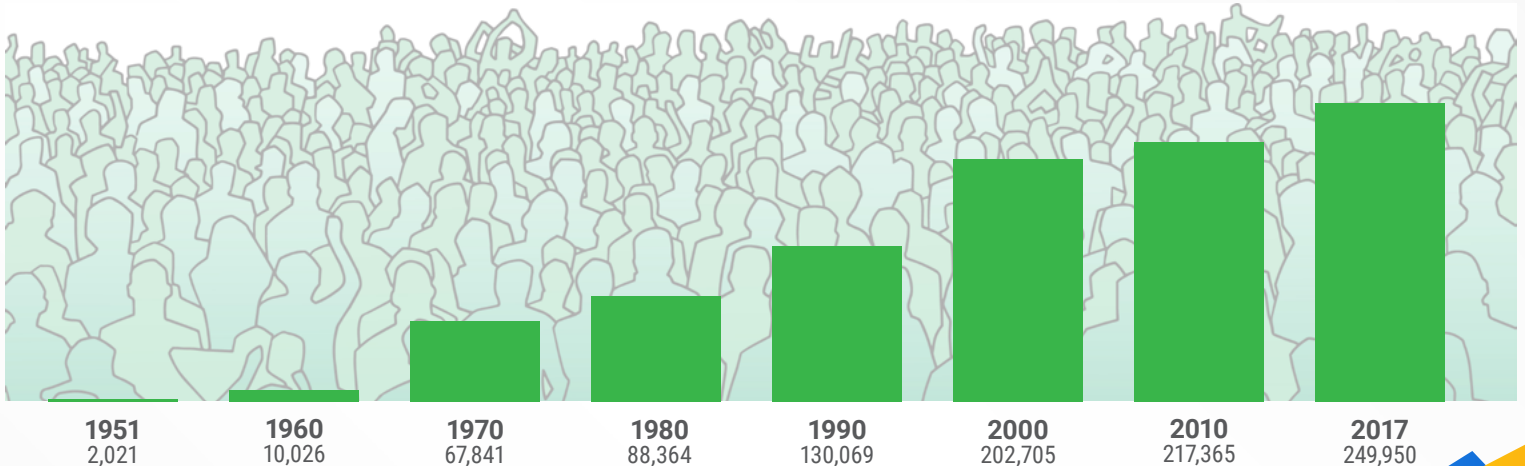
538 Part-time Employees

2,156 Full-time Employees

5,013 Volunteers

Scottsdale is the 85th largest city in the U.S. by population, and currently has nearly a quarter million residents.

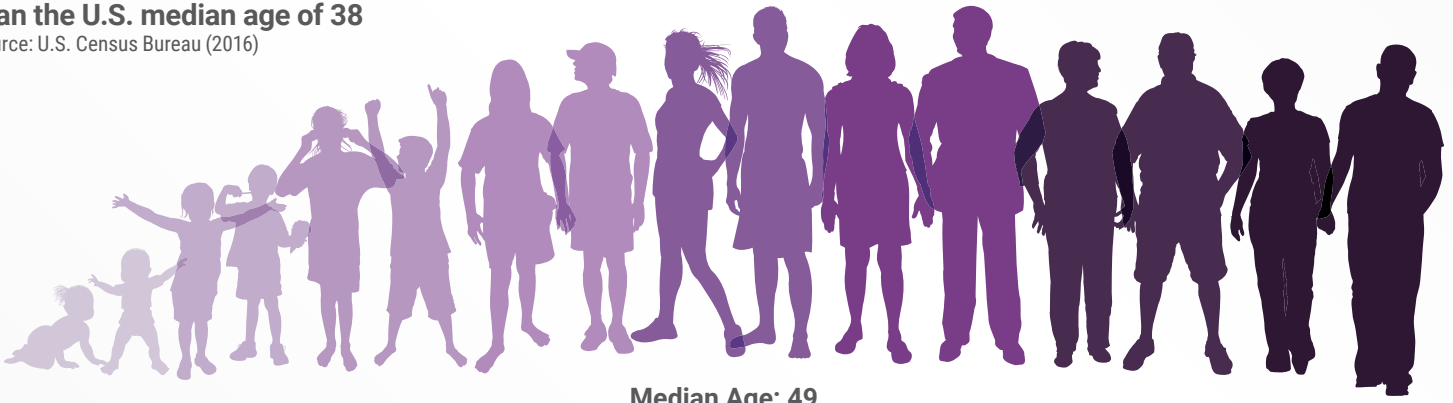
Source: U.S. Census (2017)



Scottsdale Residents

Scottsdale's median age of 49 is 11 years older than the U.S. median age of 38

Source: U.S. Census Bureau (2016)

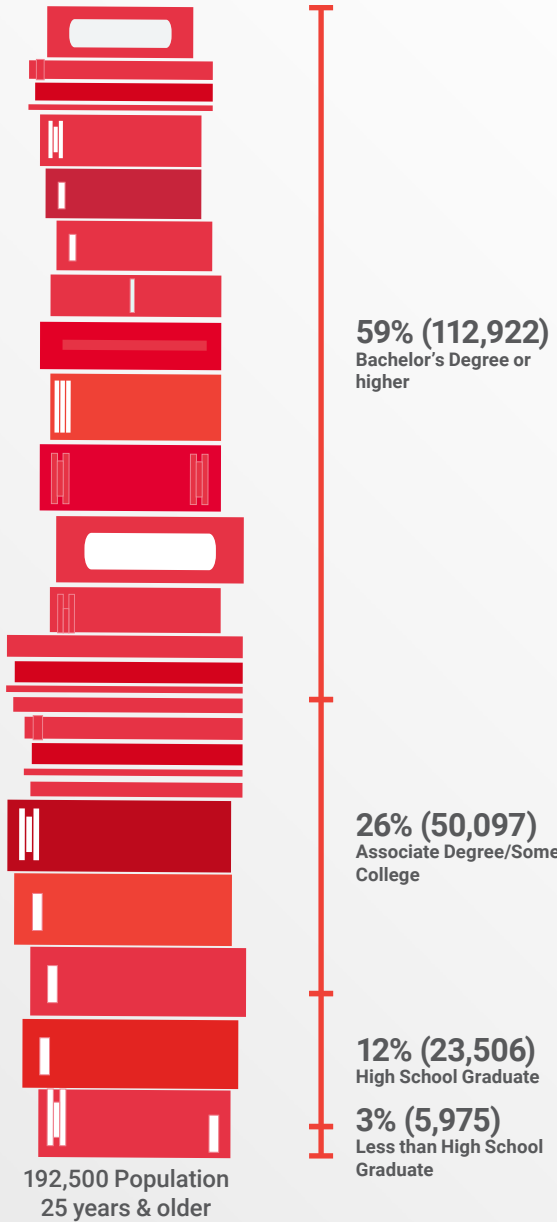


Median Age: 49



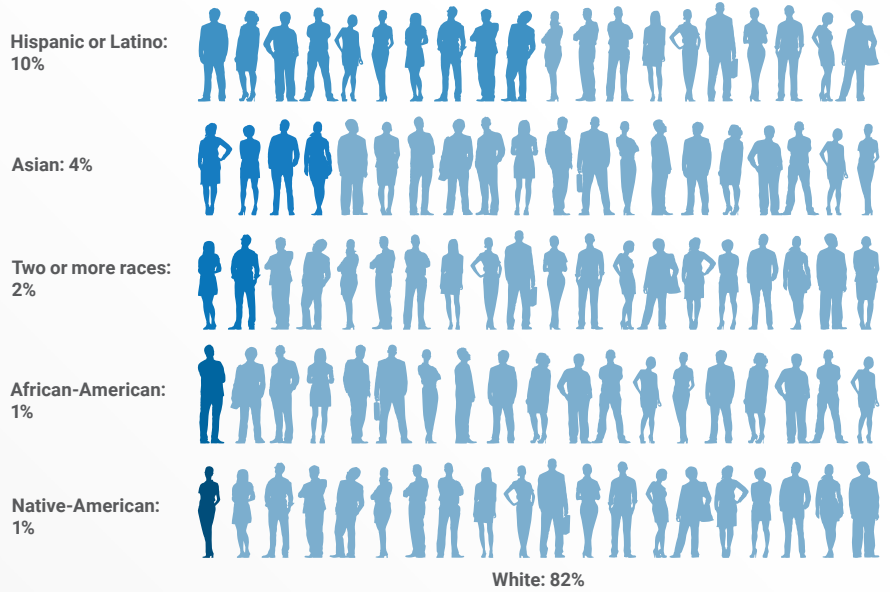
More than half of Scottsdale adults have earned a bachelor's degree or higher.

Source: U.S. Census Bureau (2016)



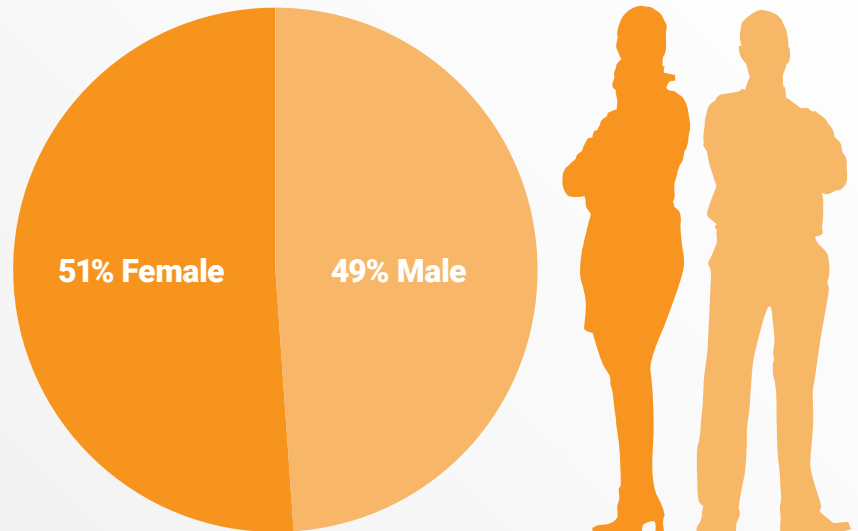
While most residents are white, about 1 in 10 are Hispanic or Latino.

Source: U.S. Census Bureau (2016)



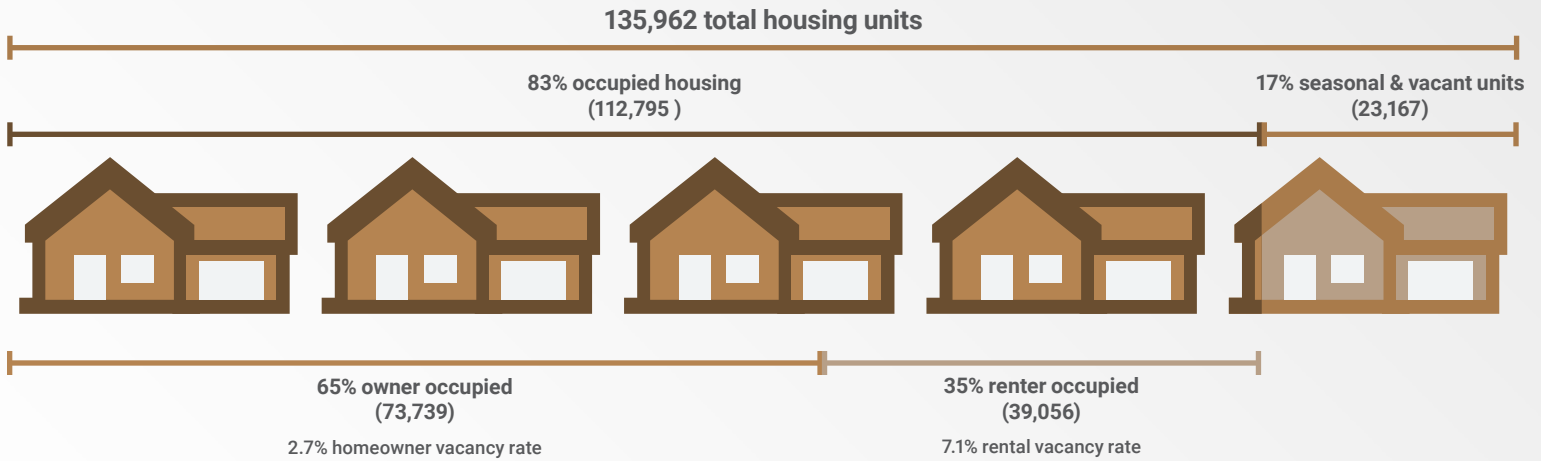
There are more women than men in Scottsdale

Source: U.S. Census Bureau (2016)



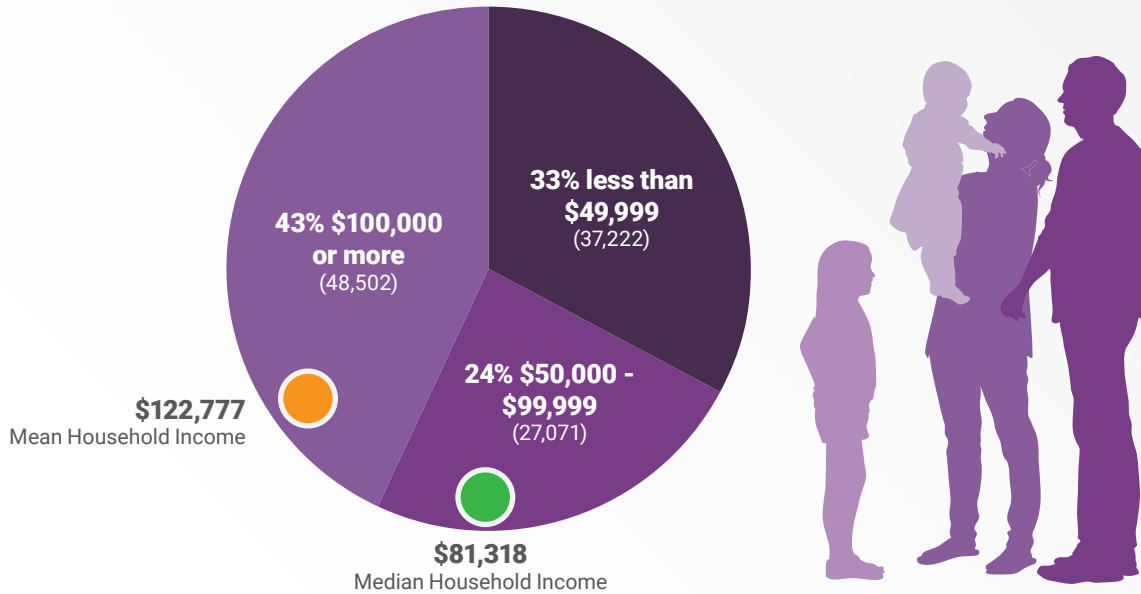
While most homes are owner-occupied year-round, about 16,000 homes (12 percent) are for seasonal residents.

Source: U.S. Census Bureau (2016)



More than 40% of Scottsdale households make more than \$100,000 a year.

Source: U.S. Census Bureau (2016)



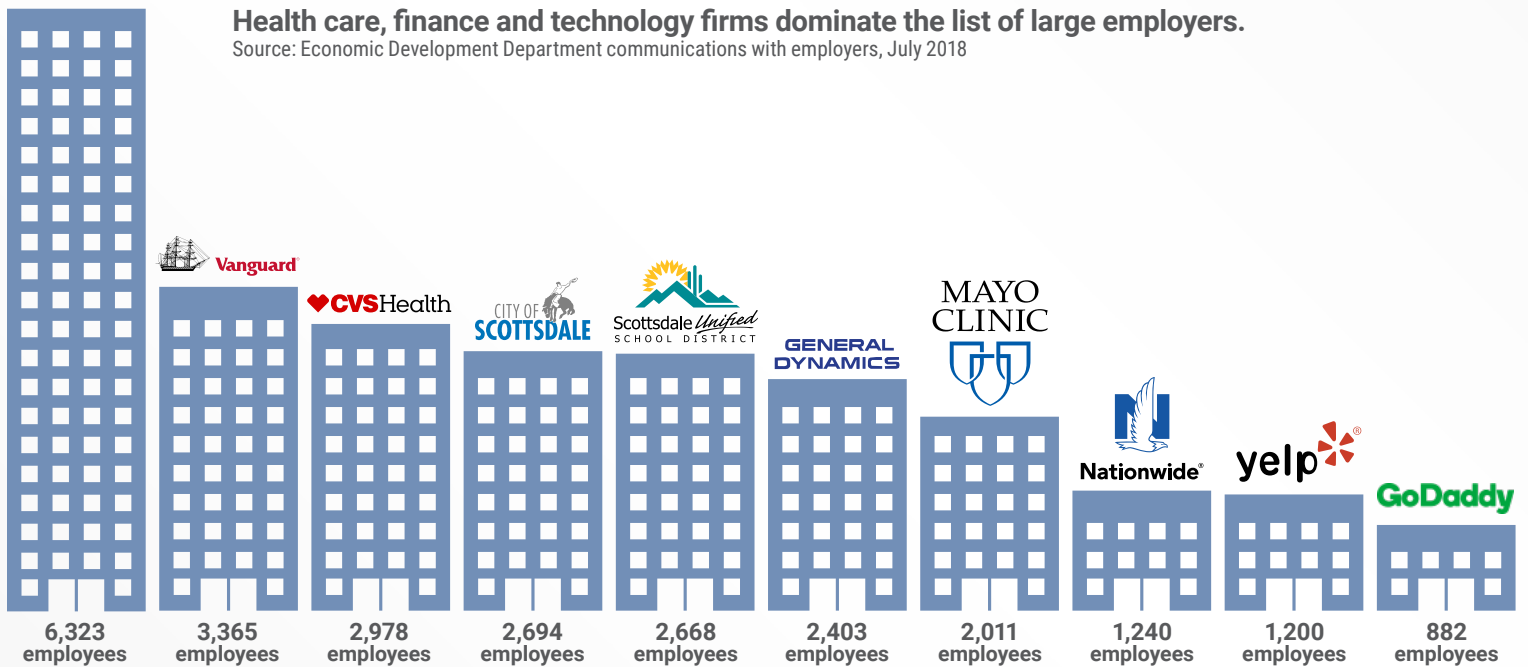
Scottsdale has the highest median housing price of any of the large Valley cities.

Source: U.S. Census Bureau (2016)



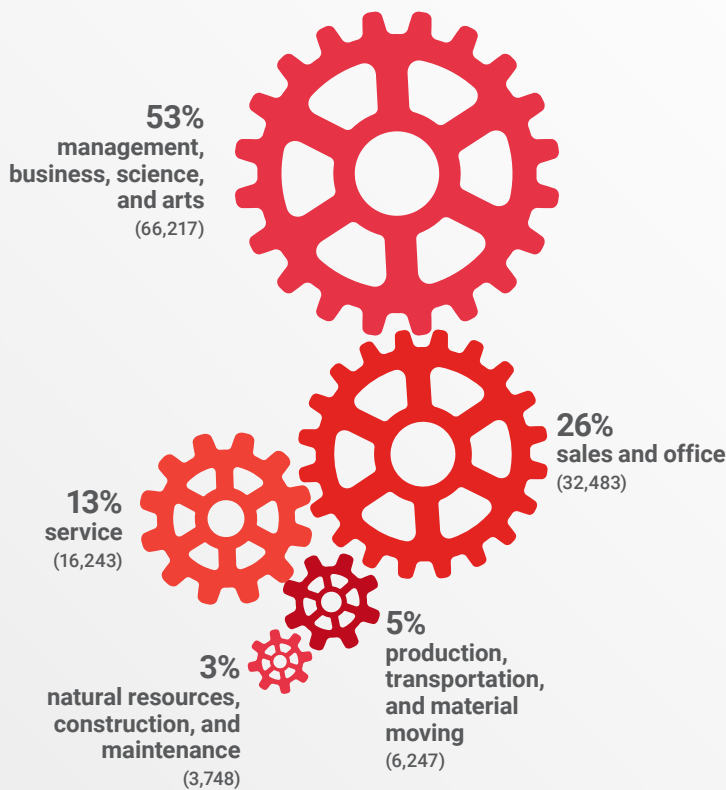
Health care, finance and technology firms dominate the list of large employers.

Source: Economic Development Department communications with employers, July 2018



Most residents work in management or office jobs.

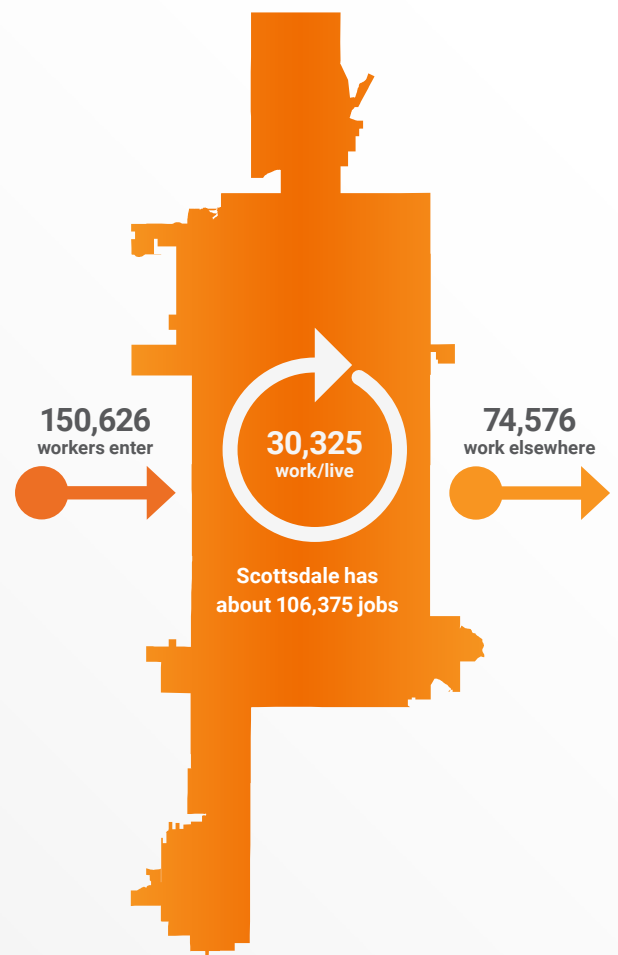
Source: U.S. Census Bureau (2016)



124, 938 Civilian Employed Population (16 years & over)

More workers come to Scottsdale than leave to work in other communities.

Source: U.S. Census Bureau (2015)



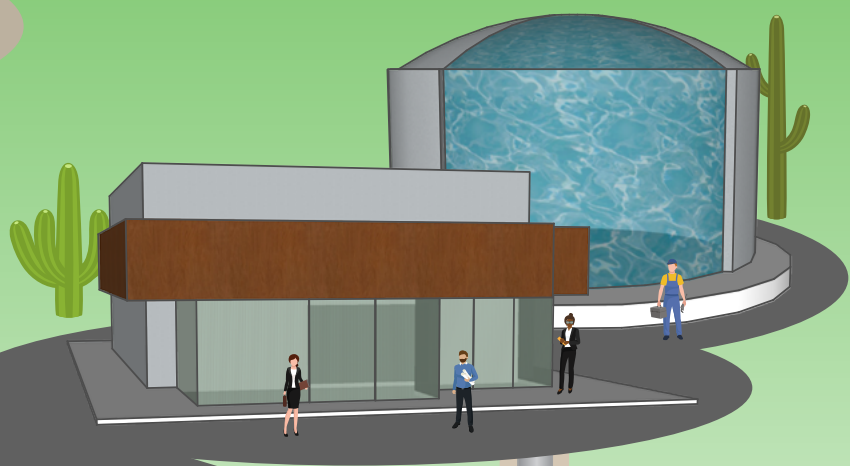
Learn more at ScottsdaleAZ.gov, search "about"

The mission of the City of Scottsdale is to provide *Simply Better Service for a World-Class Community*. Scottsdale employees provide services that help keep the community clean and healthy.

Learn more at ScottsdaleAZ.gov, search "about"



6 WATER FACILITIES



70.9 MILLIONS GALLONS OF WATER DELIVERED DAILY

54 SOLID WASTE TRUCKS



1,468 MILES OF SANITARY SEWERS

2,102 MILES OF WATER MAINS

Scottsdale employees provide Simply Better Service that help keep our World-Class Community safe.

4 POLICE STATIONS **343 POLICE VEHICLES**



15 FIRE STATIONS



39 FIRE RESPONSE VEHICLES



296 TRAFFIC SIGNALS



2,990 LANE MILES OF ROADS

11,213 FIRE HYDRANTS



Scottsdale employees provide Simply Better Service that enhance the quality of life of residents and visitors.

42 PARKS

30,500 ACRES OF PRESERVE LAND

11 TRAILHEADS AND 215 MILES OF NON-MOTORIZED TRAILS IN THE PRESERVE

975 TOTAL ACRES

37 PLAYGROUNDS

4 URBAN LAKES

70 ATHLETIC FIELDS

39 BASKETBALL COURTS

4 AQUATIC FACILITIES

30 VOLLEYBALL COURTS

3 OFF-LEASH AREAS

7 SPRAY FEATURES

**53 TENNIS COURTS
2 TENNIS CENTERS**

12 PICKLEBALL COURTS

2 SKATE PARKS

1 RAILROAD PARK

3 EQUESTRIAN CENTERS

1 BASEBALL STADIUM

105 MILES OF PAVED PATHWAYS, 147 UNPAVED

2 SENIOR CENTERS

5 PUBLIC LIBRARIES

6 COMMUNITY CENTERS

Scottsdale has a vibrant business community and is a destination for arts, dining and tourism.



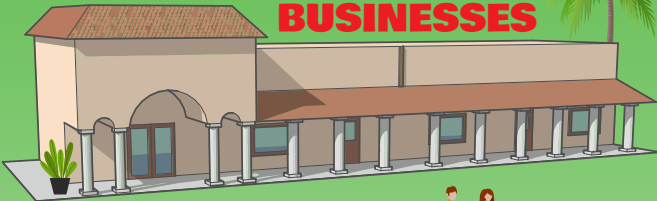
50 HOTELS
8,875 ROOMS



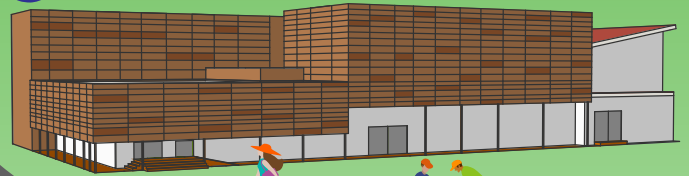
1 AIRPORT



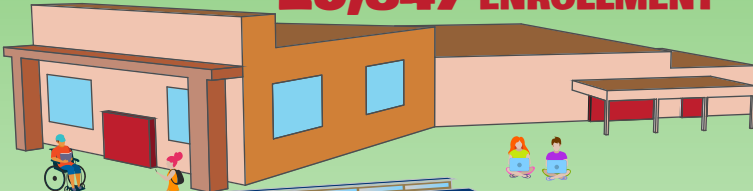
21,600+
BUSINESSES



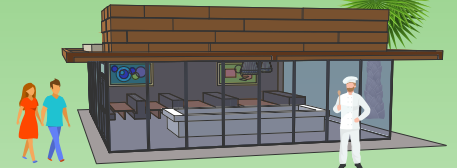
6 MUSEUMS
150+ ART GALLERIES & ART DEALERS



38 PUBLIC SCHOOLS
25,847 ENROLLMENT



900+ RESTAURANTS



4 FREE TROLLEY ROUTES



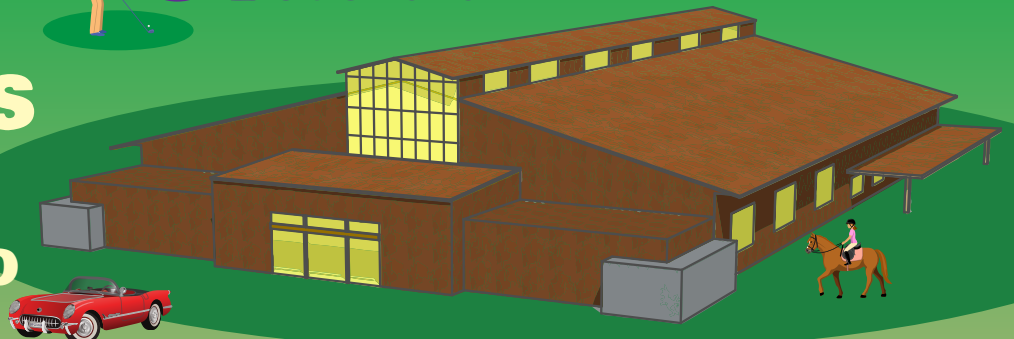
11 BUS ROUTES



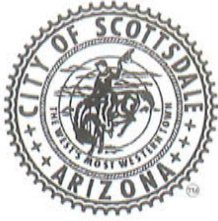
280 DAYS
OF SPECIAL
EVENTS AT
WESTWORLD



51 GOLF COURSES







City Manager

3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251

PHONE 480-312-2800
FAX 480-312-9055
WEB www.ScottsdaleAZ.gov

July 1, 2018

Honorable Mayor and City Council:

The Fiscal Year 2018/19 budget provides the foundation for the city's annual operations. The city of Scottsdale remains on sound financial footing while continuing to deliver high quality services to our community.

As the economy continues to improve, additional revenue from a variety of sources will help us tackle operating priorities, a handful of pressing one-time facility needs and projected increases in the overall cost of providing services.

"Reinvesting in a high-performance organization" has been among the City Council's organizational priorities for the past several years. The budget includes a substantial financial investment in employee compensation based on market information from a citywide classification and compensation study – this is the first market adjustment of employee salaries (outside of sworn police and fire employees) in 10 years.

Highlights from the budget are included below, with additional details available in the budget documents themselves.

Sources

General Fund sources are estimated to increase \$19.8 million from the adopted FY 2017/18 budget. That total projected increase comes from several different sources:

- \$5.4 million from a projected increase in general fund sales tax revenue (an increase of 4.5 percent over the adopted FY 2017/18 budget).
- \$4.4 million from additional primary property tax collections (\$3.5 million comes from collecting the previously-deferred 2 percent statutory adjustment for FY 2011/12 through FY 2016/17; \$540,000 is the 2 percent statutory adjustment for FY 2018/19; \$300,000 is due to new construction on the tax rolls).
- \$2.2 million will be generated by a \$2 monthly increase to the Stormwater Fee paid by utility customers, which will be transferred to the Capital Improvement Program for stormwater capital projects.
- \$2.5 million from a projected increase in state shared revenues (the city's proportionate slices of state income tax, state sales tax, vehicle license fees and gasoline tax).

- \$2 million from projected additional interest earnings due to two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the “Federal Funds Rate” (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments.
- \$900,000 from an additional transfer from the Tourism Development Fund to the General Fund, the result of the City Council’s change to Financial Policy #21A, adjusting the allocation of bed tax revenues (Tourism Development Fund) from fixed dollar amounts to percentages.
- \$800,000 from an increase in Fire Department charges for services, based on new contract terms.

The secondary property tax levy will increase \$700,000 to \$34.2 million due to the scheduled increase in general obligation debt service payments. The amount of secondary property tax a Scottsdale homeowner will pay to the city is expected to remain flat (about \$176 per year for a home valued at \$300,000) because the secondary rate will decrease from 0.5889 to 0.5705 as assessed valuation of properties in Scottsdale increases.

Uses

The operating budget increases general fund spending by \$7.6 million from the FY 2017/18 adopted budget. As stated in the introduction, much of this operating increase will go to reinvesting in our workforce in the form of market adjustments for employees based on information gathered during the recently completed citywide classification and compensation study.

The FY 2018/19 budget includes \$5.7 million for the first phase of a three-year plan to address employee salaries that have fallen below market comparisons. An additional \$2 million per year will be recommended for the two fiscal years after this to complete the program.

As the economy improves, the employment market is more competitive. This program will ensure a competitive, equitable and consistent classification and compensation plan for city employees and better position our organization as an employer of choice within the Valley.

In addition to this market adjustment, the FY 2018/19 budget includes \$4.0 million in the General Fund (\$5.0 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases based on performance (up to the maximum of their salary range). The budget also reinstates the vacation trade program for employees at a General Fund cost of \$800,000.

Also new this fiscal year is an additional holiday for city employees – Veterans Day. Adding this benefit at a cost of \$200,000 General Fund (\$300,000 all funds) is another step in reestablishing the city’s competitive position in relation to other Valley employers.

The budget also includes an additional \$1.7 million in the General Fund (\$2.3 million all funds) to help cover an 8.1 percent increase expected for employee medical costs.

These additional expenses are keys to retaining our excellent and experienced staff and tangible evidence of the City Council’s commitment to a high-performance organization. Other key expenditures are outlined below.

Public safety pension expenses

The FY 2017/18 adopted budget included \$7.7 million to reimburse participants in the Public Safety Personnel Retirement System (and elected officials) for prior year retirement contributions plus interest, the result of the “Parker Case” ruling. The payout was completed in FY 2017/18; continuing funding is not needed nor included in this budget.

However, due to this litigation and other pension reform, PSPRS has increased the employer contribution rates in FY 2018/19, resulting in an ongoing \$2.2 million increase in public safety retirement expenses to the city, which is included.

The budget also creates a “PSPRS Pension Liabilities” designation in the ending fund balance beginning in FY 2018/19. The amount designated in FY 2018/19 for PSPRS Pension Liabilities is \$22 million. This begins to address the unfunded liability in this area and shore-up the city’s portion of the pension program for public safety personnel.

Facilities maintenance

The budget includes \$1.4 million in one-time expenditures to address a variety of pressing facility needs, including:

- \$300,000 to re-coat roofs at city facilities (phase 3 of 4)
- \$500,000 to replace the concert area restrooms at McCormick-Stillman Railroad Park
- \$250,000 for fall protection mitigation at 15 sites to achieve Occupational Safety and Health Administration compliance (phase 1 of 4)
- \$200,000 to replace playground equipment at Agua Linda Park
- \$200,000 for cosmetic improvements to City Hall and Civic Center Library in preparation for the 50th anniversary of these facilities (including interior and exterior painting, carpeting, and signage)

Capital Improvement Program

An estimated \$223 million will be spent on capital improvements this fiscal year. These projects address City Council priorities and critical capital infrastructure needs in a variety of areas and are supported by different funding sources.

The City Council Capital Improvement Plan Subcommittee held meetings January through March to review and prioritize capital project requests. The result of those meetings is the FY 2018/19 through FY 2022/23 CIP as adopted by the City Council.

Additionally, the subcommittee evaluated various options to address remaining unmet priority capital needs. After discussion of these options, the City Council placed a temporary tax to fund transportation improvements on the Nov. 6 ballot for voter consideration.

CIP transfers

The total FY 2018/19 CIP transfer from the General Fund operating budget is \$11.8 million, which consists of:

- \$4.6 million – per financial policy #17, two-thirds of food sales tax collections
- \$2.6 million – per financial policy #17, transfer net interest income in excess of \$1.0 million
- \$2.3 million – per financial policy #25, transfer a minimum of 25 percent of construction sales tax
- \$2.2 million – stormwater fee increase of \$2 per month to fund Drainage and Flood Control CIP projects
- \$100,000 – per the city’s Baseball Facilities agreement with the Scottsdale Charros and San Francisco Giants, transfer a capital improvement contribution equivalent to \$0.40 per ticket sold to Spring Training games

Some notable capital improvement projects proceeding next fiscal year are highlighted below.

Build/rebuild fire stations (FY 2018/19: \$10.9 million)

In 2015, Scottsdale voters approved \$16.4 million in bond financing to build or rebuild four fire stations. To date two of the four stations have been completed: Fire Station 605 (75th Street and Shea Boulevard) was renovated and modernized, and crews moved back in March 9. Fire Station 613 (Jomax & Hayden) was completed July 11; the new station replaces a temporary modular facility that had been used for more than 20 years. The two remaining stations – Fire Station 616 (Desert Mountain) and Fire Station 603 (McCormick Ranch) – are under design, with construction on each anticipated to begin in early 2019.

Funding sources: G.O. Bond 2015 and General Fund

Street pavement replacement (FY 2018/19: \$4.3 million)

In 2015, Scottsdale voters approved \$12.5 million in bond financing to replace 140 miles of deteriorated pavement around the city. About 138 lane miles of paving has been completed to date. The remaining funding is projected to replace an additional 67 lane miles by the time construction is completed in spring 2019, bringing the total lane miles rebuilt under this program to approximately 194.

Funding sources: G.O. Bond 2015 and Transportation Sales Tax

Downtown sidewalk and lighting improvements (FY 2018/19: \$2.9 million)

Two separate projects currently under design will connect, widen and improve sidewalks in the downtown area that do not meet Americans with Disabilities Act (ADA) standards, and install new street light poles, luminaries and add electrical outlets to support seasonal downtown lighting.

Funding sources: Transportation Sales Tax and General Fund

Scottsdale stadium renovations (FY 2018/19: \$5 million)

A design/build manager has been hired and the design phase has begun for various upgrades throughout Scottsdale Stadium recommended by the recently-completed stadium masterplan, which calls for improved seating and shade at the stadium, additional viewing areas, plus expansions to the clubhouse, player training areas and special event spaces.

Funding source: Tourism Development Fund

Granite Reef Watershed drainage improvements

(FY 2018/19: \$4.1 million; \$42.9 million total remaining budget)

Drainage improvements will provide 100-year flood protection and eliminate the need for mandatory flood insurance for the structures in the Granite Reef Wash corridor between Thomas and McKellips roads. Construction of Phase 1 is underway.

Funding sources: Bond 2000, General Fund, Maricopa County Flood Control District and Salt River Pima-Maricopa Indian Community

Pima Road: Pinnacle Peak to Happy Valley

(FY 2018/19: \$19.3 million; \$22.6 million total remaining budget)

Design is underway to acquire right-of-way and build a six-lane major arterial street with landscaped median, turn lanes, bike lanes, sidewalks, curb and gutter, roadway drainage and Intelligent Transportation Systems facilities.

Funding sources: Transportation Sales Tax and Regional Transportation Sales Tax (Prop. 400)

Thomas Groundwater Treatment Facility (FY 2018/19: \$23.6 million)

A new facility is being designed to receive and treat a side stream of product water discharged from the Groundwater Treatment Facility; construction is anticipated to begin in spring 2018.

Funding sources: Water Rates and Municipal Property Corporation Bonds

Renovate Vista del Camino Park/Indian Bend Wash area

(FY 2018/19: \$2.1 million)

The city is currently working with a consultant to complete a masterplan of the Indian Bend Wash area between McKellips Road and Thomas Road. This masterplan will determine the project scope and timing; design will begin after the masterplan is approved.

Funding sources: Bond 2000 and General Fund

Conclusion

This Fiscal Year 2018/19 budget addresses a growing number of priority needs across our organization and the community, while continuing to fund the high-quality city services Scottsdale expects.

Sincerely,



Jim Thompson, City Manager



City Manager

3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251

PHONE 480-312-2800
FAX 480-312-9055
WEB www.ScottsdaleAZ.gov

April 10, 2018

Honorable Mayor and City Council:

The proposed budget for Fiscal Year 2018/19 is provided for your review as the first step in our public consideration of this foundational basis of the city's annual operations.

The economy continues its modest improvement. That brings additional revenue from a variety of sources that will help us tackle operating priorities, a handful of pressing one-time facility needs and projected increases in the overall cost of providing services.

"Reinvesting in a high-performance organization" has been among the City Council's organizational priorities for the past several years. This proposed budget includes a substantial financial investment in employee compensation based on market information from a citywide classification and compensation study – this would be the first market adjustment of employee salaries (outside of sworn police and fire employees) in 10 years.

Additional detail on this and other key elements of the proposed budget are provided below. As always, your charter officer team and city staff remain vigilant in monitoring revenues and expenditures to ensure the city of Scottsdale remains on sound financial footing while continuing to deliver high quality services to our community.

Sources

General Fund sources are estimated to increase \$21.4 million from the adopted FY 2017/18 budget. That total projected increase comes from several different sources:

- \$5.4 million from a projected increase in general fund sales tax revenue (an increase of 4.5 percent over the adopted FY 2017/18 budget).
- \$4.4 million from additional primary property tax collections (\$3.5 million comes from a proposal to collect the previously-deferred 2 percent statutory adjustment for FY 2011/12 through FY 2016/17; \$540,000 is the 2 percent statutory adjustment for FY 2018/19; \$300,000 is due to new construction on the tax rolls).
- \$2.2 million will be generated by a \$2 monthly increase to the Stormwater Fee paid by utility customers, which will be transferred to the Capital Improvement Program for stormwater capital projects.

- \$2.5 million from a projected increase in state shared revenues (the city's proportionate slices of state income tax, state sales tax, vehicle license fees and gasoline tax), however this estimate is subject to change; the state may update estimates later in the budget process.
- \$2 million from projected additional interest earnings due to two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the "Federal Funds Rate" (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments.
- \$1.9 million of the projected revenue increase is a one-time source from the APS Raintree Utility Improvement, which will be offset by a corresponding expense.
- \$900,000 from an additional transfer from the Tourism Development Fund to the General Fund, the result of the City Council's change to Financial Policy #21A, adjusting the allocation of bed tax revenues from fixed dollar amounts to percentages.
- \$800,000 from an increase in Fire Department charges for services, based on new contract terms.

The secondary property tax levy will increase \$700,000 next fiscal year to \$34.2 million due to new properties on the tax roll and increasing property values. The amount of secondary property tax a Scottsdale homeowner will pay to the city is expected to remain flat (about \$177 per year for a home valued at \$300,000) because the secondary rate will decrease from 0.5889 to 0.5705 as assessed valuation of properties in Scottsdale increases.

Uses

The proposed operating budget for next fiscal year increases general fund spending by \$11 million from the FY 2017/18 adopted budget. As stated in the introduction, much of this operating increase will go to reinvesting in our workforce in the form of market adjustments for employees based on information gathered during the recently completed citywide classification and compensation study.

The proposed FY 2018/19 budget includes a \$6 million "placeholder" for the first phase of a four-year plan to address employee salaries that have fallen below market comparisons. An additional \$2 million per year will be recommended for the three fiscal years after this to complete the program.

As the economy improves, the employment market is more competitive. This program will ensure a competitive, equitable and consistent classification and compensation plan for city employees and better position our organization as an employer of choice within the Valley.

In addition to this market adjustment, the proposed FY 2018/19 budget includes \$2.1 million in the General Fund (\$3.1 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases based on performance (up to the maximum of their salary range). The budget also recommends \$800,000 to reinstate the vacation trade program for employees, a desirable benefit that was removed during the recession.

The proposed budget also includes an additional \$1.7 million in the General Fund (\$2.3 million all funds) to help cover an 8.1 percent increase expected for employee medical costs.

These additional expenses are keys to retaining our excellent and experienced staff and tangible evidence of the City Council's commitment to a high-performance organization. Other key expenditures are outlined below.

Public safety pension expenses

The FY 2017/18 adopted budget included \$7.7 million to reimburse participants in the Public Safety Personnel Retirement System (and elected officials) for prior year retirement contributions plus interest, the result of the "Parker Case" ruling. The payout was completed in FY 2017/18; continuing funding is not needed nor included in the proposed FY 2018/19 budget.

However, due to this litigation and other pension reform, PSPRS has increased the employer contribution rates in FY 2018/19, resulting in an ongoing \$2 million increase in public safety retirement expenses to the city, which is included in this proposal.

The proposed budget also creates a "PSPRS Pension Liabilities" designation in the ending fund balance beginning in FY 2018/19. The amount designated in FY 2018/19 for PSPRS Pension Liabilities is \$17 million. This begins to address the unfunded liability in this area and shore-up the city's portion of the pension program for public safety personnel.

Fire and police compensation

The proposed budget includes an additional \$800,000 to continue allowing annual performance-based pay increases up to 5 percent for firefighters, fire engineers and fire captains, and \$1.6 million to continue the similar 5 percent step program for police officers and sergeants.

Facilities maintenance

The proposed budget includes \$1.7 million in one-time expenditures to address a variety of pressing facility needs, including:

- \$500,000 to re-coat roofs at city facilities (phase 3 of 4)
- \$500,000 to replace the concert area restrooms at McCormick-Stillman Railroad Park
- \$250,000 for fall protection mitigation at 15 sites to achieve Occupational Safety and Health Administration compliance (phase 1 of 4)
- \$200,000 to replace playground equipment at Agua Linda Park
- \$200,000 for cosmetic improvements to City Hall and Civic Center Library in preparation for the 50th anniversary of these facilities (including interior and exterior painting, carpeting, and signage)

APS Raintree Utility Improvement District

Proposed expenditures include \$1.9 million for the APS Raintree Utility Improvement District, which funds underground construction of a portion of the new 69kv power line Arizona Public Service is building in the vicinity of 91st Street between Raintree Drive and Bell Road. Revenue is collected via assessments on property owners in the district, this is the corresponding expenditure.

Capital Improvement Program

An estimated \$223 million will be spent on capital improvements in the upcoming fiscal year. These projects address City Council priorities and critical capital infrastructure needs in a variety of areas and are supported by different funding sources.

The City Council Capital Improvement Plan Subcommittee held a handful of meetings January through March to review and prioritize capital project requests. The result of those meetings is the proposed FY 2018/19 through FY 2022/23 CIP funding recommendation to the City Council.

Additionally, the subcommittee evaluated various options to address remaining unmet priority capital needs and made a recommendation that the City Council discuss and adopt a funding strategy. The City Council is scheduled to hold this discussion April 17.

If an additional CIP funding mechanism, such as the \$350 million bond election proposal discussed at the last City Council work study session on the topic, is adopted and approved by voters (if necessary), additional capital budget authority may be added at the FY 2018/19 tentative budget adoption for possible new projects.

CIP transfers

The total FY 2018/19 CIP transfer from the General Fund operating budget is \$14.1 million, which consists of:

- \$6.9 million – per financial policy #17 food tax (year 3 of 3-year phase-in)
- \$2.6 million – per financial policy #17, transfer net interest income in excess of \$1.0 million
- \$2.3 million – per financial policy #25, transfer a minimum of 25 percent of construction sales tax
- \$2.2 million – stormwater fee increase of \$2 per month to fund Drainage and Flood Control CIP projects
- \$100,000 – per the city’s Baseball Facilities agreement with the Scottsdale Charros and San Francisco Giants, transfer a capital improvement contribution equivalent to \$0.40 per ticket sold to Spring Training games

Some notable capital improvement projects proceeding next fiscal year are highlighted below.

Build/rebuild fire stations (FY 2018/19: \$10.9 million)

In 2015, Scottsdale voters approved \$16.4 million in bond financing to build or rebuild four fire stations. The first of those projects, renovating and modernizing Fire Station 605 (75th Street and Shea Boulevard) is complete – the certificate of occupancy was issued March 9.

Construction of Fire Station 613 (Jomax & Hayden) is also expected to be complete in the current fiscal year; the certificate of occupancy is anticipated in May 2018.

The two remaining stations – Fire Station 616 (Desert Mountain) and Fire Station 603 (McCormick Ranch) – are under design, with construction on each anticipated to begin in early 2019.

Funding sources: G.O. Bond 2015 and General Fund

Street pavement replacement (FY 2018/19: \$4.3 million)

In 2015, Scottsdale voters approved \$12.5 million in bond financing to replace 140 miles of deteriorated pavement around the city. About 127 lane miles of paving has been completed to date. The remaining funding is projected to replace an additional 67 lane miles by the time construction is completed in spring 2019, bringing the total lane miles rebuilt under this program to 194.

Funding sources: G.O. Bond 2015 and Transportation Sales Tax

Downtown sidewalk and lighting improvements (FY 2018/19: \$2.9 million)

Two separate projects currently under design will connect, widen and improve disabled accessibility to downtown sidewalks where needed, install new street light poles and luminaries and add electrical outlets to support seasonal downtown lighting.

Funding sources: Transportation Sales Tax and General Fund

Scottsdale stadium renovations (FY 2018/19: \$5 million)

A request for proposals will be issued to hire a design/build manager and begin the process for various upgrades throughout Scottsdale Stadium recommended by the recently-completed stadium masterplan, which calls for improved seating and shade at the stadium, additional viewing areas, plus expansions to the clubhouse, player training areas and special event spaces.

Funding source: Tourism Development Fund

Granite Reef Watershed drainage improvements
(FY 2018/19: \$4.5 million; \$43.3 million total remaining budget)

Drainage improvements will provide 100-year flood protection and eliminate the need for mandatory flood insurance for the structures in the Granite Reef Wash corridor between Thomas and McKellips roads. Construction of Phase 1 is underway.

Funding sources: Bond 2000, General Fund, Maricopa County Flood Control District and Salt River Pima-Maricopa Indian Community

Pima Road: Pinnacle Peak to Happy Valley

(FY 2018/19: \$19.3 million; \$22.6 million total remaining budget)

Design is underway to acquire right-of-way and build a major six-lane arterial street with landscaped median, turn lanes, bike lanes, sidewalks, curb and gutter, roadway drainage and Intelligent Transportation Systems facilities.

Funding sources: Transportation Sales Tax and Regional Transportation Sales Tax (Prop. 400)

Thomas Groundwater Treatment Facility (FY 2018/19: \$23.7 million)

A new facility is being designed to receive and treat a side stream of product water discharged from the Groundwater Treatment Facility; construction is anticipated to begin in spring 2018.

Funding sources: Water Rates and Municipal Property Corporation Bonds

Renovate Vista del Camino Park/Indian Bend Wash area

(FY 2018/19: \$8.3 million; \$23.46 million total remaining budget)

The city is currently working with a consultant to complete a masterplan of the Indian Bend Wash area between McKellips Road and Thomas Road. This masterplan will drive the project scope and timing; design will begin after the masterplan is approved. Renovations are expected to reduce annual operating costs, enhance water conservation and quality, resolve lake edge erosion and allow more effective use of the park open space areas.

Funding sources: Bond 2000 and General Fund

Conclusion

This proposed Fiscal Year 2018/19 budget addresses a growing number of priority needs across our organization and the community, while continuing to fund the high-quality city services Scottsdale expects. It is a starting-off point for additional conversations with the City Council and the community.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Thompson", is written over a horizontal line. The signature is fluid and cursive.

Jim Thompson, City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Scottsdale
Arizona**

For the Fiscal Year Beginning

July 1, 2017

Christopher P. Morill

Executive Director

Budget Award for Fiscal Year 2017/18 Budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation award to the City of Scottsdale, Arizona for its annual budget for fiscal year beginning July 1, 2017. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operating guide, and as a communications device.

This award is valid for a period of one year only. The current budget continues to conform to program requirements and will be submitted to the GFOA to determine its eligibility for another award.



INTERNATIONAL CITY/COUNTY
MANAGEMENT ASSOCIATION

This
Certificate of Excellence

is presented to

Scottsdale, AZ

for exceeding the standards established by the International City/County Management Association in the identification and public reporting of key outcome measures, surveying of both residents and employees, and the pervasiveness of performance management in the organization's culture.

Presented at the 104th ICMA Annual Conference
in Baltimore, Maryland

26 September 2018

A handwritten signature in black ink, appearing to read 'Marc A. Ott'.

Marc A. Ott
ICMA Executive Director

A handwritten signature in black ink, appearing to read 'David Johnstone'.

David Johnstone
ICMA President



FY 2018/19 Adopted Budget



Executive Summary

The City of Scottsdale's three budget volumes provide a comprehensive picture of the city's financial plan for FY 2018/19. This Executive Summary complements that information highlighting items, issues and trends that shaped the budget.

Current year City Council policy decisions

The following are the major policy items included in the city's adopted FY 2018/19 budget. Each of these items was discussed during City Council's public budget review sessions:

- \$5.7 million for the first phase of a three-year plan to address employee salaries that have fallen below market comparisons.
- \$4.0 million General Fund (\$5.0 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases based on performance (up to the maximum of their salary range).
- \$0.8 million General Fund to reinstate the vacation trade program for employees.
- \$1.7 million General Fund (\$2.3 million all funds) to help cover an 8.1 percent increase of expected employee medical costs.
- \$2.2 million General Fund was included for pension reform related to sworn public safety personnel. Through this pension reform, Public Safety Personnel Retirement System (PSPRS) increased employer rates significantly creating ongoing impacts for these retirement expenses.
- \$22.0 million general fund was designated in the ending fund balance for "PSPRS Pension Liabilities" to begin to address the unfunded liability in this area and shore-up the city's portion of the pension program for public safety personnel.
- \$4.6 million, or two-thirds of the amount collected for the 1.10 percent sales tax on food for home consumption, will be transferred to the Capital Improvement Plan (CIP) in an effort to ensure the city's assets are properly maintained.

- \$4.4 million from additional primary property tax collections (\$4.1 million comes from collecting the previously deferred two percent statutory adjustment for FY 2011/12 through FY 2016/17 and the two percent statutory adjustment for FY 2018/19 and \$0.3 million due to new construction on the tax rolls).
- \$2.2 million will be generated by a \$2 monthly increase to the Stormwater Fee paid by utility customers, which will be transferred to the CIP for stormwater capital projects.
- \$0.9 million additional sources in the general fund from an additional transfer from the Tourism Development Fund as a result of the City Council's change to Financial Policy No.21A, adjusting the allocation of bed tax revenues from fixed dollar amounts to percentages.
- The secondary property tax levy will increase \$0.7 million to \$34.2 million due to the scheduled increase in general obligation debt service payments. The amount of secondary property tax a Scottsdale homeowner will pay to the city is expected to remain flat (about \$176 per year for a home valued at \$300,000) because the secondary rate will decrease from \$0.5889 to \$0.5705 as assessed valuation of properties in Scottsdale increases.
- Water and Water Reclamation include increases to base fees and rate adjustments to reflect the recovery of fixed operating costs and to capture the demands placed on the system. Additionally, included are volumetric increases for residential and commercial customers to also address cost recovery.
- The Solid Waste Fund includes modifications to its residential solid waste rates and modifications to its commercial solid waste rates.
- Rate/fee adjustments are included for the Community and Economic Development, Community Services, Public Safety – Fire, and Public Safety - Police divisions.

How the adopted budget will affect citizens' property tax rates

The FY 2018/19 primary property tax levy will be used to support General Fund activities such as police and fire protection, operation and maintenance of parks and libraries, and other general governmental functions. The primary property tax levy also includes a repayment to the Risk Management Fund reserve of \$320,667 for tort liability claim payments made during calendar year 2017.

For FY 2018/19, the city's total primary property tax levy of \$31.88 million is an increase of \$3.64 million over the FY 2017/18 levy of \$28.24 million, mainly due to a two percent statutory adjustment for FY 2011/12 through FY 2016/17. The FY 2018/19 primary property tax rate of \$0.5316 per \$100 of assessed valuation is a \$0.0360 increase from \$0.4956 in FY 2017/18.

For FY 2018/19, the city's secondary property tax levy is increasing \$0.66 million from the FY 2017/18 adopted budget of \$33.56 million to \$34.21 million due to an increase in debt service payments. The FY 2018/19 secondary tax rate of \$0.5705 per \$100 of asessed valuation decreased by \$0.0184 from \$0.5889 in FY 2017/18.

The combined tax levy is the aggregate of the primary (limited) and secondary (unlimited) levies. For FY 2018/19, the city's total combined property tax levy increased from FY 2017/18 by approximately \$4.29 million to \$66.09 million.

In FY 2018/19, citizen tax bills will reflect a combined property tax rate of \$1.1021, which is \$0.0176 more than the FY 2017/18 combined rate of \$1.0845. The management of the combined property tax rate is included in the city's adopted financial policies for debt management, which states that the combined tax rate will not exceed \$1.50 per \$100 of assessed value. Based on this combined rate, an owner of a home with a County Assessor's real property value of \$100,000 will pay

approximately \$110.21 in city property taxes. The Maricopa County Assessor's Office, not the City of Scottsdale, determines real property values used to calculate property tax bills.

How the adopted budget will affect compensation and staffing levels

Compensation and benefits – The FY 2018/19 budget includes \$5.7 million for the first phase of a three-year plan to address employee salaries that have fallen below market comparisons. An additional \$2.0 million per year will be recommended for the two fiscal years after this to complete the program.

As the economy improves, the employment market is more competitive. This program will ensure a competitive, equitable and consistent classification and compensation plan for city employees and better position our organization as an employer of choice within the Valley.

In addition to this market adjustment, the FY 2018/19 budget includes \$4.0 million in the General Fund (\$5.0 million all funds) to continue the citywide pay for performance program, through which employees may receive pay increases based on performance (up to the maximum of their salary range). The budget also reinstates the Vacation Trade Program for employees at a General Fund cost of \$0.8 million.

The budget also includes an additional \$1.7 million in the General Fund (\$2.3 million all funds) to help cover an 8.1 percent increase expected for employee medical costs.

Staffing Changes – The city's total FTE count for FY 2018/19 is 2,510.44 which is a net increase of 19.22 FTE from the prior year adopted budget.

A total of 3.29 positions were eliminated through budget adoption including: 1) three grant-funded, part-time summer college student intern positions that were added in FY 2017/18, but the grant was never awarded; 2) a Payroll Specialist position due to the efficiencies created with the implementation of the new payroll system; and 3) the reduction of part-time hours as a result of redistributing hours based on workload demands within the division.

A total of 22.51 FTE positions were added for FY 2018/19 through budget adoption and were spread across the divisions where needs were determined to warrant ongoing additions to staff. For example, 8.00 FTE positions were added in Public Safety – Fire to mitigate overtime and support the new ambulance contract. The Public Works Division added 4.00 FTE for two new brush crews to address the increased demands of the Solid Waste Department. WestWorld added hours to 19 part-time position for a total of 3.61 FTE to ensure year-round maintenance coverage of the facility.

These staffing changes are summarized in the following schedule, using full-time equivalent positions (FTEs).

FTE Changes from Prior Fiscal Year by Division			
FY 2017/18 Adopted FTEs	2,491.22		
CITY ATTORNEY		COMMUNITY SERVICES	
Paralegal	1.00 GF	Part-Time Hours - Human Services Positions	(0.38) GF
CITY AUDITOR		Part-Time Hours - Library Systems Positions	(0.50) GF
Ex. Secretary to Charter Officer	0.50 GF	Part-Time Hours - Parks & Rec Positions	(0.08) GF
CITY MANAGER		PUBLIC SAFETY - FIRE	
Management Assistant	1.00 GF	Firefighter	3.00 GF
Intern (3 at 0.11 FTE)	(0.33)	Fire Engineer	1.00 GF
CITY TREASURER		Fire Captain	2.00 GF
Tax Auditor, Sr.	1.00 GF	Equipment Coordinator	1.00 GF
Customer Service Representative	1.00	EMS Performance Improvement Coordinator	1.00 GF
Payroll Specialist	(1.00) GF	PUBLIC WORKS	
ADMINISTRATIVE SERVICES		Equipment Operator I	2.00
Database Administrator	1.00 GF	Equipment Operator II	2.00
COMMUNITY AND ECONOMIC DEVELOPMENT		Right-of-Way Agent	(1.00)
Maintenance Helper (14 at 0.19 FTE)	2.66 GF	WATER RESOURCES	
Custodial Worker (5 at 0.19 FTE)	0.95 GF	SCADA Systems Specialist Senior	1.00
		Intern (2 at 0.20 FTE)	0.40
		Net Change All Divisions	19.22
GF = General Fund		FY 2018/19 Adopted FTEs	2,510.44

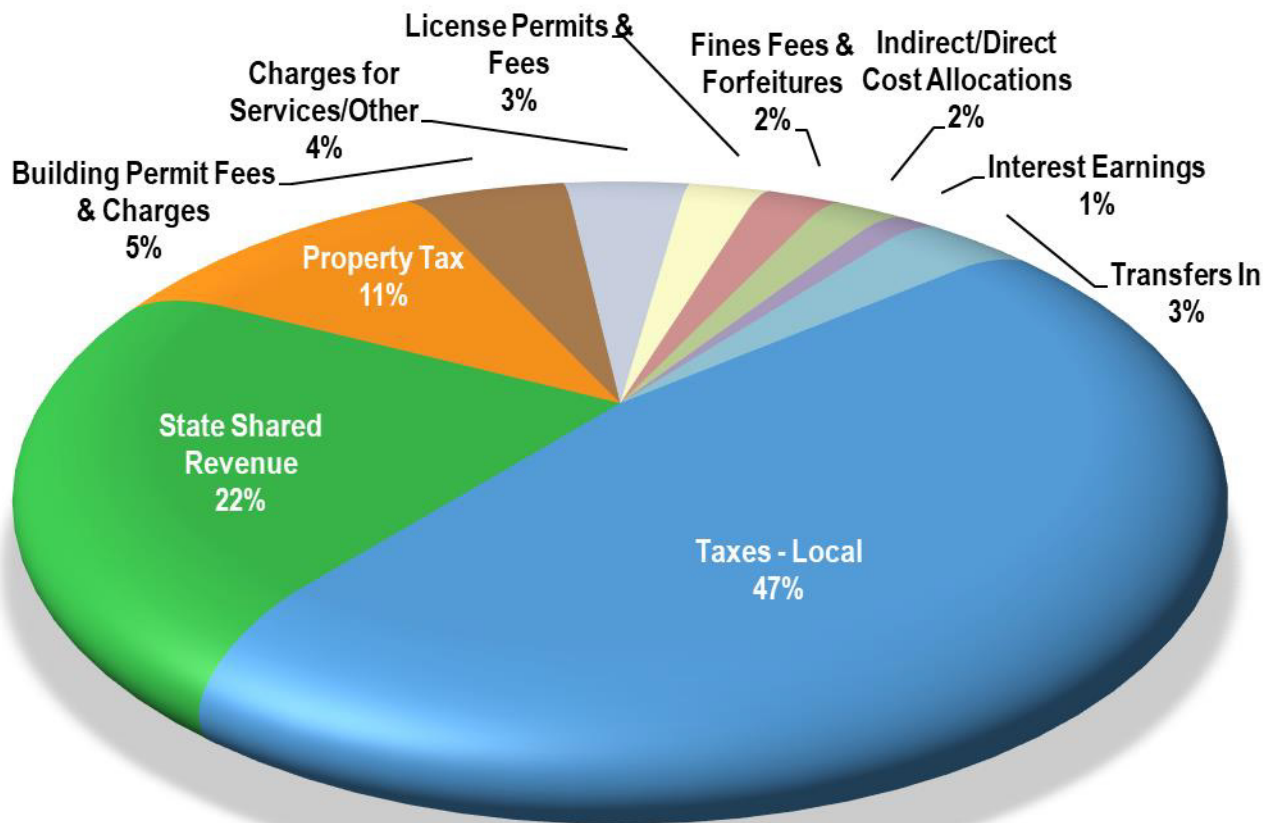
Fund Highlights

The remainder of this Executive Summary highlights the key elements of each fund in the FY 2018/19 budget. The General Fund is presented first and in more detail because of the size and importance.

General Fund - Sources

The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Forecasted General Fund sources for FY 2018/19 are \$302.4 million, approximately \$16.8 million (5.9 percent) more than the FY 2017/18 year-end forecasted budget. The following pie chart summarizes the major sources.

General Fund Sources FY 2018/19: \$302.4 million



Note: Rounding difference may occur

Listed below are the descriptions and forecasting context for these major revenues:

Sales Tax – 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 discussed later) and 0.10 percent is dedicated to public safety (accounted for in the General Fund). The remaining 1.00 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 and is susceptible to peaks and valleys, based on events in the national, state and local economies. The regional economy is showing consistent economic patterns over the past few years and sales tax is expected to grow moderately in the five-year revenue forecast. For FY 2018/19, the

anticipated 1.10 percent sales tax revenue is budgeted at \$126.1 million, approximately \$3.3 million, or 2.7 percent, over the FY 2017/18 year-end forecast of \$122.8 million.

State Shared Revenue – These revenues of \$65.7 million in FY 2018/19 are derived from the portion of the state's sales and income taxes that are shared with Arizona cities and towns based on a statutorily determined formula, primarily driven by population. These revenues are also derived from part of the vehicle license fees collected by Maricopa County (25 percent of the net revenues collected for the licensing of motor vehicles by the county are distributed back to the cities and towns based on population).

Property Tax – For FY 2018/19, the city's total adopted primary property tax levy in the General Fund is \$31.6 million, which is an increase of \$4.4 million over the prior year levy mainly due to the two percent statutory adjustment for FY 2011/12 through FY 2016/17 and new construction. The adopted primary property tax rate of approximately 53 cents per \$100 of assessed valuation represents a 0.04 cent increase from the FY 2017/18 rate.

Building Permit Fees & Charges – Building Permit Fees & Charges include fees assessed to developers/builders that recover the cost of four primary functions: 1) reviewing/processing development applications, 2) plan review of construction documents, 3) the issuance of building, electrical, mechanical and plumbing permits, and 4) the inspection of buildings/structures in the construction phase. The FY 2018/19 revenue budget of \$15.6 million has increased by \$1.3 million over the FY 2017/18 year-end forecast. While multi-family housing has slowed in recent months, single family residential new home construction has strengthened and continues to exceed expectations.

Charges for Services/Other – Charges for Services are \$12.4 million in FY 2018/19 and include: 1) WestWorld equestrian facility fees, such as general facility rental, concessions, parking fees, etc. from events such as horse shows, auto auctions and car shows, consumer and home shows, as well as RV space rental income; 2) property rentals, which are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club (TPC) for a percent of revenue on gross sales agreements; 3) miscellaneous, which includes various revenues the city receives during the year that are not attributable to a specific revenue category, such as Other Sale of Property, Passport Fees, Copies of Materials, etc.; and 4) intergovernmental, which is related to School Resource Officers from the Scottsdale Police Department servicing local area schools, an intergovernmental agreement with the Scottsdale Unified School District for shared use of Palomino Library, and revenue received from the Maricopa County Library District for reciprocal interlibrary use.

License Permits & Fees – This category is forecasted at \$7.7 million in FY 2018/19 and represents revenues from the various recreational programs, classes and entry fees; licensing of business activity and the associated fees related to licensure and regulation of specific activities; and fees for the cost recovery of fire and medical standbys at special events, after hours inspections, ambulance staffing, and medical enhancement costs associated with the city's ambulance agreement.

Fines Fees & Forfeitures – This category includes revenues from court fines, which are penalties or fees assessed by Arizona Revised Statutes, City Ordinance or the Presiding Judge; photo enforcement penalties assessed by the Presiding Judge; monies collected when library materials are returned after their due date, are lost, and/or are damaged; and parking fees assessed per City Ordinance. Fines Fees & Forfeitures is forecasted at \$7.2 million in FY 2018/19.

Indirect/Direct Cost Allocations – The Indirect Cost is the payment for services provided by the General Fund to other operating areas within the city. These services include Payroll, Human Resources, Information Technology, etc. Costs are budgeted at \$6.1 million for FY 2018/19. This is a decrease of \$0.5 million due to a decreased rate of 9.85 percent being charged to operating areas, which was set at 10.4 percent in FY 2017/18. The decreased rate is primarily the result of a reduction in one-time and ongoing maintenance projects reducing the overall spend which is used in the Indirect Cost allocation calculation. The Direct Cost Allocation is the direct cost of fire services at the Scottsdale Airport. The revenue,

which is received from the Aviation Fund is budgeted at \$0.4 million for FY 2018/19, remaining flat when compared to the FY 2017/18 year-end forecast.

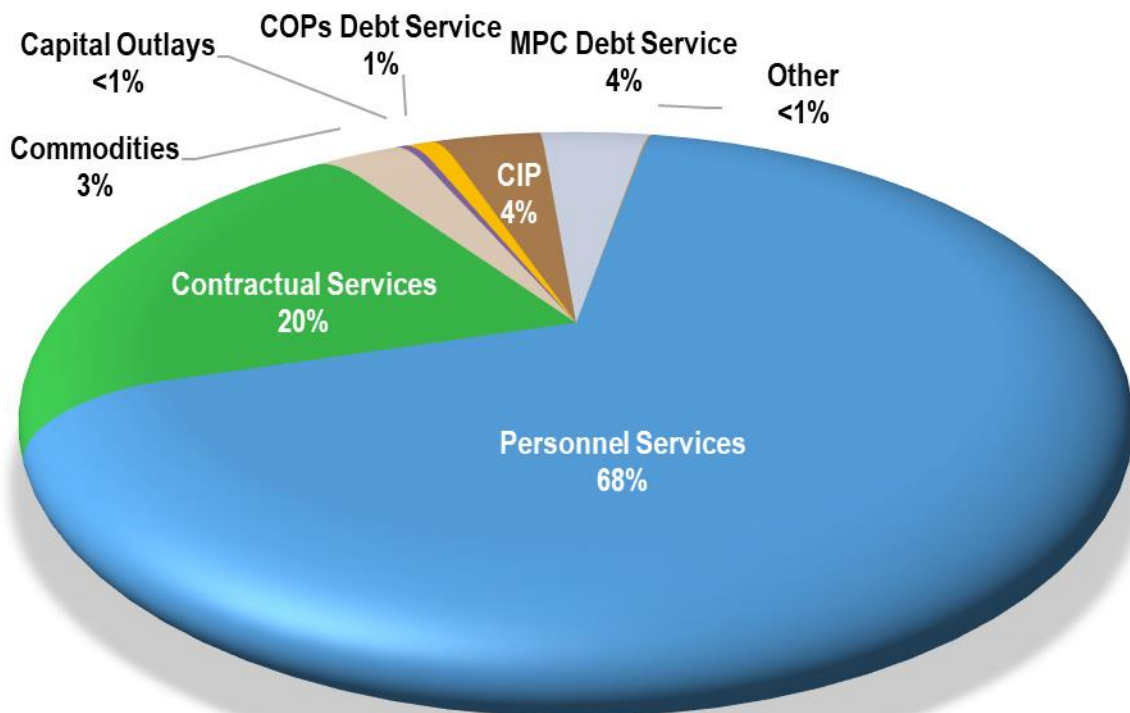
Interest Earnings – Interest Earnings are generated on idle General Fund cash balances throughout the year. This revenue is a function of the relationship between the city's available cash balance and the interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield. Interest earnings applicable to bond proceeds and the Capital Improvement Plan accrue in the CIP funds and are not included in General Fund revenues. Interest Earnings revenue is budgeted at \$3.6 million in FY 2018/19 an increase of \$1.4 million due to two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the "Federal Fund Rate" (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments. Per financial policy No.17, 100 percent of net interest income in excess of \$1.0 million will be transferred to the CIP General Fund.

Transfers In – This category represents authorized exchanges between funds. The Transfers In for FY 2018/19 are budgeted at \$10.3 million and include: 1) \$7.4 million from the Water and Water Reclamation Fund for Enterprise Franchise Fees, which is five percent of Water Service and Water Reclamation Charges revenue. The city charges all utility companies, including the city's Water and Water Reclamation Fund, for use of the right-of-ways and medians.; 2) \$2.4 million from the Tourism Development Fund to comply with Financial Policy No.21A (12 percent of the transient lodging/bed tax revenues); 3) \$0.1 million from the Tourism Development Fund to support marketing efforts at WestWorld; and 4) \$0.3 million from the Special Programs Fund to pay for the General Fund costs associated with administering the 30-Day Tow Program, including the enforcement of the Arizona Revised Statutes related to suspended driver's licenses, driving under the influence offenses and driving without insurance. The FY 2018/19 Transfers In budget is an increase of \$1.0 million over the FY 2017/18 year-end forecast mostly due to the City Council's change to Financial Policy No.21A, adjusting the allocation of the Tourism Development Fund from fixed dollar amounts to percentages.

General Fund - Uses

The adopted FY 2018/19 General Fund uses budget is projected to be approximately \$300.2 million (not including \$30.6 million in contingency and reserves). Included this coming year is \$2.0 million in one-time funding to maintain or improve city owned assets and other capital improvements. The following pie chart provides a summary of the General Fund uses.

General Fund Uses FY 2018/19: \$300.2 million



Note: Rounding difference may occur

General Fund Ending Balance

The FY 2018/19 budget includes the following:

Operating Contingency – The budget includes a \$3.0 million operating contingency to meet unforeseen expenses during the year. The operating contingency can only be used after it is determined that existing resources could not be used and requires City Council approval.

General Fund Reserve – This reserve is budgeted to be \$27.6 million on June 30, 2019; or 10 percent of annual General Fund operating expenses per City Council adopted Financial Policy No.37. Use of the reserve requires City Council approval and will only be used to protect Scottsdale in times of unforeseen emergencies or catastrophic impacts to the city. Maintaining a sufficient General Fund reserve also preserves the city's highest possible bond ratings from all three major rating agencies.

PSPRS Pension Liabilities – Public Safety Personnel Retirement System (PSPRS) is an Arizona pension system for public safety personnel. Beginning in FY 2018/19 a 'PSPRS Pension Liabilities' designation was created. The amount designated in FY 2018/19 for PSPRS Pension Liabilities is \$22.0 million. This begins to address the unfunded liability in this area and shore-up the city's portion of the pension program for public safety personnel. In prior years, funds were held in the Undesignated, Unreserved Fund Balance.

Undesignated, Unreserved Fund Balance – An undesignated, unreserved fund balance of \$0.6 million is expected on June 30, 2019. The undesignated, unreserved fund balance represents accumulated surpluses of prior years.

Special Revenue Funds

The city accounts for sources earmarked for specific purposes – by law or city policy – through Special Revenue Funds. There are four Special Revenue Funds – Transportation Fund, Preservation Fund, Special Programs Fund, and the Tourism Development Fund.

The Transportation Fund accounts for Highway User Revenue Fund (HURF) dollars shared with cities from state gas taxes. The fund also includes revenues from sales tax (0.20 percent) and the state's Local Transportation Assistance Fund, which is funded from lottery proceeds and it is distributed to cities and towns through an annual application process. Total sources are expected to be about \$38.9 million.

Uses total about \$38.2 million; \$27.2 million represents operating expenses and \$10.9 million is for transportation capital projects, which per Financial Policy No.27 is 50 percent of the transportation sales tax revenue. The operating expenses are those necessary to operate and maintain the city's transportation system. The largest expenses include transit contracts, trolley maintenance, medians and rights-of-way maintenance and the street overlay program.

The Preservation Fund is used to account for sources and uses related to the acquisition of the Scottsdale McDowell Sonoran Preserve. Funding comes from the 1995 (0.20 percent) and 2004 (0.15 percent) voter-approved sales tax. Under the sales tax ballot language, the preservation sales tax revenues are to be used only for preserve acquisition, preserve related construction and trailheads.

These sales tax revenues are forecasted to be \$40.1 million. Approximately \$32.0 million of this amount will be required for debt service payments for debt already issued for land purchases. The ending fund balance on June 30, 2019 is expected to be \$23.5 million. The timing and amount of any future preservation bond issuances depends on revenue and the availability and price for state lands.

The Special Programs Fund is a collection of smaller restricted sources dedicated to specific uses. The services included in these various programs are intended to be self-supporting and not subsidized by the General Fund. Examples of these funds include Public Safety - Police racketeering influenced corrupt organization (RICO) funds, the City Court's court enhancement funds (CEF), and the McCormick-Stillman Railroad Park funds.

The Tourism Development Fund is a special revenue fund created to account for transient occupancy (bed) tax revenues and Fairmont Princess Hotel Lease payments both of which are to be used for tourism related activities and General Fund support. Ordinance No.4330, approved by the Scottsdale City Council on March 2018, modified the authorized expenditures allocated from this fund to percentage based from fixed amounts. The fund currently has annual sources of \$22.3 million, annual uses of \$22.9 million (includes authorized carryovers from prior fiscal years) and a projected June 30, 2019 ending fund balance of \$7.8 million.

Debt Service Fund

Debt Service Fund is designated for payment of long-term debt. Total sources are \$96.0 million for FY 2018/19.

A total of about \$89.7 million is planned for debt service payments in FY 2018/19, which is approximately \$4.1 million less than the FY 2017/18 year-end forecast primarily due to a large one-time payment in FY 2017/18 on the newly issued General Obligation bonds for capital projects involving street pavement replacement and Public Safety-Fire stations (Bond 2015 program).

Enterprise Funds

Enterprise funds account for the city's water and water reclamation, solid waste and aviation services, which operate as stand-alone businesses. User fees are assessed to cover cost of services.

Water Fund – Revenue requirements for the Water Enterprise Fund are impacted by the rising cost of electricity and raw water provided by the Central Arizona Project (CAP). Other cost factors affecting the Water Fund revenue requirements over the five-year planning period include:

- Capital costs for rate-funded water treatment and distribution system improvements to address aging infrastructure replacement needs identified through the asset management program effort
- Water distribution system maintenance and improvements that are essential to ensure reliability
- Operating cost increases for personnel services, benefits and Supervisory Control and Data Acquisition (SCADA) technology

Increases to base fees were adopted for FY 2018/19 to better reflect the recovery of fixed operating costs and adjusted to capture the demands placed on the system.

Changes for residential customers included an increase in the third-tier commodity rate from \$3.70 to \$3.75, an increase in the fourth tier from \$4.75 to \$4.85 and an increase in the fifth tier from \$5.55 to \$5.70. Changes for commercial and landscaping included an increase in the third tier from \$3.70 to \$3.75 and an increase in the fourth tier from \$4.05 to \$4.25.

Overall, the water base fee and rate adjustments are forecasted to generate an annual revenue increase of approximately \$2.6 million, or 2.8 percent, and are effective November 1, 2018.

Water Reclamation Fund – Revenue requirements for the Water Reclamation Fund are impacted by the rising cost of electricity and the Sub Regional Operating Group (SROG) multicity sewer plant operations. Other cost factors affecting the Water Reclamation Fund revenue requirements over the five-year planning period include:

- Capital costs for rate-funded sewer treatment and collection system improvements to address aging infrastructure replacement needs identified through the asset management program effort
- Sewer collection system maintenance and improvements that are essential to ensure regulatory compliance with Capacity, Management, Operations and Maintenance (CMOM) regulations and minimize sewer system overflows
- Operating cost increases for personnel services, benefits and Supervisory Control and Data Acquisition (SCADA) technology

Increases to base fees were adopted to better reflect the recovery of fixed operating costs and adjusted to capture the demands placed on the system.

Volumetric changes for residential and commercial customers included an increase in all categories of 0.5 percent to 1.0 percent.

Overall, the water reclamation rate changes were forecasted to generate an annual revenue increase of approximately \$0.6 million or 1.5 percent and are effective July 1, 2018.

Solid Waste Fund – To maintain the revenue requirements of the Solid Waste Fund, modifications to the residential and commercial solid waste rates were implemented effective July 1, 2018 and are expected to generate approximately \$1.8 million in revenue.

Aviation Fund – Three new fees were added with an effective date of October 1, 2018. The fees include; a short-term use of Airport property for a special event, permits for special events taking place on Airport property or adjacent Airpark taxilanes, and a meeting room rental rate for the new Aviation Business Center.

Each new fee recommended will be used to supplement the Airport's revenue stream to cover the Airport costs of service, the Airport debt service and to provide adequate funding for future Airport capital needs.

Internal Service Funds

Internal Service Funds account for services and equipment provided to all city divisions by centralized departments.

The Fleet Management Fund accounts for the costs of operating, maintaining, and acquiring all of the city's vehicles and other rolling stock. User divisions are assessed maintenance and operation costs (\$9.0 million), acquisition costs (\$8.3 million), and fuel costs (\$4.0 million). Fleet Management establishes, collects, and manages funds to provide acquisition and/or replacement of approved City of Scottsdale fleet assets based on life cycle cost analysis performed on each equipment class. Fleet Management, in cooperation with the using division, calculates an annual rate for each individual asset based on condition, suitability for the service, current economy, the repair history, the actual utilization rate of each asset and other applicable factors. The fund balance of about \$8.4 million estimated on June 30, 2019 represents funds previously collected for maintenance, operations and vehicle/equipment acquisitions that will be expended in future years.

The Personal Computer (PC) Replacement Fund accounts for the uses associated with purchasing computers, monitors and printers. Acquisition of computers, monitors and printers is charged to the city divisions as an internal operating charge based on the quantity and type of hardware used. For FY 2018/19, user divisions are assessed estimated costs of \$1.0 million, leaving an estimated ending fund balance of \$1.8 million on June 30, 2019.

The Risk Management Fund accounts for the activity related to the city's property, liability, and workers compensation programs. User divisions are assessed estimated costs of \$10.3 million. The estimated ending fund balance on June 30, 2018 of about \$22.6 million is within the actuarial estimate of the reserves required to ensure the long-term sustainability of the fund and complies with the governing body's (Loss Trust Fund Board) requirement to maintain an 85 percent confidence level in the actuarial assessment.

The Healthcare Self Insurance Fund accounts for the activity related to employee healthcare programs (medical and dental). The estimated \$32.1 million in healthcare costs is shared by the city, its employees and public safety disabled retirees. For FY 2018/19, there was a \$1.2 million increase in uses compared to the FY 2017/18 adopted budget. The benefits plan includes employees and applicable spouses/partners can earn an incentive payment of up to \$240 by completing a wellness exam and health risk assessment to help offset the increase in premiums. Additionally, employees and spouses/partners can receive an additional \$20 per month incentive if, through their doctors, they report blood pressure results within certain approved ranges. Finally, a tobacco surcharge of \$20 per month for employees and/or family members who self-report the use of tobacco products.

Beginning in FY 2018/19, the city added naturopathic and acupuncture office visits to all plans, reduced physical therapy and chiropractic co-pays by \$10 and added a transgender benefit.

The estimated ending fund balance on June 30, 2019 of \$9.8 million includes a reserve for large claims beyond what was anticipated and for incurred but not reported claims, and an operating contingency used only for unforeseen emergencies.

Grant Funds and Special Districts Fund

Each year the city receives Grant Funds from a variety of federal, state, regional and local agencies. Within the \$12.4 million total grants are two larger grants – Section 8 Housing at \$6.0 million and the Community Development Block Grant (CDBG) at \$2.5 million. In addition to numerous identified smaller grants, the city includes \$4.5 million in the grant budget for anticipated and/or unidentified future grants. This gives the City Council the budget authority to accept and spend grant funds that are not specifically known at the time the budget is adopted. This practice also allows the city to comply with state budget laws regarding annual expenditure limits. The ending fund balance of the individual grants is carried forward to future periods, re-budgeted, and is available to be spent solely for the intended purposes.

A Special Districts Fund is used to account for the proceeds received from property owners in the city's 355 street light districts. The intention is that only the amount needed to provide the service is assessed to the customer. Sources and uses are estimated at \$0.6 million for FY 2018/19. If an ending fund balance of the Special Districts Fund exists, it is carried forward to future periods and is available to be re-budgeted but must be spent solely for the intended purposes. The fund balance is used to lower assessments.

Capital Improvement Plan

A separate, key component of the city's annual financial plan is the five-year Capital Improvement Plan (CIP) for infrastructure and public facilities – including roads, water and water reclamation improvements, parks, buildings and information technology. Projects listed in the capital budget are funded by a combination of funding sources and typically take multiple years to complete. Some of the various funding sources include the city's transportation sales tax; voter approved general obligation bonds, user fees, grants, Proposition 400 Regional Transportation Sales Tax, voter-approved Preservation Sales Tax, development impact fees and General Fund transfers. The city established a fund for each funding source to account for the diverse resources used to pay the acquisition or construction of major capital projects.

Below is a summary of the \$564.0 million capital budget highlights by program, along with some notable examples in each capital program area:

Community Facilities (\$22.4 million) – focuses on providing parks, park improvements, multiuse paths, neighborhood enhancements, youth sports lighting, aquatic centers, library facilities and senior centers. Approximately 4.0 percent of the CIP addresses the needs of this program. Significant Community Facilities projects include the initiation of the Renovate Vista del Camino Park/Indian Bend Wash Area masterplan, the continuation of the design and construction of the various Downtown sidewalk and lighting projects and the design and beginning of construction of the Civic Center Library Story Time Expansion and the Scottsdale Heritage Connection.

Preservation (\$51.4 million) – addresses the goal of preserving the character and environment of Scottsdale. This goal is met by land acquisition activities for the Scottsdale McDowell Sonoran Preserve for maintaining scenic views, preserving native plants and wildlife, and providing public access to the McDowell Mountains and Sonoran Desert. Approximately 9.1 percent of the CIP addresses this program. Significant preserve projects include the design and construction of the Fraesfield and Granite Mountain trailheads.

Drainage and Flood Control (**\$8.7 million**) – addresses flood plain mapping, meeting regulatory requirements, and identifying and correcting hazards to reduce future flood damage potential. This is accomplished using detention basins, culvert and channel projects, and a program of neighborhood drainage improvements. Approximately 1.5 percent of the CIP addresses the drainage and flood control needs of the city. Major Drainage and Flood Control projects include the continuation of construction for the Granite Reef Watershed Phase 1 improvements between Indian School Road and McDonald Drive.

Public Safety (**\$18.5 million**) – addresses the construction, acquisition, and purchase of capital assets for the Police and Fire Departments, such as fire and police stations, training facilities and automation systems related to fire and police operations. Approximately 3.3 percent of the CIP addresses the public safety needs of the city. The Public Safety budget includes key projects such as the design and construction of Fire Stations 603 and 616 and the jail dormitory.

Service Facilities (**\$18.8 million**) – addresses the goal of coordinating land use and infrastructure planning. These programs achieve this goal through the renovation of current facilities and technology necessary for the efficient and effective operations of the city. Approximately 3.3 percent of the CIP addresses this program. Service Facilities projects include Facilities Repair and Maintenance Program, Network and Server Infrastructure Replacement Program and the design and construction of a Fleet Fuel site.

Transportation (**\$182.2 million**) – addresses multi-modal transportation needs. Approximately 32.3 percent of the CIP addresses the transportation needs of the city. Significant Transportation projects include continuing the construction of the Airport Terminal Remodel, begin the construction of the extension of Raintree Drive from Scottsdale to Hayden Roads and complete the design of Raintree Drive from Hayden Road to Loop 101 and Pima Road from Pinnacle Peak Road to Happy Valley Road.

Water Management (**\$262.0 million**) – focuses on the capital needs required to deliver safe, reliable water and to provide water reclamation services. This program also addresses the requirement to achieve federal and state regulations. Approximately 46.5 percent of the CIP addresses the water and water reclamation needs of the city. Significant projects are: Reclaimed Water Distribution System (RWDS) Improvements to pipeline pump stations and reservoirs, the Frank Lloyd Wright 24-inch Transmission Main and Booster Station 83B Modifications and the Thomas Groundwater Treatment Facility.

The five-year CIP uses conservative financial forecasts and reflects only those high priority projects expected to be started and often completed during the next five years. This approach helps the city manage operating costs for new facilities and avoids raising expectations for projects that are not well defined.

The budget continues the practice of leveraging one-time elastic revenue from the General Fund (e.g., construction sales tax and development fees) to help pay for capital projects. The municipal bond rating agencies view this as a sound fiscal practice. In FY 2018/19, the budget assumes the General Fund will transfer a total of \$11.8 million to the CIP.



FY 2018/19 Adopted Budget

City of Scottsdale's Budget Process

Recommended Budget Practices

The City of Scottsdale's budget process incorporates the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB).

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. In fulfilling that role, the NACSLB set forth a framework that has provided the context for the development of a set of budget practices for state and local governments. The significance about the practices is that they represent an unprecedented cooperative effort by several organizations with diverse interests to examine and agree on key aspects of good budgeting. The NACSLB was founded by eight organizations representing elected officials, government administrators, and finance professionals at both the state and local government level.

The NACSLB's work focused on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources. The following are excerpts of the NACSLB's guiding principles and budget practice recommendations.

Budget Definition

The budget process consists of activities that encompass the development, implementation and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources based on identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

Mission of the Budget Process

The mission of the budget process is to help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

The term stakeholder refers to anyone affected by or who has a stake in government. This term stakeholder includes, but is not limited to: citizens, customers, elected officials, management, employees, businesses, vendors, other governments and the media.

The budget process should accomplish the following:

- Involve stakeholders
- Identify stakeholder issues and concerns
- Obtain stakeholder support for the overall budgeting process
- Achieve stakeholder acceptance of decisions related to goals, services and resource utilization
- Report to stakeholders on services and resource utilization and serve generally to enhance the stakeholders' view of government

The importance of this aspect of the budget process cannot be overstated. Regular and frequent reporting is necessary to provide accountability and educate and inform stakeholders. Communication and involvement are essential components of every aspect of the budget process.

Principles/Elements of the Budget Process

The budget process consists of four broad principles that stem from the definition and mission previously described. These principles encompass many functions that spread across a governmental organization. They reflect the fact that development of a balanced budget is a political and managerial process that also has financial and technical dimensions.

Each of the principles of the budget process incorporates components or elements that represent achievable results. These elements help translate the guiding principles into action components. Individual budgetary practices are derived from these elements and are a way to accomplish the elements. The principles and elements provide a structure to categorize budgetary practices.

1. Establish Broad Goals to Guide Government Decision Making – *A government should have broad goals that provide overall direction for the government and serve as a basis for decision-making.*

- Assess community needs, priorities, challenges and opportunities
- Identify opportunities and challenges for government services, capital assets and management
- Develop and disseminate broad goals

2. Develop Approaches to Achieve Goals – *A government should have specific policies, plans, programs and management strategies to define how it will achieve its long-term goals.*

- Adopt financial policies
- Develop programmatic, operating, capital policies and plans
- Develop programs and services that are consistent with policies and plans
- Develop management strategies

3. Develop a Budget Consistent with Approaches to Achieve Goals – *A financial plan and budget that moves toward achievement of goals within the constraints of available resources should be prepared and adopted.*

- Develop a process for preparing and adopting a budget
- Develop and evaluate financial options
- Make choices necessary to adopt a budget

4. Evaluate Performance and Make Adjustments – *Program and financial performance should be continually evaluated and adjusted, to encourage progress toward achieving goals.*

- Monitor, measure and evaluate performance
- Make adjustments, as needed

The NACSLB's work goes on to identify 59 practices to achieve the higher-level activities identified in the principles and elements of budgeting. Scottsdale's budget

process attempts to incorporate all the NACSLB's recommended practices.

Budget Roles and Responsibilities

Every City of Scottsdale employee plays a role in the city's budget — whether in its formulation, preparation, implementation, administration or evaluation. Ultimately, of course, each division director, through the city manager and the charter officers, is accountable to the City Council for the performance of program personnel in meeting City Council's broad goals and specific work plan objectives within allocated resource limits.

The actual budget responsibilities of the employees are identified more specifically below:

The **program manager** is responsible for preparing an estimate of cost requirements and revenues, if applicable, for the current fiscal year, projecting the base budget requirements for the next fiscal year, and developing other requests that change or revise the program so that it will be more effective, efficient, productive and economical.

The city divisions have **budget liaisons** that coordinate the day-to-day budget management within their respective divisions along with the budget staff. The budget liaisons serve as the vital communication link between their city division and the Budget Department on matters related to their specific operating budget. Budget liaisons are responsible for revenue and expenditure forecasts, monthly expenditure and revenue variance analysis, calculating user fees, monitoring the budget, support to the Accounting Department in the Comprehensive Annual Financial Report preparation, and preparing budget review materials for the city treasurer, division directors, city manager, City Council, media and citizens.

The **capital improvement plan (CIP) liaisons** essentially serve the same role as the budget liaisons; however, their focus is on the coordination of capital projects, multi-year capital planning and capital project operating impacts with the budget staff. In some cases, the same individual serves as both the divisional budget liaison and CIP liaison. A list of budget liaisons and CIP liaisons and their area of responsibility appears later in this section.

The **CIP technology review team** and **CIP construction review team** are comprised of supervisors and managers from various city divisions. These cross-divisional teams

are responsible for the initial review of all the city's capital projects. Their reviews are focused on timing and cost considerations, compiling lifecycle costs, and preparing a preliminary capital improvement plan recommendation for review and revision by the division directors, budget staff, city treasurer, city manager, City Council and various citizen boards and commissions.

The **division directors and charter officers** are responsible for reviewing historical performance, anticipating future problems and opportunities, considering alternative solutions, and modifying and assembling their program data into a cohesive budget information package. Each division director is responsible for evaluating, reviewing, justifying and prioritizing all operating and capital budget requests for their division. Only those requests that a division director believes support the City Council's broad goals, the city's general plan, city manager's work plan, administrative direction and program objectives are to be submitted to the budget staff.

The **senior budget analysts** are responsible for preparing the multi-fund short-range and long-range revenue and expenditure forecasts, coordinating with budget liaisons in calculating user fees, calculating the indirect cost rate, developing the process and related forms for preparing and monitoring the budget, coordinating the compilation of budget data, analyzing operating and capital budget requests, supporting the Accounting Department in the Comprehensive Annual Financial Report preparation, asset monitoring, evaluating and summarizing budget requests from divisions and preparing budget review materials for the city treasurer, division directors, city manager, City Council, media and citizens.

The **city treasurer** and **division directors** collaborate in developing programmatic, operating, and capital policies and financial plans that help define how Scottsdale will achieve its long-term goals. They are responsible for reviewing the program operating budget and capital budget requests and working with program managers to develop service recommendations that are consistent with City Council's broad goals, management strategies and the city's adopted comprehensive financial policies.

The **city manager** is responsible for reviewing the multi-year, multi-fund financial plan and submitting a balanced citywide proposed budget to the Mayor and City Council,

which supports their broad goals. From December through May, the city manager holds bi-weekly meetings with the budget director and city treasurer to ensure the staff is preparing a proposed budget that addresses City Council's priorities and to provide guidance on key policy issues related to the budget development.

The **Mayor and City Council** set the direction for staff related to the forthcoming budget by establishing broad goals for the organization to serve as a basis for decision-making. The City Council reviews key aspects of the city manager's proposed budget such as -- the city's multi-year financial plan including an examination of the revenue forecast and related assumptions, employee compensation including healthcare and retirement costs, changes to rates and fees, comprehensive financial policies, debt schedules, property tax rate and the capital budget. The budget process culminates in late spring with the Mayor and City Council holding public budget hearings. The Mayor and City Council are ultimately responsible for the review of the city manager's proposed budget, tentative budget adoption (mid-May) and final adoption of the budget (early June). All City Council budget discussions are open to the public for comment and are broadcast on CityCable 11 and the city's web page.

The **CIP Subcommittee** is comprised of a subset of members of the City Council. Subcommittee meetings are held regularly over the course of the fiscal year. In the fall, members identify city capital needs and funding sources and discuss long term CIP financial planning. In the spring, members review the city's proposed CIP and make funding recommendations to the full City Council. Ultimately, their recommendations are discussed at public meetings prior to budget adoption.

Needs Assessment and Financial Capacity Phase

In this phase, which begins in the late summer and continues up to the final budget adoption, the staff compiles and updates on an ongoing basis the city's multi-fund, multi-year revenue forecast. The first year of the revenue estimates is the most critical in the process as that will ultimately define the expenditure limitations for the forthcoming budget year. The multi-year revenue perspective further refines the city's planning for current and future period expenditures — with the goal of not

adding service areas, services or staff which do not have a 'sustainable' funding source over the five-year planning timeframe.

The preliminary assumptions are used to forecast the city's fiscal capacity and provide the financial framework within which the proposed division budget service levels, capital budget operating impacts and capital infrastructure project budgets must be developed.

Policy/Strategy Development and Prioritization Process Phase

In the fall and winter, City Council typically reviews citizen input, citizen board and commission feedback, financial policies, citizen survey results and the most current financial forecast. They discuss broad organizational goals, priorities, constituents' suggestions and expectations for Scottsdale. From this, the City Council establishes broad goals and strategic directives, which are the cornerstone for the development of the budget. These broad goals provide the overall direction for Scottsdale and serve as a basis for decision-making. The division directors and senior management staff update city financial policies, plans, programs and management strategies to define how the city will achieve the broad goals. It is within this framework that the city staff formulates the proposed operating and capital budgets.

Budget Development and Prioritization Process Phase

In the early fall, the Capital Improvement Plan (CIP) development begins in conjunction with the city's multi-year financial forecasts. Initial divisional capital project requests and changes to existing capital projects are reviewed by cross-divisional teams for accurate costing, congruence with city objectives and prioritized using a set of pre-determined criteria. Financing sources are then sought for the highest-ranking projects. The teams involved in this process include the CIP technology review team and the CIP construction review team. The CIP technology review team is made up of mid-level technology managers from various city divisions. The CIP construction review team is made up of mid-level capital project management staff with expertise in public building planning and construction, street improvements, stormwater management, landscaping, etc. The staff, when developing their division operating budget plans,

closely considers the ongoing operating impacts of current and proposed capital projects. Staff also considers City Council's broad goals and strategic directives as they develop program objectives and work plans for the budget period.

Later in the fall after the CIP is underway, the city staff update their proposed performance measurements. The performance measurements are developed to assess results and ensure accountability, which enable managers and policy makers to evaluate progress towards stated goals and objectives. The staff also prepare their proposed program operating budgets at this time by using a modified zero-based budget approach, which requires that the budget be prepared solely at the existing service operating levels – no modifications are permitted at this stage of the budget development process. The divisional staff is also asked to evaluate their programs and/or positions for possible trade-offs, reductions, eliminations or service level changes to offset inflation, contractual, compensation and benefit cost increases.

Under the city's modified zero-based budget approach, any proposed changes in service levels, new programs, population/service growth, additional staff and program trade-offs resulting in service level reductions/increases must be submitted to the Budget Department in a decision package. A decision package provides extensive analysis and justification for the division's request and is reviewed by the city manager, city treasurer and budget director during the budget development and prioritization process. In the later stages of the city's budget development process, decision packages are considered and balanced among numerous competing demands within the city's available ongoing resources. When funding needs exceed the city's funding limits, remedies may include one or more of the following: reduce the base budget, identify new revenues, employ process management tools, and/or form partnerships with other city programs or non-profit organizations.

City Management Review and Modification Phase

In the early winter, the divisions submit their proposed operating budget and capital project budget requests to the Budget Department. The initial multi-faceted review focuses on ascertaining the division's needs with the

Budget Department's budget instructions, reviewing the mathematical accuracy and logic of the divisional base budget and capital project requests, and any decision packages. The review also includes a broader assessment of whether the divisional budget proposals address City Council's broad goals, strategic directives and service needs while maintaining a citywide perspective ensuring the fiscal integrity of the city (not exceeding forecasted resources/limits).

The city manager, division directors, city treasurer and budget staff collaborate on the development of a recommended five-year financial plan and proposed budget for each fund and then submit the plans to the City Council for review and adoption. The City Council also reviews the proposed multi-year revenue forecasts for reasonableness and the expenditure budgets for efficiencies and alignment with community needs and expectations.

City Council Budget Review and Adoption Phase

Throughout the fiscal year, the CIP Subcommittee meets to discuss citywide CIP needs from a policy perspective. In the spring, funding recommendations are discussed at public meetings.

Staff present an overview of the proposed operating and capital budgets to the City Council and citizens for consideration and further public input. The budget is also communicated to the public through televised public meetings, internet and/or a combination of these formats.

The City Council holds public meetings to review key operating and capital budget policy items. The discussions also focus on the city's five-year financial plans, and how the divisions' operating and capital budgets address citizens' priorities and City Council's broad goals. Additionally, the City Council holds meetings to review rates and fees, financial policies and compensation, including benefits.

Next, a series of required public budget hearings are held, and the City Council adopts the budget and property tax levy consistent with the City Charter and state law. Per the City Charter, the City Council must have tentative adoption of the proposed budget on or before the second regular City Council meeting in May each year. This meeting is

usually held in mid-May. (*Note: State law requires the City Council adopted the tentative budget on or before the third Monday in July of each fiscal year.*) Tentative adoption sets the legal maximum expenditure limit (i.e., appropriation) for the coming fiscal year budget.

Under the City Charter, final adoption of the budget must occur at the first regular City Council meeting in June. (*Note: There is no specific date set by state law for adoption of the final budget. However, for jurisdictions with a property tax, such as Scottsdale, the deadline for adoption of the property tax levy is the third Monday in August. Since state law requires a period of at least 14 days between adoption of the final budget and adoption of the property tax levy, the budget should be adopted by the first Monday in August of each year.*)

Arizona state law requires a "balanced" budget, which is "all-inclusive". Arizona State Revised Statute (ARS 42-17151) defines a "balanced" budget as follow:

"Fix, levy and assess the amount to be raised from primary property taxation and secondary property taxation. This amount, plus all other sources of revenue, as estimated, and restricted and unrestricted unencumbered balances from the preceding fiscal year, shall equal the total of amounts proposed to be spent in the budget for the current fiscal year."

Under Arizona state law "all-inclusive" means if an item is not budgeted (i.e. does not have an appropriation), it cannot legally be spent during the fiscal year. Therefore, the budget must include sufficient appropriation and contingency provisions for expenditures related to revenues (e.g., possible future grants) that cannot be accurately determined or even anticipated when the budget is adopted in June. This budgetary flexibility allows the city to comply with the Arizona state law and to pro-actively pursue emerging revenue sources as the budget year unfolds. Expenditures (i.e., appropriations) associated with items such as possible future grants/revenues may not be spent without City Council's prior approval at a public meeting.

Arizona State Revised Statutes only requires communities to prepare budgets for two funds — the General Fund (ARS 42-17101) and Highway User Revenue Fund (ARS 28-6533) (See the Transportation Fund). In addition to

these two funds the city prepares budgets and requests legal appropriation for the following funds — Special Revenue, Debt Service, Enterprise, Internal Service, Grants and Capital Improvement Plan Funds. The ordinance adopting the annual budget requires City Council authorization for expenditures from the funds, which in the aggregate constitute the city's total operating, capital budget and contingency/reserves for purposes of complying with the state's balanced budget and legal maximum appropriations requirements.

Implementing, Monitoring, and Amending the Budget Phase

In July, the city staff begins the process of implementing the newly adopted budget and is accountable for budgetary control throughout the fiscal year. Sources and uses patterns are examined compared to budget plans and corrective action if necessary. The senior budget analysts and divisional budget liaisons meet every month to review current demographic, economic and financial trends, which may impact the city and to discuss possible strategies to ensure the city's fiscal integrity. City management and City Council are also provided monthly financial updates and reports disclosing actual revenue, expenditure and fund balance performance as compared to the budget plan.

Upon the final adoption of the budget, staff implement the operating budget and the capital improvement plan. The final operating budget and capital improvement plan books are typically published by September.

Scottsdale's programs and activities are periodically reviewed to determine if they are achieving City Council's broad goals, accomplishing strategic objectives and making efficient use of limited resources. City values of "plan and innovate for the future" and "focus on quality customer service" along with city manager directed studies of several programs during the next budget year help communicate this expectation. The City Treasurer's staff, division directors, and the internal audit staff all aid in the review of programs.

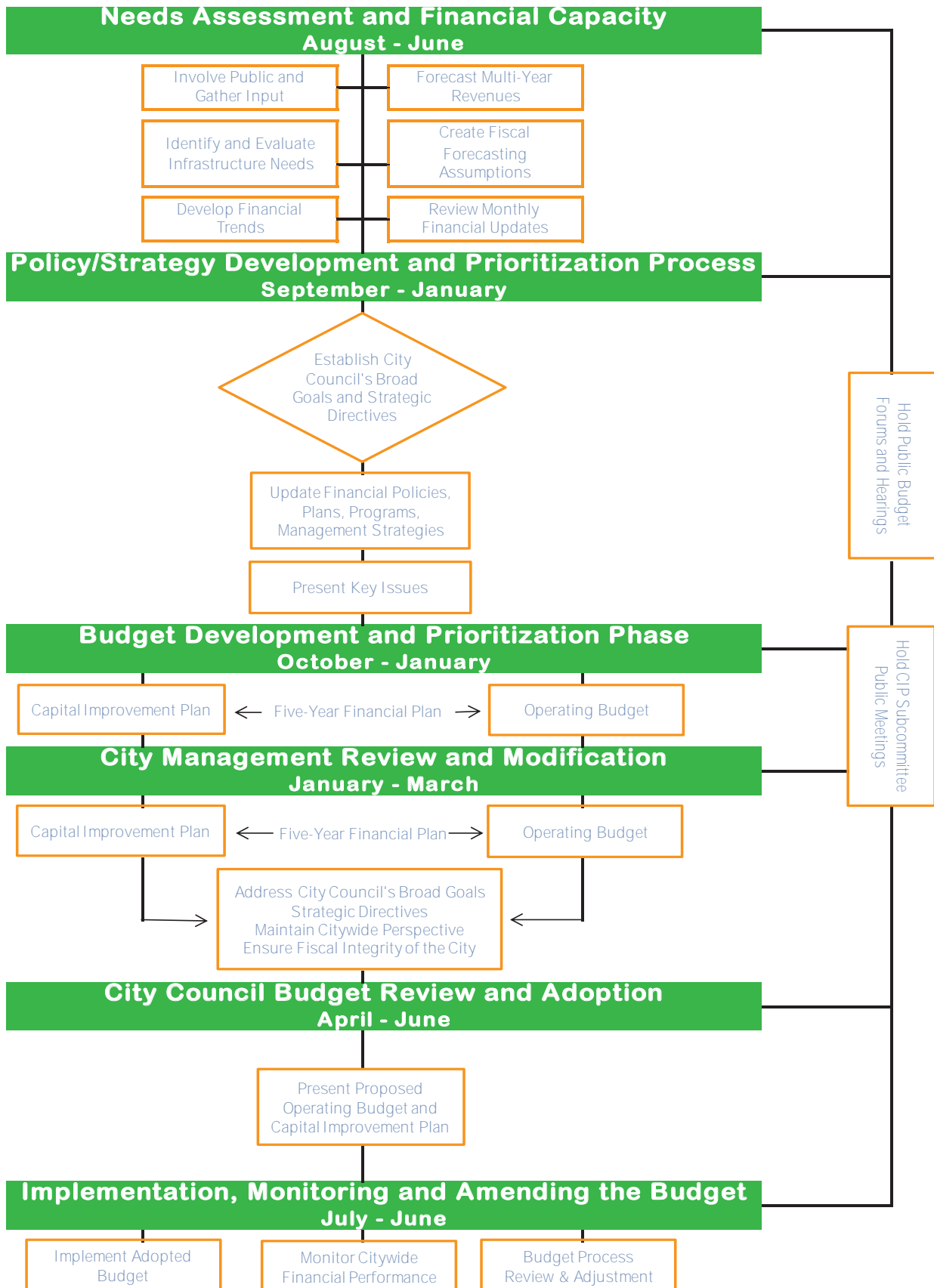
The staff of every city program is expected to conduct self-assessments and develop cost and quality measures of efficiency and effectiveness. Internal performance measurements are developed, reviewed and reported on quarterly. Scottsdale's culture along with the city value of

"listen, communicate, and take action" stresses open communication and stakeholder involvement determining satisfaction with programs and in identifying areas needing additional attention.

Ongoing monitoring of the city's financial performance is required of all program managers monthly. Written budget to actual expenditure variance reports must be submitted monthly by all city divisions explaining any significant variances and provide a solution for corrective action. Additionally, the divisions must be able to explain in writing to the Budget Department the projected year-end budget savings and/or fund balances.

The City of Scottsdale's operating budget is adopted at a division level and the capital improvement plan is adopted at a project level.

All amendments to the budget that require a budget transfer from the Contingency/Reserve Funds require City Council's prior approval at a public meeting before the adjustment can be made by staff. If approved, the transfer is processed in the budget system by the Budget Department.



Use of Contingency/Reserve Funds

Contingency/Reserve Funds are strictly defined in the city's financial policies adopted by City Council annually and used when additional funds are necessary to offset unexpected expenditure increases so that budgeted citizen service measures can be maintained; unanticipated grants are received; and when unanticipated and/or inadequately budgeted events threaten the public health or safety. Use of Contingency/Reserve Funds is to be utilized only after all alternative budget funding sources and other options have been fully considered. All Contingency/Reserve Fund requests require a written justification and an explanation of the fiscal impact, which is reviewed and approved in writing by the city treasurer, budget director, the applicable division director and city manager before being presented to City Council for consideration in a public meeting.

Budgetary and Accounting Basis

Scottsdale's budget is prepared on a basis generally consistent with Generally Accepted Accounting Principles (GAAP). The city's governmental funds consist of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Governmental fund type budgets are developed using the modified accrual basis of accounting.

Under the modified accrual basis, revenues are estimated for the fiscal year if they are accrued; amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt is budgeted as expenditures when due, whereas other expenditures are budgeted for based on the timing of the receipt of the good or service.

Proprietary fund budgets – Water, Water Reclamation, Solid Waste, Aviation and Internal Service Funds – are adopted using the full accrual basis of accounting whereby revenue projections are developed recognizing revenues earned in the period. Expenditure estimates are developed for all expenses incurred during the fiscal year.

The major differences between the budget and the Comprehensive Annual Financial Report (CAFR) are:

- Certain revenues, expenditures and transfers are not included in the budget, but are accrued and reported in the CAFR. For example, increases or decreases

in compensated absences are not included for budget purposes, but are presented in the CAFR.

- Franchise fees charged to the Enterprise Funds are accounted for as transfers in or out in the budget but are recorded as revenues and expenses in the CAFR.
- Capital outlays in the Enterprise Funds are presented as expenses in the budget but are recorded as assets along with associated depreciation expenses in the CAFR.
- Debt service principal payments in the Enterprise Funds are expenses in the budget but reported as reduction of long-term debt liability in the CAFR.
- Certain debt service principal and interest payments are accounted for as expenses in the General Fund for the budget but are reported as expenses in the Debt Service Funds in the CAFR.
- For budget purposes, the Risk Management Fund presents claim expenditures on a cash basis while in the CAFR, the claim expenditures reflect an accrual for "incurred but not reported" (IBNR) claims.

All actual amounts in the budget document are shown on the budgetary basis to facilitate meaningful comparisons. Budgeted funds include the General, Special Revenue, Debt Service, Enterprise, Internal Service, Grants and Capital Improvement Plan.

Operating and Capital Budget Relationship

The City of Scottsdale's Budget for FY 2018/19 is comprised of three volumes:

Volume One – Budget Summary includes the City Council's mission statement and broad goals, the city manager's transmittal letters, executive summary and adopted financial policies. Volume One also contains a budget by fund section, which includes five-year financial forecasts that cover the period FY 2018/19 through FY 2022/23. This section also provides five-year historical summaries for sources and uses by fund.

Volume Two – Division Operating Budget contains descriptions of services provided by each division staffing summaries, operating budgets by expenditure category and the applicable funding sources, current fiscal year objectives, as well as prior year achievements, significant changes, and performance measures. In addition, included are department operating budgets and their relationship

with the broad goals and the general plan

Volume Three - Capital Improvement Plan includes the Capital Project Budget and Five-Year Capital Improvement Plan with more detailed information for each project. Capital Project Budget funding sources are matched with budgeted expenditures. Future year projected operating impacts are also included. Finally, there is an appendix which includes the signed budget adoption and property tax levy ordinances, final state forms, lists of acronyms and a glossary.

Governmental accounting procedures and state law require expenditures for the five-year capital improvement plan to be budgeted at an amount sufficient to pay for an entire contract, meaning the legal authority is available and appropriated in the period in which a contract is entered by the city. Therefore, capital expenditures are presented on a budget basis reflecting the total appropriated amount as opposed to a cash flow basis, which may take several fiscal years to be paid out. For example, a 180-day construction contract entered in May of fiscal year one would have cash expenditures from May of fiscal year one through October of fiscal year two. However, the entire budget for this contract must be appropriated in fiscal year one, the year in which the contract was entered; any unspent funds at the end of fiscal year one would be carried forward and re-budgeted again in fiscal year two.

Funding sources for the five-year capital improvement plan are presented on a budget basis except for cash transfers in from the operating budget, which are presented on a purely cash basis. These resources are presented in the period that the cash funding will be transferred to provide continuity between the operating budget and the capital improvement plan. As a result of presenting the cash transfers in on a purely cash basis, the funding sources may not equal the budgeted expenditures in each period, creating a fund balance as cash accumulates each year for planned larger capital expenditures in later fiscal years.

For further information regarding capital project funding sources and uses, refer to Volume Three.

Five-Year Financial Plan

The city's five-year financial planning process used to develop the proposed budget is a year-round process. The budget process begins in the early fall with the Budget

Office's initial updating of the five-year financial plan for each of the city's major funds. The staff reviews the five-year financial plans for the following funds that appear in the budget – General, Transportation, Preservation, Special Programs, Tourism Development, Special Districts, Debt Service, Water and Water Reclamation, Solid Waste, Aviation, Fleet, PC Replacement, Risk Management, and Benefit Self Insurance. Using the latest fiscal, operational, and legislative information, the staff works collaboratively with the city divisions to update the forecast for the current fiscal year related to the most recently adopted budget and to create a forecast for the coming budget year. The forecasts serve as the basis for the development of the city's proposed five-year financial plan.

In April, the city manager provides the City Council with the updated five-year financial plans for their review and consideration. The staff work with the City Council to review the underlying assumptions and reasonableness of the plans. The plans are used to develop the budget for the coming year (i.e. the first year of the plan) and subsequent years of the five-year financial forecast period. This time is also used to identify future service and financial issues requiring attention during the budget planning process.

The five-year financial plans provide the City Council, city management, citizens and municipal bond rating agencies with the benefits of a long-term financial perspective of revenues, expenditures, cash transfers in/out, fund balances and capital financing options. They also serve as the basis to test the potential impacts of proposed policy and operational modifications and pending legislative changes all intended to avoid subjecting citizens to wide or irregular fluctuations in rates/fees and service levels.

Proposed future operating impacts of capital projects are also included in the forecast, which facilitates the planning, integration and timing of the capital projects into the city's five-year financial plans. The City Council and city management use the plans to assess the impact of their proposed decisions in a long-range financial context. These decisions may include the proposed addition of new staff, new debt issuances and debt refunding, tax rate changes, the desire to create, modify or eliminate rates/fees, new or expanded services and state legislation changes. Based on the fiscal impact of these decisions, City Council has an opportunity to modify the proposed

plans.

As noted above, the development and updating of the five-year financial plans is a year-round process. The staff monitor the current budget monthly and adjust the estimated annual revenues and expenditures based on the latest economic information, legislative changes and City Council priorities. The revenue and expenditure variances estimated ending fund balances and the status of the current year contingency usage are reported monthly to the City Council, city management and other stakeholders via the Monthly Financial Update and Monthly Financial Report. The staff also monitor and identify changes in the financial and economic climates and considers solutions to negative trends, thereby preserving the financial health of Scottsdale.

Revenue Forecasting

The City of Scottsdale uses both qualitative and quantitative methods for forecasting revenues by blending various techniques to develop conservative and prudent revenue projections. Qualitative revenue forecasting methods used by staff to develop multi-year financial plans include consensus, judgmental and expert forecasting while trend analysis is used as a quantitative technique. This balanced approach to revenue forecasting is strongly encouraged by the Government Finance Officers Association (GFOA) since research shows that forecasting accuracy is improved by combining qualitative and quantitative techniques. According to the GFOA, each method by itself has inherent weaknesses: qualitative methods can be too subjective at times and may be subject to wishful thinking and selective perception on behalf of the forecasters; quantitative methods may fail to consider

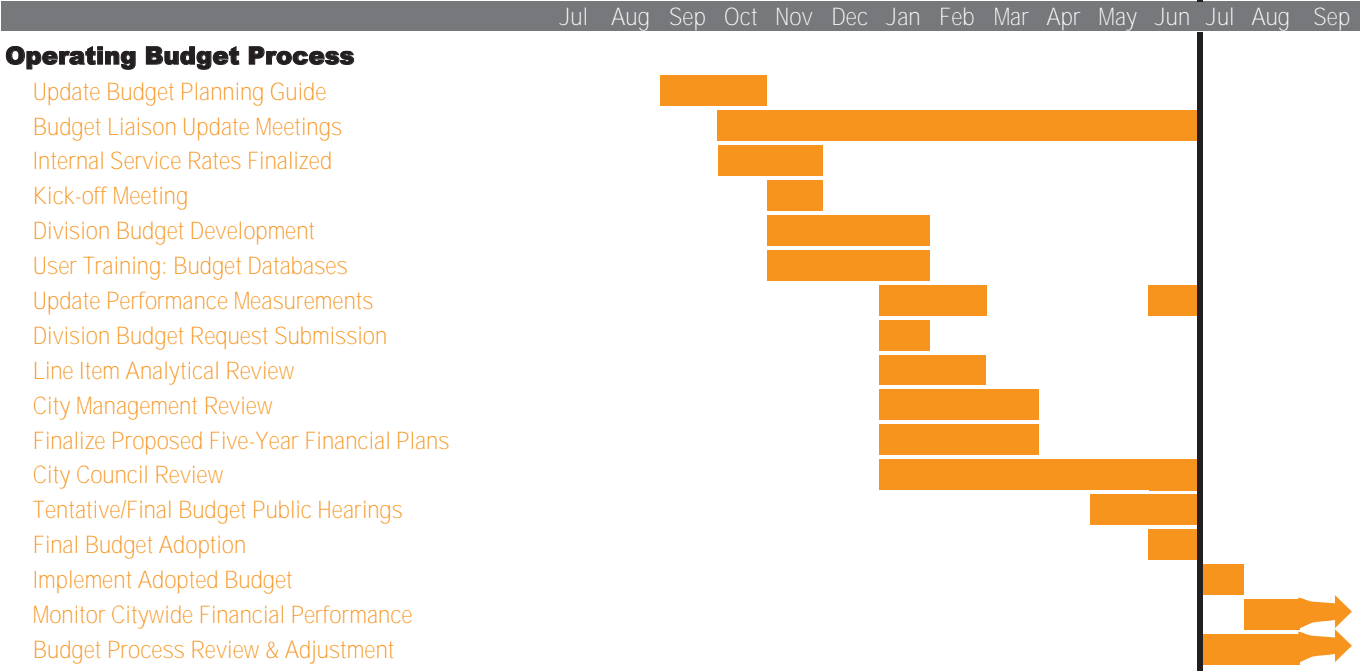
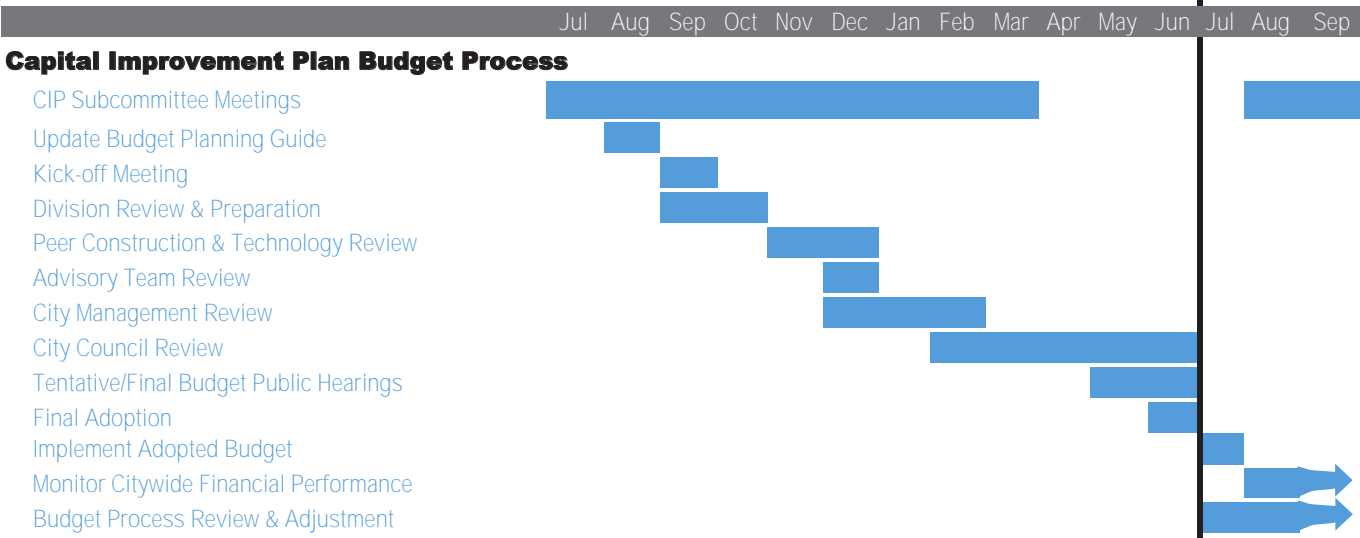
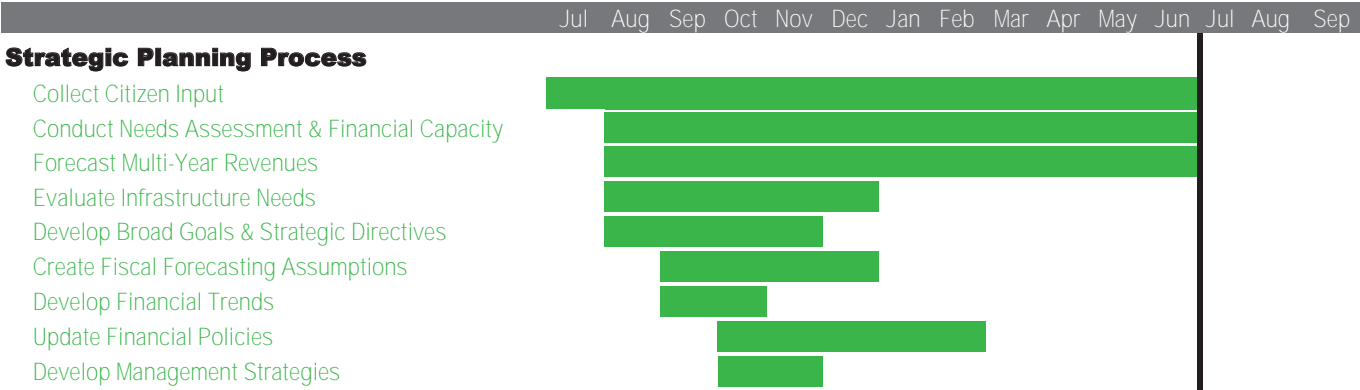
changing conditions inside and outside a jurisdiction and tend to discount important historical events. By combining qualitative and quantitative methods, forecasters integrate judgmental assumptions within the forecasting framework to produce more realistic revenue projections.

To enhance the revenue forecasting process and gain a broader input into the planning process, the Budget Department staff work collaboratively with the city divisions throughout the year to prepare the revenue estimates. This multi-disciplinary approach and continual reassessment creates a synergy between the central Budget Department staff and the division field staff, which reduces the likelihood of miscommunications in formulating the revenue estimates. The field staff's participation in the revenue estimates also increases their ownership and accountability for achieving the proposed plan.

Expenditure and Year-End Savings Forecasting

Each month throughout the fiscal year, the Budget Department staff work with the city divisions to monitor year-to-date actual expenditures against the year-to-date approved budget and prior year actual expenditures. Each division is also required to forecast their year-end expenditures and related expenditure savings. All significant actual or forecasted variances are researched and a reason for the likely variance as well as possible alternatives to resolve the variance is considered by the staff. Pro-active management of the budget to actual/forecasted expenditures allows staff the opportunity to promptly notify city management and the City Council of potential budget concerns.

**BUDGET PLANNING AND DEVELOPMENT
FISCAL YEAR 2018/19 CALENDAR**



Budget Liaisons and **CIP Liaisons** coordinate the budget within their respective divisions/departments. The **Budget Liaisons** serve as the vital communication link between their city divisions/departments and the Budget Department on matters related to their specific operating budget. Budget Liaisons are responsible for the review, analysis, and coordination of information; ensuring the proper completion and submission of forms and documentation; monitoring the internal review process to meet timelines; and facilitating problem resolution throughout the budget process. If needed in a division, the **CIP Liaisons** (identified with an asterisk) essentially serve the same role; however, their focus is on coordination of capital projects and multiyear capital planning with the Budget Department staff. In many cases the same individual serves both roles.

Division/Department	Budget / CIP Liaison
Mayor and City Council	Kelli Kuester
City Attorney	Danielle Taebel *
City Auditor	Sharron Walker
City Clerk	Cathleen Butteweg
City Court	Ken Kung *
City Manager	Brent Stockwell* / Megan Lynn
City Treasurer	Phillip Verver*
Administrative Services	Jennifer Jensen *
Community Services	Bryan Bundy *
Community and Economic Development	
Aviation	Carmen Williams*
Economic Development	Paula Guidry / Rob Millar *
Planning and Development	Dan VandenHam *
Tourism and Events	Rose Rimsnider / Karen Churchard *
Transportation	Keith Marquis *
WestWorld	Jennifer Bowley *
Public Safety – Fire	Teresa Martin / Ryan Freeburg *
Public Safety – Police	Christy Alonzo *
Public Works	Monica Staats *
Water Resources	Gina Kirklin / Howard McCasland *

Operating Management

1. All divisions will participate in the responsibility of meeting policy goals and ensuring long-term financial health of the city. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements. In order to ensure compliance with policy, sunset provisions will be required on all grant program initiatives and incorporated into other service plans, as appropriate.
2. The budget process is intended to weigh all competing requests for city resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
3. Annual budgets shall include documentation that departments met intended objectives ("effectiveness criteria") and provide value in terms of dollars allocated ("efficiency criteria").
4. The budget shall be considered balanced if all sources of revenue, as estimated, are equal to, or exceed, the total of amounts proposed to be used in the operating budget for the current fiscal year, by fund. To the extent unencumbered balances from the preceding fiscal year are required to achieve a balanced budget, use of unencumbered balances from the preceding fiscal year will be only as authorized by City Council.
5. The full City Council will solicit citizen input and review the operating and capital budget recommendations from a divisional, program, and goals perspective.
6. Revenues will not be dedicated for specific purposes, unless approved by City Council or required by law. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
7. A diversified and stable revenue system will be developed to protect city services from short-term fluctuations in any single revenue source.
8. Balanced revenue and expenditure forecasts will be prepared annually and include a five-year plan for each fund to demonstrate the city's ability to adapt to forecast changes in the economy, service demands, and capital improvements.
9. Enterprise (Water, Water Reclamation, Solid Waste Management, and Aviation) user fees and charges will be examined annually to ensure that they recover all direct and indirect costs of service, debt service, provide adequate funding for future capital needs and be approved by the City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents. Rate adjustments for enterprise operations will be developed pursuant to a multi-year financial plan that levels the impact of user rate changes.
10. All other user fees and charges will be examined periodically to determine the direct and indirect cost of service recovery rate, excluding voter-approved debt service. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council.
11. Development impact fees, as permitted by state law, for capital expenses attributable to new development will be reviewed periodically with an engineering assessment to ensure that fees recover all direct development-related expenses and be approved by City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents.
12. The use or replacement of Fleet and Information Technology (PC, phones and copier systems) will be accounted for through the use of a direct or a "rental" rate structure. The rates will be revised annually to ensure that charges to operating divisions are sufficient for operation and replacement of vehicles and other equipment. Replacement costs will be based upon equipment lifecycle financial analysis.
13. Grant funding will be considered to leverage city funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, city resources will be substituted only after all program priorities and alternatives are considered during the budget process.

14. Alternative means of service delivery will be evaluated to ensure that quality services are provided to our citizens at the most competitive and economical cost. Divisions, in cooperation with the City Manager, City Auditor and City Treasurer, will identify activities or services that could be provided over the long-term more efficiently or effectively by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the need for the service will be performed on a reasonably periodic or on an "opportunity" basis.
15. Cash and Investment programs will ensure that proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
16. Uncollectible accounts, excluding City Court, will be no more than five-tenths of one percent of revenue on an annual basis unless otherwise approved by City Council.
17. Any year-end General Fund operating surpluses not needed to restore contingency reserves or cover unforeseen shortfalls in the budget, but in no case less than: (1) 25 percent of construction privilege tax revenues; (2) 100 percent of net interest income in excess of \$1.0 million; and (3) 1.1 percent sales tax collected on food for home consumption (phased in over three years beginning in FY 2016/17) will be transferred to the General Fund Capital Improvement Program in the following fiscal year unless otherwise directed by City Council.
18. Addition of personnel will only be requested to meet program initiatives and policy directives; after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased net revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
19. Benefits and compensation will be administered in accordance with policy given by City Council. As part of a cost-containment strategy, total costs for health insurance premiums will be shared between the employer, employees and public safety disabled retirees. Total premiums will be evaluated on an annual basis to ensure they are reasonable and competitive and that total premiums are expected to provide adequate funding of anticipated claims and a reasonable level of loss reserves.
20. An annual General Fund transfer will be made to the Benefits Healthcare Self Insurance Fund to subsidize the cost of providing healthcare benefits to sworn public safety accidental disabled retirees.
21. Property tax will be levied to recover: (1) annual payments of principal and interest for existing and planned general obligation bond issuances, including the factors and amounts authorized by state law but net of the amount required under state law and (2) revenues required for the General Fund equal to (a) the prior year's revenue (b) plus new growth added to the tax role and (c) the prior year's tort liability payments as approved by City Council. Council may also approve the legally allowable maximum over the previous year's primary levy.
 - 21A. 100 percent of the transient lodging (bed) taxes received by the city shall be deposited into the Special Revenue Fund for Tourism Development (Tourism Development Fund). Additionally, the Tourism Development shall receive 100 percent of Princess Hotel lease revenues.

The transient lodging (bed) tax revenues will be allocated annually as follows:

 - 50 percent for destination marketing as approved by the voters;
 - 12 percent for the General Fund;
 - nine percent for tourism-related events and event development;
 - four percent for tourism-related administration and research;
 - 25 percent, plus the lease payments on the Princess Resort, or the balance of the

remaining Tourism Development Fund revenues, for tourism-related operating expenses, capital projects and/or operating impacts that are directly associated with tourism-related capital projects, in the form of one-time commitments or multi-year annual commitments, not to exceed \$600,000 per project commitment unless otherwise approved by City Council.

At the end of each fiscal year, any unused funds in the Tourism Development Fund will be available for use in following years for any of the non-marketing tourism categories (except the general fund category) and may be allocated without limitations, except that they may not be leveraged for multi-year annual commitments, such as debt service payments.

In the event of a decrease in Tourism Development Fund revenues, debt service is the priority and will be met first.

22. Any year-end Transportation Fund operating surpluses not needed to restore contingency reserves or cover unforeseen shortfalls in the budget will be transferred to the Transportation Fund Capital Improvement Program in the following fiscal year unless otherwise directed by City Council.
23. For the purpose of preparing the annual operating budget, the City Manager will include funds sufficient to provide increases of up to five percent based on performance for each qualified sworn police officer, firefighter, fire engineer and fire captain up to the maximum salary of the pay range unless otherwise directed by City Council.

Capital Management

24. A five-year Capital Improvement Plan will be developed and updated annually, including anticipated spending as well as funding sources. Capital improvement projects are defined typically as multi-year efforts which may include purchases or construction of infrastructure or equipment which results in a new capitalized asset costing more than \$25,000 and having a

useful life of five years or more. No funding commitments will be made for any project in the CIP unless the project has sufficient budget authority in the current budget year to meet the entire amount of the commitment. For each year of the CIP, total anticipated expenditures and commitments will not exceed projected starting fund balance plus total anticipated revenues for that year.

25. Pay-as-you-go Capital Improvement Plan financing should account for a minimum of 25 percent of all capital improvement projects, excluding Preservation and Enterprise, for each five-year planning period. Pay-as-you-go financing is defined as all sources of revenue other than city debt issuance, i.e., fund balance contributions, developer contributions, grants, endowments, etc.
26. Proposed capital projects will be reviewed and prioritized by a cross-divisional team regarding accurate costing (design, capital, and operating), prevention of existing infrastructure deterioration before the addition of new infrastructure and overall consistency with the City's General Plan and City Council's goals and objectives.
27. Dedicated 0.2 percent privilege tax revenue for transportation improvements will be restricted to funding the planning, design, construction and acquisition costs associated with building, renovating, or enhancing capital projects for streets, highways, traffic control, and transit; and for transportation improvement operating expenses. No more than 50 percent of the privilege tax revenue for transportation improvements will be allocated to transportation improvement operating expenses.
28. Future operating, maintenance, and capital costs associated with new capital improvements and contractual obligations approved by Council will be forecasted and included in the Operating Budget, five-year financial plan and the Capital Improvement Plan.

Debt Management

- 29. General Obligation debt, which is supported by property tax revenues and grows in proportion to the city's assessed valuation and/or property tax rate increases, will be utilized only as authorized by voters. Other types of voter-approved debt may also be utilized only when they are supported by dedicated revenue sources.
- 30. General Obligation debt issuances (excluding Preserve General Obligation debt) will be managed on an annual basis to match funds to Capital Improvement Plan cash flow requirements. The city will not exceed \$1.50 combined property tax per \$100 assessed value unless otherwise directed by City Council.
- 31. Non-voter approved debt will be utilized only when a dedicated revenue source (e.g., facility revenue and bed tax) can be identified to pay, or reimburse the city for paying, debt service expenses. City Debt Service (excluding enterprise, general obligation and preservation) costs (Municipal Property Corporation, Revenue Bond, and Contractual Debt) should not exceed five percent of the city's current or future annual operating revenue in order to control fixed costs and ensure expenditure flexibility. The following considerations will be made to the question of pledging of project (facility) revenues towards debt service requirements:
 - a. The project requires monies not available from other sources.
 - b. Matching fund monies are available which may be lost if not applied for in a timely manner.
 - c. Catastrophic conditions.
 - d. The city shall not give or loan its credit in aid of, nor make any donation, grant or payment of any public funds, by subsidy or otherwise, to any individual, association, or corporation, except where there is a clearly identified public purpose and the city either receives direct consideration substantially equal to its expenditure or provides direct assistance to those in need.
- 32. McDowell Sonoran Preservation debt service will be funded by the dedicated 0.35 percent privilege tax. The city's privilege taxes to revenue bond debt service goal will be at least 1.5:1 for senior lien debt to ensure the city's ability to pay for preserve debt from this elastic revenue source.
- 33. Improvement District (ID) and Community Facility District (CFD) Bonds shall be permitted only when there is a general city benefit. ID and CFD bonds will be utilized only when it is expected that they will be issued for their full term. It is intended that ID and CFD bonds will be primarily issued for existing neighborhoods desiring improvements to their property such as roads, water lines, sewer lines, streetlights, and drainage.
 - a. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the city. In addition, the city's cumulative improvement district debt will not exceed five percent of the city's net assessed limited property valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.
 - b. Community Facility District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. In addition, the city's

cumulative facility district debt will not exceed five percent of the city's net assessed limited property valuation. The landowner/developer shall also contribute \$0.25 in public infrastructure improvement costs of each dollar of public infrastructure improvement debt to be financed by the district.

- 34. Bond interest earnings will be limited to funding changes to the bond financed Capital Improvement Plan, as approved by City Council, or be applied to debt service payment on the bonds issued for construction of this plan.
- 35. While considering the bond rating impacts, the effect on short-term user rates and the level of cash reserves, the Water and Water Reclamation Enterprise Funds will use long-term debt when prudent to achieve a ratio of long-term debt to tangible fixed assets (capital assets net of depreciation plus equity in joint venture) of no more than 50 percent.

Reserve Management

- 36. All fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the city's balanced five-year financial plan.
- 37. The following stabilization reserves will be maintained for unforeseen emergencies or catastrophic impacts to the city:
 - a. General Fund Stabilization Reserve of 10 percent of annual General Fund operating expenditures.
 - b. Transportation Fund Stabilization Reserve of 10 percent of annual Transportation Fund operating expenditures.
 - c. An Excise Tax Stabilization Reserve will be funded at no less than \$5.0 million to be temporarily used for unforeseen emergencies or catastrophic impacts to the city.

- 38. Debt Service Reserve will be funded with secondary property taxes, levied by City Council, and will not exceed 10 percent of the amount needed to pay the following year's bonded indebtedness for General Obligation bond principal and interest (excluding Preserve General Obligation bonds). A debt service sinking fund will be maintained to account for these restricted revenues and debt payments, as well as any additional debt amounts deemed to be advisable and necessary for any public or municipal purposes.
- 39. Contingency Reserves for each fund to be established annually will be maintained to offset unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. Use of contingency funds should be utilized only after all budget sources have been examined for available funds, and subject to City Council approval.
- 40. Separate Operating Fund Reserves will be maintained for the city's Water, Water Reclamation, Solid Waste Management, and Aviation Enterprise Funds. Such reserves shall be funded between 60 and 90 days of budgeted operating expenditures, excluding expenditures for debt service. Operating Fund Reserves shall be maintained to provide contingency funding and expenditure flexibility in the event of unexpected declines in revenue or increases in costs.
- 41. Replacement and Extension Reserves will be maintained by the Water and Water Reclamation Enterprise Funds to ensure adequate resources for replacement of water and water reclamation infrastructure. Such reserves shall equal two percent of the gross book value of all tangible fixed assets of the system and shall be utilized only to provide contingency funding and expenditure flexibility during times of unusual circumstances.

42. Self Insurance Reserves will be maintained at a level that will adequately fund the city's financial obligations for the payment of property, workers' compensation, liability, and health benefit losses. A qualified actuarial firm shall be retained on an annual basis to project and develop losses in order to recommend appropriate reserve levels. The Loss Trust Fund Board's target is to maintain a Risk Management reserve fund balance equivalent to the actuary's 85 percent confidence interval of projected total outstanding claims liability.
43. The Fleet Fund and PC Replacement Fund will be maintained to ensure adequate funding for systematic replacement and operational needs.
44. Any intentional drawdown of fund reserves requires City Council approval.

Financial Reporting

45. The city's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB). The City Treasurer shall issue timely monthly financial reports to City Council.
46. Accounting methods will include essential policies, procedures and internal controls to monitor all general ledger activity on an ongoing basis.
47. Prior to the end of each fiscal year the Council shall designate certified public accountants who, shall perform an independent audit of the city's annual financial statements in accordance with generally accepted government auditing standards. The certified public accountants shall be independent of the city government, having no personal interest, direct or indirect, in the fiscal affairs of city government or any of its officers. The certified public accountants shall submit their reports to the Council. All such audit reports shall be a matter of public record.



Fund Accounting Structure

To ensure legal compliance and financial management for the various restricted revenues and program expenditures, the city's accounting and budget structure is segregated into various funds. This approach is unique to the government sector. Fund accounting segregates functions and activities into separate self-balancing funds that are created and maintained for specific purposes. For example, Special Revenue Funds are used to account for the expenditure of restricted revenues, while Enterprise Funds account for self-sustaining "business" related activities for which a fee is charged to cover all costs associated with that business. The General Fund is the city's chief operating fund and is used to account for all financial resources, except those that are legally required to be accounted for in another fund.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General

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. 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.

Special Revenue

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The city maintains the following four Special Revenue Funds: Transportation, Tourism Development, Preservation, and Special Programs.

Debt Service

Debt Service Fund is used to account for the accumulation of resources and for the payment of, general long-term debt principal and interest. It does not include contractual obligations accounted for in the individual funds.

Enterprise

Enterprise Funds are used to account for operations, including debt service, which are financed and operated similarly to private businesses, where the intent is that the service is self-sufficient, with all costs supported predominantly by user charges. The city maintains three Enterprise Funds to account for Water and Water Reclamation, Solid Waste, and Aviation activities.

Internal Service

Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the city. The city maintains Internal Service Funds to account for Fleet Management, PC Replacement and Self Insurance activities.

Grants and Special Districts

Grant Funds are used to leverage city funds to address priority program

and service needs. Special Districts Fund is used to account for the city's streetlight districts.

Capital Improvement Plan

Capital Improvement Plan Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The city maintains several Capital Improvement Plan Funds to ensure legal compliance and financial management for various restricted revenues. Examples of restricted revenue funds are:

Bond Capital Funds – used to account for bond proceeds to be used only for approved bond projects.

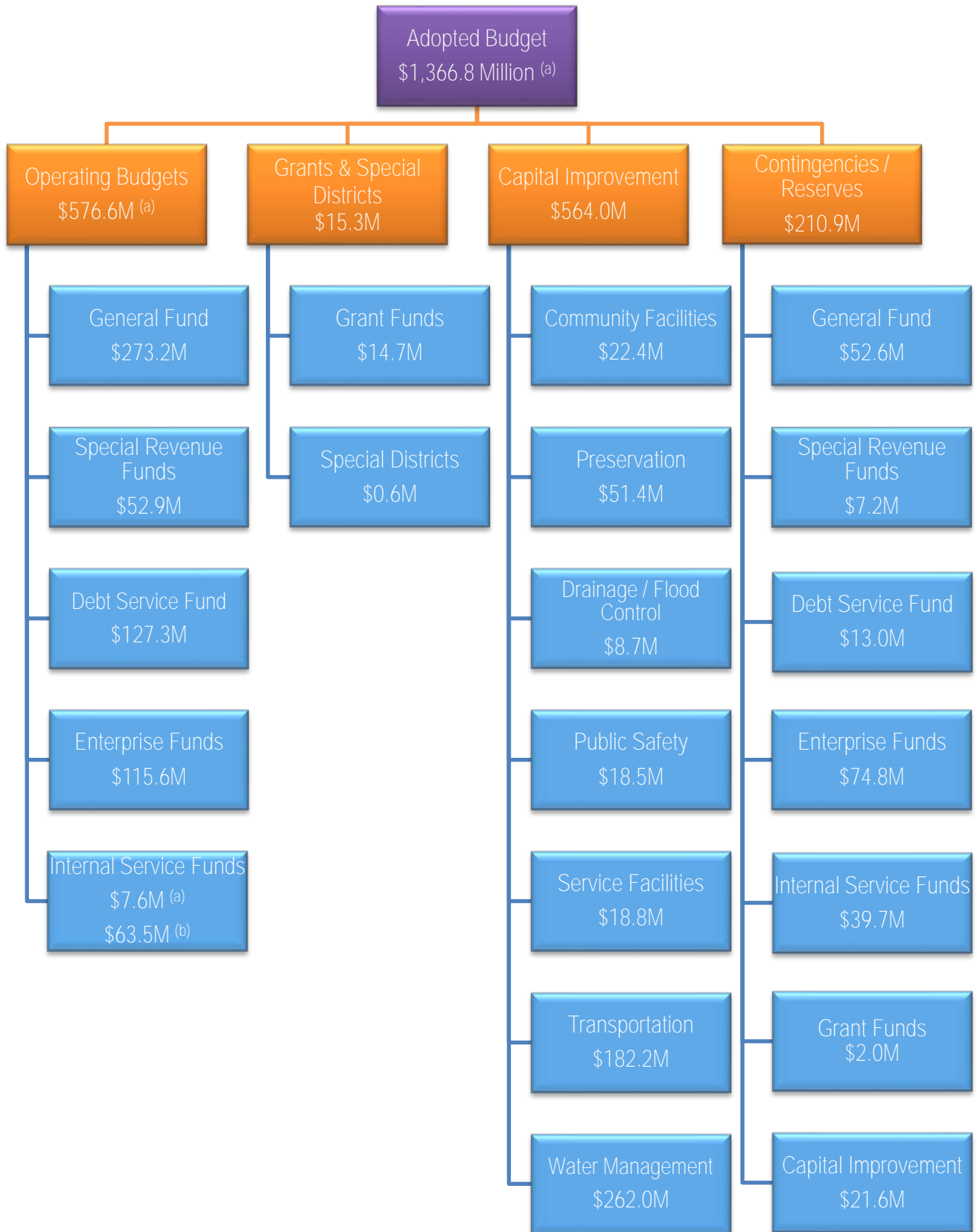
Transportation Sales Tax Capital Funds – used to account solely for transportation projects.

Enterprise Capital Funds – used to account for utility rates and development fees for specific projects.

General Capital Funds – used to account for transfers-in from the General Fund operating budget and for any other activity for which a restricted revenue fund has not been created.



FY 2018/19 Adopted Budget

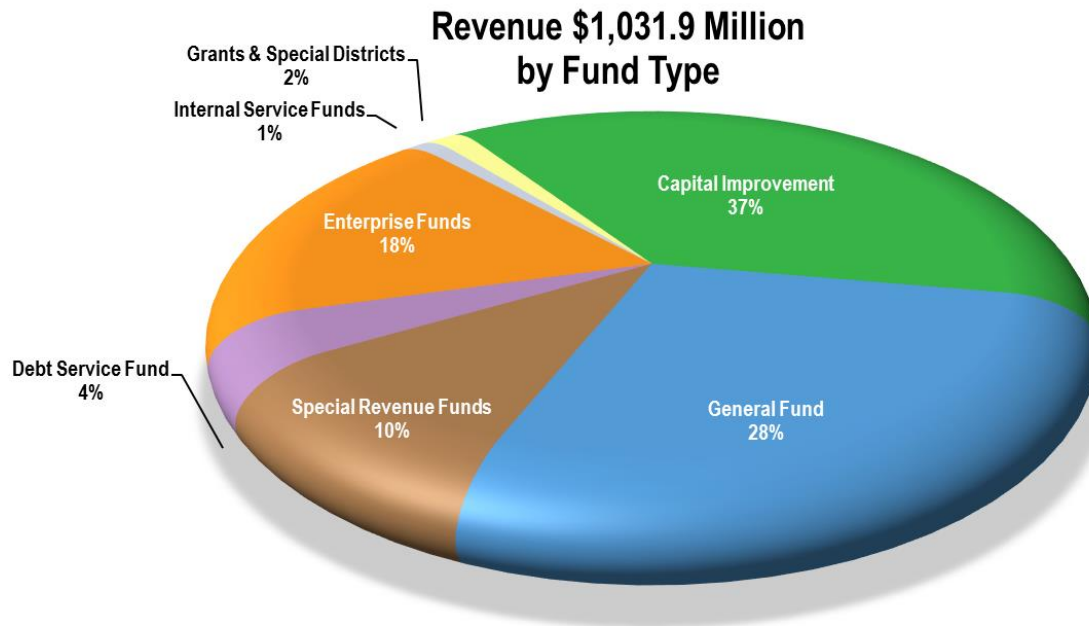


^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

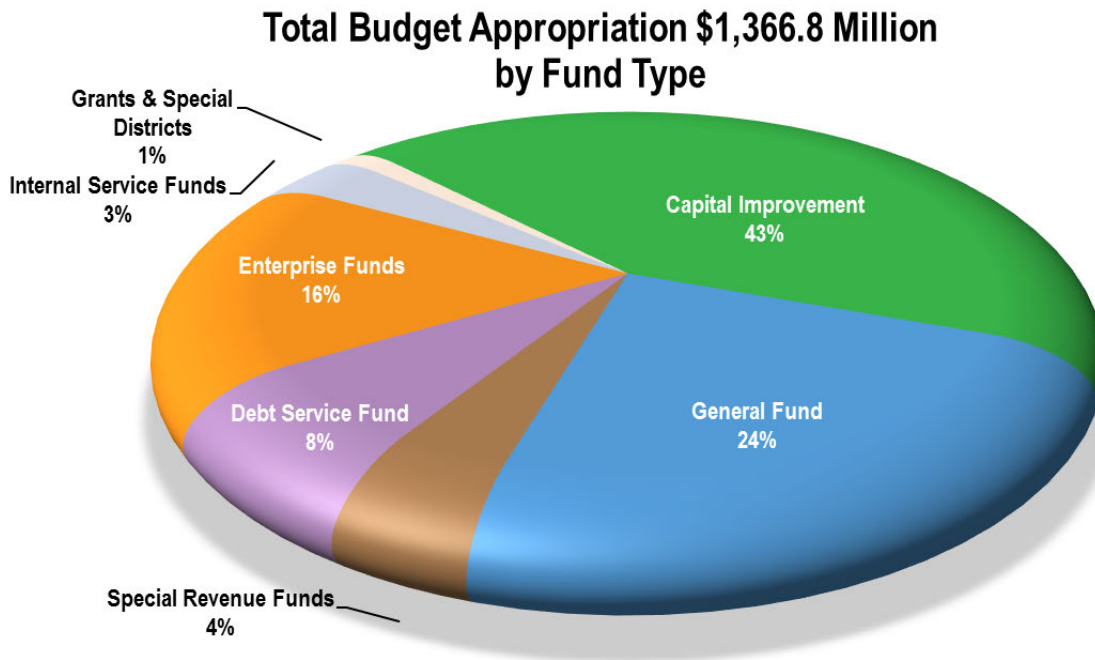
^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

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

The total Scottsdale adopted budget consists of \$1,031.9 million in revenue including, \$340.7 million in prior year CIP unexpended revenue, \$66.1 million in property taxes, and \$625.0 million in other operating and capital revenues. A complete detail of revenues can be found on the Total Budget Appropriation schedule. Below is the revenue breakdown by fund type.

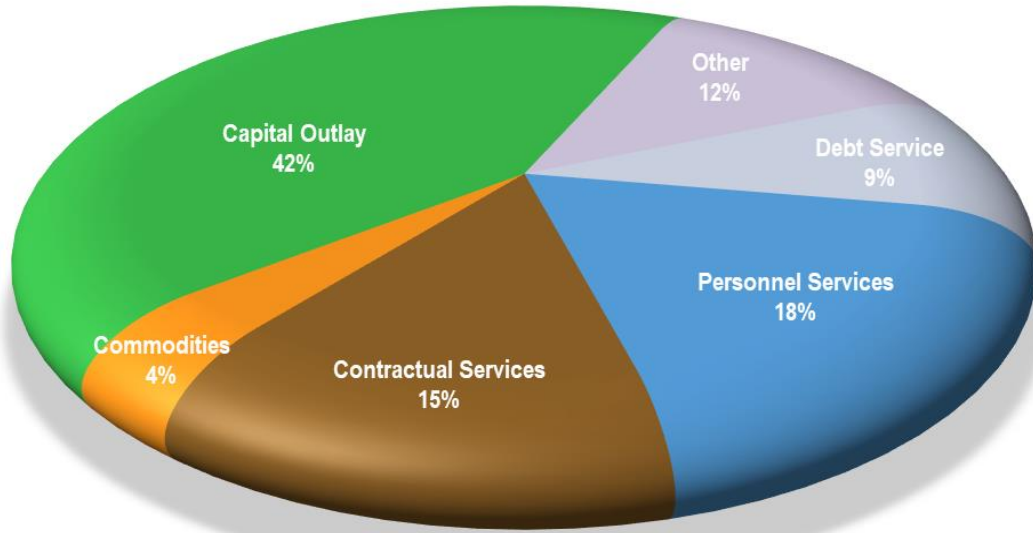


The total Scottsdale adopted budget appropriation is \$1,366.8 million, which includes \$210.9 million in contingencies/reserves. The Capital Improvement accounts for the largest portion of the annual budget appropriation at \$564.0 million.



The largest expense category in the FY 2018/19 budget is for Capital Outlay at 42 percent, or \$576.3 million. Expenses for Personnel Services, Contractual Services, and Commodities together account for \$497.9 million, or approximately 36 percent of the total authorized budget.

Total Budget Appropriation \$1,366.8 Million by Expense Type



	Sources			Uses					Ending Balance	
	Beginning Balance	Revenue	Transfers In	Personnel Services	Contractual & Debt Service	Commodities	Capital Outlay	Other**		Transfers Out
<i>General Fund</i>	50,875,661	292,133,203	10,298,313	202,659,407	63,313,569	8,954,185	1,123,301	52,555,046	24,135,351	566,318
<i>Special Revenue Funds</i>										
Transportation	6,177,083	38,640,845	300,000	7,037,532	19,049,813	1,043,085	96,950	3,222,738	10,940,689	3,727,121
Preservation	26,065,980	40,123,508	-	-	2,200	-	-	-	42,644,331	23,542,957
Special Programs	12,549,885	7,011,775	10,000	1,976,127	4,815,192	1,738,719	720,700	1,500,000	975,437	7,845,485
Tourism Development	8,362,533	22,343,717	-	302,920	16,082,734	39,453	-	2,500,000	6,442,549	5,338,594
<i>Debt Service Fund</i>										
Debt Service Fund	13,311,337	41,505,296	54,530,253	-	89,695,127	-	-	13,033,680	6,618,079	-
<i>Enterprise Funds</i>										
Water and Water Reclamation	72,361,719	154,500,412	52,493,267	-	-	-	-	-	-	279,355,398
Solid Waste	8,752,252	21,483,778	-	7,593,274	11,621,775	689,233	720,350	6,966,680	312,300	2,332,418
Aviation	7,787,424	5,169,286	1,720,994	1,345,173	2,747,657	81,860	31,200	4,106,479	6,365,335	-
<i>Internal Service Funds</i>										
Fleet Management	8,919,061	923,273	-	4,138,387	1,642,516	7,421,283	8,018,800	(14,491,489)	1,483,400	1,629,437
PC Replacement	1,842,471	-	-	-	-	-	1,034,300	(527,240)	-	1,335,411
Risk Management	21,440,805	720,667	-	874,278	8,180,236	87,300	-	13,012,358	7,300	-
Healthcare Self Insurance	8,638,178	9,076,989	114,425	285,628	31,653,796	154,000	-	(14,263,832)	-	-
<i>Grants and Special Districts</i>										
Grants*	-	16,858,558	-	1,144,243	11,080,085	53,889	-	4,433,141	147,200	-
Special Districts	-	609,553	-	-	609,553	-	-	-	-	-
<i>Capital Improvement</i>										
Capital Improvement	183,714,032	382,761,140	87,283,934	-	-	-	563,959,543	21,600,200	16,617,500	51,581,863
Total All Funds	430,798,421	1,033,862,000	206,751,186	227,356,969	260,494,253	20,263,007	575,705,144	93,647,761	116,689,471	377,255,002

Total Budget Appropriation*** **1,177,467,134**

*Grants includes Revenue Contingency

**Other includes Operating Contingency, Reserve Appropriations, Internal Service Offsets and Indirect Costs

***Total Budget Appropriation excludes Transfers Out and assumes use of reserve appropriations

BUDGET BY FUND | Total Appropriation

	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	Internal Service Funds	Grants and Special Districts	Capital Improvement	Total
Beginning Fund Balance	50,875,661	53,155,481	13,311,337	88,901,395	40,840,515	-	183,714,032	430,798,421
Revenues								
Taxes - Local								
Sales Tax (1.00%)	114,810,435							114,810,435
Sales Tax - Transportation (0.20%)		21,725,777						21,725,777
Sales Tax - Preservation (0.20%)		22,535,596						22,535,596
Sales Tax - Preservation (0.15%)		16,901,695						16,901,695
Sales Tax - Public Safety (0.10%)	11,267,798							11,267,798
Property Tax	31,558,188		34,214,874		320,667			66,093,729
Transient Occupancy Tax		20,413,217						20,413,217
Electric & Gas Franchise	8,541,000							8,541,000
Cable TV License Fee	4,143,700							4,143,700
Salt River Project In Lieu		217,952						217,952
Stormwater Fees	3,103,234			300,000				3,403,234
State Shared Revenues								
State Shared Income Tax	30,278,353							30,278,353
State Shared Sales Tax	24,479,293							24,479,293
Auto Lieu Tax	10,899,543							10,899,543
AZ STAMCSD Revenue			7,120,422					7,120,422
Highway User Tax		15,495,713						15,495,713
Internal Service Charges								
Fleet Management					22,202,501			22,202,501
PC Replacement Charges					1,027,240			1,027,240
Self Insurance					43,109,347			43,109,347
Building Permit Fees & Charges								
Building Permit Fees & Charges	15,565,523							15,565,523
Licenses Permits & Fees								
Recreation Fees	4,306,882							4,306,882
Business & Liquor Licenses	1,885,121							1,885,121
Fire Charges For Services	1,512,900							1,512,900
Fines Fees & Forfeitures								
Court Fines	4,169,347							4,169,347
Photo Radar	2,264,853							2,264,853
Library	466,950							466,950
Parking Fines	251,884							251,884
Charges for Service/Other								
WestWorld Equestrian Facility Fees	4,902,586							4,902,586
Miscellaneous	2,265,140	210,500		1,097,640			6,469,800	10,043,080
Property Rental	3,372,747	1,910,000		104,090				5,386,837
Intergovernmental	1,819,929	805,000					23,280,666	25,905,595
Utilities & Enterprises								
Water Service Charges				96,931,020				96,931,020
Water Reclamation Svc. Charges				40,516,000				40,516,000
Non-Potable Water Svc. Charges				12,840,140				12,840,140
Solid Waste Svc. Charges - Residential				17,493,127				17,493,127
Solid Waste Svc. Charges - Commercial				3,779,732				3,779,732
Airport Fees & Jet Fuel				4,885,380				4,885,380
Other Revenue								
Interest Earnings	3,574,918	686,217		2,277,347			3,263,949	9,802,431
Indirect/Direct Cost Allocations	6,474,927	424,355		929,000				7,828,282
Grants and Special Districts						15,468,111	9,011,628	24,479,739
Special Programs Revenue		7,011,775						7,011,775
Bond Proceeds/MPC								-
Spring Exhibition Surcharge			170,000					170,000
CIP Unexpended Year End							340,735,097	340,735,097
Less Internal Service Funds Offset					(55,938,826)			(55,938,826)
Subtotal	292,133,203	108,119,845	41,505,296	181,153,476	10,720,929	15,468,111	382,761,140	1,031,862,000
Transfers In								
Operating Transfers								
From General Fund		10,000	12,220,576		114,425		11,790,350	24,135,351
From Special Revenue Funds	2,880,448	300,000	35,691,598				22,130,960	61,003,006
From Debt Service Fund			6,618,079					6,618,079
From Enterprise Funds	7,417,865			37,596,761			51,724,724	96,739,350
From Internal Service Funds							1,490,700	1,490,700
From Grant Funds							147,200	147,200
From Capital Improvement				16,617,500				16,617,500
Subtotal	10,298,313	310,000	54,530,253	54,214,261	114,425	-	87,283,934	206,751,186
Other Activity								
Reserve Appropriations								
Operating Contingency / Reserves						2,000,000		2,000,000
Subtotal	-	-	-	-	-	2,000,000	-	2,000,000
Total Sources	302,431,516	108,429,845	96,035,549	235,367,737	10,835,354	17,468,111	470,045,074	1,240,613,186

BUDGET BY FUND | Total Appropriation

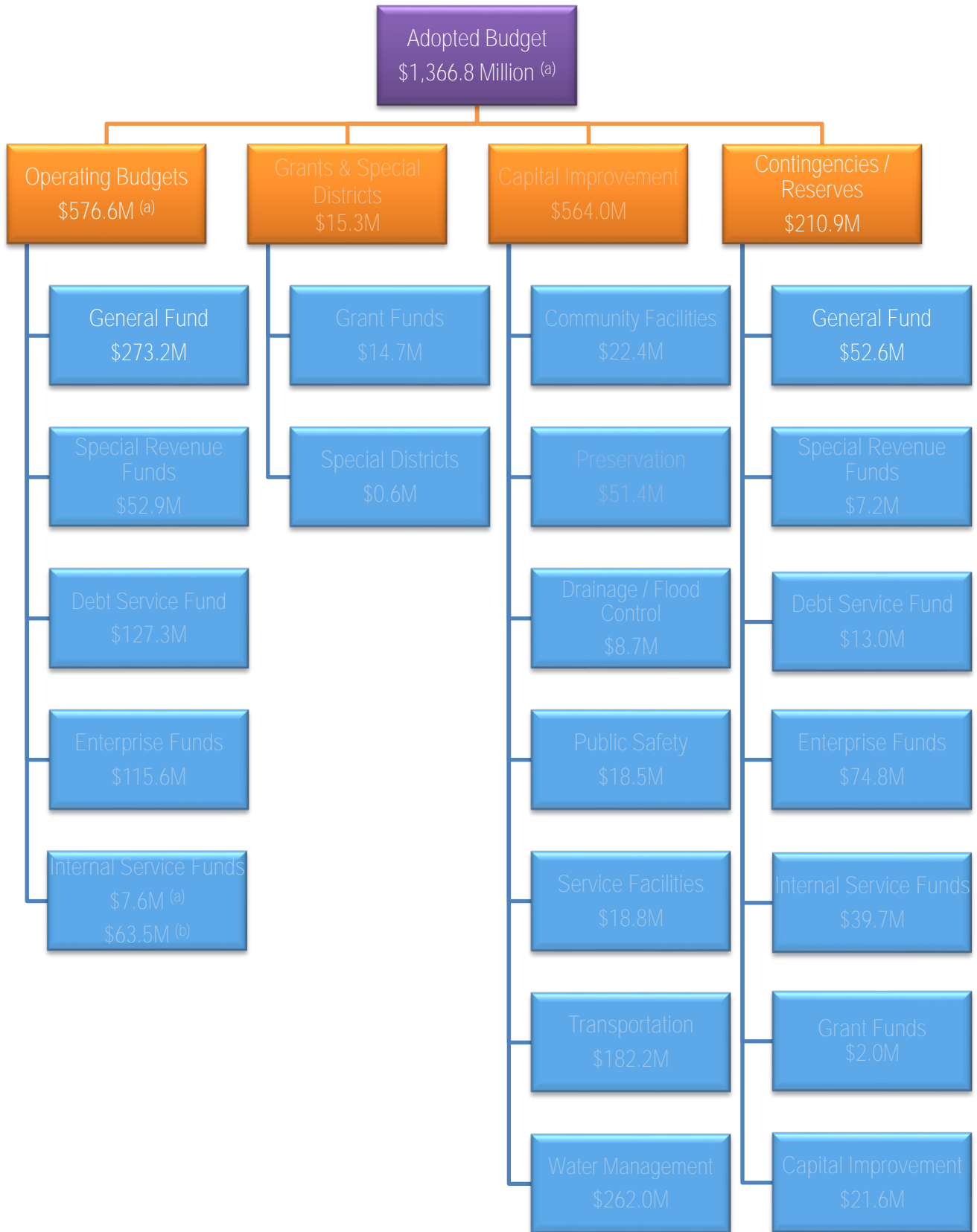
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	Internal Service Funds	Grants and Special Districts	Capital Improvement	Total
Expenditures								
Divisions								
Mayor and City Council	663,553	7,500						671,053
City Attorney	7,063,005				9,082,245			16,145,250
City Auditor	960,417							960,417
City Clerk	1,038,391							1,038,391
City Court	4,785,513	1,319,912						6,105,425
City Manager	2,580,340							2,580,340
City Treasurer	9,146,685	53,904		3,260,635				12,461,224
Administrative Services	14,948,331				33,122,410			48,070,741
Community and Economic Development	24,785,983	28,049,326		2,255,179				55,090,488
Community Services	36,832,909	4,877,294						41,710,203
Public Safety - Fire	40,149,889	2,180						40,152,069
Public Safety - Police	101,727,372	2,635,617						104,362,989
Public Works	12,417,500	14,183,799		19,588,076	21,130,307			67,319,682
Water Resources				65,510,753				65,510,753
Utilities	8,421,780	1,493,068		16,447,873				26,362,721
Citywide Pay Program	2,464,123	210,743		703,399	117,937	53,306		3,549,508
Fire Pay Program	513,509							513,509
Police Pay Program	758,988							758,988
Sergeant Pay Program	223,062							223,062
Compensation - Other	5,661,107	300,165		1,035,484	196,276			7,193,032
Leave Accrual Payments	2,033,500	148,728		571,345	32,568			2,786,141
Savings from Vacant Positions	(4,846,100)	(418,218)		(1,665,408)	(204,790)			(7,134,516)
Vacation Trade	829,857	41,407		96,287	13,571	3,717		984,839
Indirect/Direct Cost Allocation				7,828,282				7,828,282
Less Internal Service Fund Offsets					(55,938,826)			(55,938,826)
Subtotal	273,159,714	52,905,425	-	115,631,905	7,551,698	57,023	-	449,305,765
Grant and Special Districts								
Grants						14,654,335		14,654,335
Special Districts						609,553		609,553
Subtotal	-	-	-	-	-	15,263,888	-	15,263,888
Capital Improvement								
Community Facilities							22,356,042	22,356,042
Preservation							51,369,005	51,369,005
Drainage / Flood Control							8,719,392	8,719,392
Public Safety							18,543,875	18,543,875
Service Facilities							18,754,695	18,754,695
Transportation							182,199,493	182,199,493
Water Management							262,017,041	262,017,041
Subtotal	-	-	-	-	-	-	563,959,543	563,959,543
Debt Service								
GO Debt Service - Non Preserve			35,164,874					35,164,874
GO Debt Service - Preserve			26,873,185					26,873,185
SPA Debt Service			5,121,875					5,121,875
Sewer Revenue Bonds				4,566,588				4,566,588
MPC Excise Debt			22,535,193	30,169,885				52,705,078
Certificates of Participation	2,548,680							2,548,680
Contracts Payable	342,068							342,068
Subtotal	2,890,748	-	89,695,127	34,736,473	-	-	-	127,322,348
Other Activity								
Reserve Appropriations								
Operating Contingency	52,555,046	7,222,738	13,033,680			2,000,000	21,600,200	96,411,664
Solid Waste				5,457,622				5,457,622
Aviation				3,516,933				3,516,933
Self Insurance					39,668,623			39,668,623
Water/Water Reclamation				65,854,431				65,854,431
Subtotal	52,555,046	7,222,738	13,033,680	74,828,986	39,668,623	2,000,000	21,600,200	210,909,273
TOTAL BUDGET	328,605,508	60,128,163	102,728,807	225,197,364	47,220,321	17,320,911	585,559,743	1,366,760,817
Transfers Out								
Capital Improvement	11,790,350	22,130,960		51,724,724	1,490,700	147,200		87,283,934
Operating Transfers								
To General Fund		2,880,448						2,880,448
To Special Revenue Funds	10,000	300,000						310,000
To Debt Service Fund	12,220,576	35,691,598	6,618,079	33,015,479				87,545,732
To Internal Service Funds	114,425							114,425
To Enterprise Funds				4,581,282			16,617,500	21,198,782
Enterprise Transfers								-
Franchise Fee				7,417,865				7,417,865
Subtotal	24,135,351	61,003,006	6,618,079	96,739,350	1,490,700	147,200	16,617,500	206,751,186
Total Uses	352,740,859	121,131,169	109,346,886	321,936,714	48,711,021	17,468,111	602,177,243	1,573,512,003
Sources Over/(Under) Uses	(50,309,343)	(12,701,324)	(13,311,337)	(86,568,977)	(37,875,667)	-	(132,132,169)	(332,898,817)
Ending Fund Balance *	566,318	40,454,157	-	2,332,418	2,964,848	-	51,581,863	97,899,604

* Assuming Use of Reserve Appropriations



FY 2018/19 Adopted Budget





^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

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



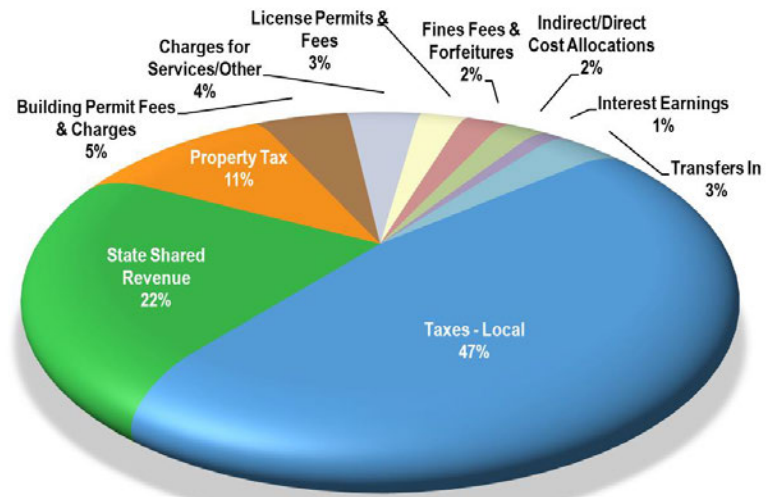
FY 2018/19 Adopted Budget

Fund Purpose

The General Fund exists to account for the activity associated with traditional local government services such as police, fire, parks and recreation, planning and economic development and general city administration. Under Arizona State law, each city and town must maintain a General Fund. The General Fund is the largest operating fund, includes the most diverse operations and because its use is unrestricted is typically the fund of most interest and significance to citizens.

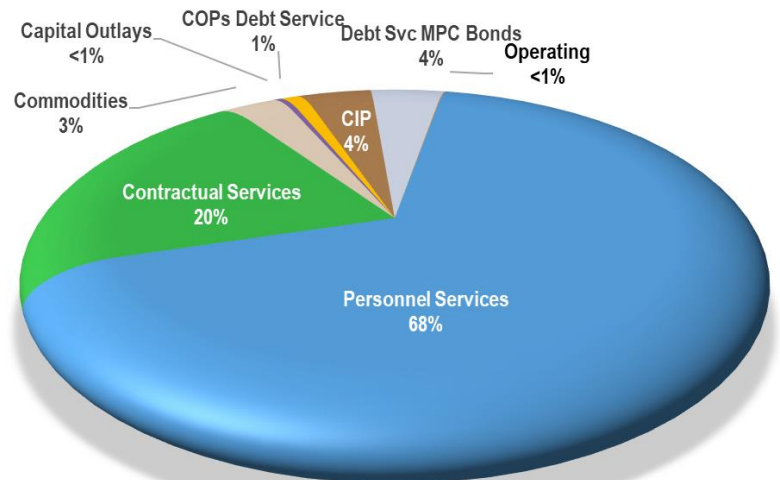
General Fund Sources (in \$ millions)

Taxes - Local	142.1
State Shared Revenue	65.7
Property Tax	31.6
Building Permit Fees & Charges	15.6
Charges for Services/Other	12.4
License Permits & Fees	7.7
Fines Fees & Forfeitures	7.2
Indirect/Direct Cost Allocations	6.5
Interest Earnings	3.6
Total Revenue	292.1
Transfers In	10.3
Total Sources	302.4



General Fund Uses (in \$ millions)

Personnel Services	202.7
Contractual Services	60.4
Commodities	9.0
Capital Outlays	1.1
COPs Debt Service	2.9
Total Operating Budget	276.1
Transfers Out	
CIP	11.8
Debt Svc MPC Bonds	12.2
Operating	0.1
Total Transfers Out	24.1
Total Uses	300.2
Contingency/Reserves	30.6



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

BUDGET BY FUND | General Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Contingency	3,000,000	3,000,000	3,000,000	3,000,000
Operating Reserve	24,003,700	25,625,900	25,039,500	26,804,087
PSPRS Pension Liabilities	-	-	-	-
Undesignated, Unreserved Fund Balance	33,356,624	23,976,067	28,734,617	21,071,574
Total Beginning Fund Balance ^(a)	60,360,324	52,601,967	56,774,117	50,875,661
Revenues				
Taxes - Local				
Sales Tax (1.00%)	103,081,105	109,876,026	111,793,719	114,810,435
Sales Tax - Public Safety (0.10%)	10,139,627	10,790,420	10,970,309	11,267,798
Electric & Gas Franchise	8,413,661	8,467,000	8,467,000	8,541,000
Cable TV License Fee	3,896,099	3,637,100	4,037,100	4,143,700
Stormwater Fee	921,358	916,878	927,276	3,103,234
Salt River Project In Lieu	230,900	225,000	225,000	217,952
State Shared Revenues				
State Shared Income Tax	28,975,545	29,726,061	29,726,061	30,278,353
State Shared Sales Tax	21,754,791	23,131,809	23,131,809	24,479,293
Auto Lieu Tax	9,334,469	10,278,542	10,278,542	10,899,543
Property Tax				
Property Tax	26,201,734	27,197,112	27,197,112	31,558,188
Building Permit Fees & Charges				
Building Permit Fees & Charges	13,497,868	14,998,399	14,298,399	15,565,523
Charges For Service/Other				
Westworld Equestrian Facility Fees	4,578,595	4,763,504	4,688,504	4,902,586
Property Rental	3,294,973	3,103,273	3,026,954	3,372,747
Miscellaneous	2,935,984	2,252,182	3,273,232	2,265,140
Intergovernmental	1,538,320	1,750,989	1,679,426	1,819,929
License Permits & Fees				
Recreation Fees	3,996,490	4,160,102	4,160,102	4,306,882
Business & Liquor Licenses	1,800,543	1,892,612	1,892,612	1,885,121
Fire Charges For Services	793,142	703,630	703,630	1,512,900
Fines Fees & Forfeitures				
Court Fines	4,256,435	3,592,362	4,195,362	4,169,347
Photo Radar	2,898,222	3,019,803	2,019,803	2,264,853
Library	320,831	304,100	304,100	466,950
Parking Fines	266,047	226,401	226,401	251,884
Indirect/Direct Cost Allocations				
Indirect Costs	6,101,235	6,546,702	6,546,702	6,091,427
Direct Cost Allocation (Fire)	313,196	350,000	350,000	383,500
Interest Earnings				
Interest Earnings	1,564,186	1,615,319	2,160,403	3,574,918
Subtotal	261,105,357	273,525,326	276,279,558	292,133,203
Transfers In				
Debt Service	3,456,415	-	-	-
Enterprise Franchise Fees	7,634,826	7,214,440	7,414,440	7,417,865
Special Revenue Funds	2,053,460	1,901,727	1,901,727	2,880,448
Subtotal	13,144,701	9,116,167	9,316,167	10,298,313
Total Sources	274,250,058	282,641,493	285,595,725	302,431,516

^(a) Excludes accrued liabilities of \$6.8 million in FY 2016/17 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Expenditures				
Mayor and City Council	793,544	630,584	671,934	663,553
City Attorney	6,786,009	6,854,484	6,982,526	7,063,005
City Auditor	846,129	908,926	926,651	960,417
City Clerk	896,380	757,912	774,666	1,038,391
City Court	4,567,357	4,724,457	4,707,455	4,785,513
City Manager	1,919,599	2,432,791	2,450,008	2,580,340
City Treasurer	8,048,414	8,638,685	8,484,669	9,146,685
Administrative Services	14,206,456	14,703,984	14,652,717	14,948,331
Community and Economic Development	24,339,924	24,054,328	24,251,600	24,785,983
Community Services	35,574,607	35,525,762	35,186,711	36,832,909
Public Safety - Fire	36,985,504	37,094,259	42,444,991	40,149,889
Public Safety - Police	92,610,739	97,732,710	103,388,648	101,727,372
Public Works	19,961,325	11,925,387	17,306,435	12,417,500
<i>CIP Operating Impacts</i>	-	-	-	-
<i>Utilities</i>	-	8,554,237	3,582,568	8,421,780
<i>Citywide Pay Program</i>	-	2,088,773	-	2,464,123
<i>Fire Pay Program</i>	-	852,827	-	513,509
<i>Police Pay Program</i>	-	1,309,684	-	758,988
<i>Sergeant Pay Program</i>	-	393,453	-	223,062
<i>Compensation Other</i>	-	7,783,645	-	5,661,107
<i>Leave Accrual Payments</i>	-	2,150,000	1,249,495	2,033,500
<i>Personnel - Other</i>	-	395,341	-	-
<i>Savings from Vacant Positions</i>	-	(3,953,520)	(1,894,659)	(4,846,100)
<i>Vacation Trade</i>	-	-	-	829,857
Subtotal	247,535,987	265,558,709	265,166,415	273,159,714
Contracts Payable & Certificates of Participation (COPs)				
Certificates of Participation	2,548,680	2,548,679	2,548,679	2,548,680
Contracts Payable	310,266	325,779	325,779	342,068
Subtotal	2,858,945	2,874,458	2,874,458	2,890,748
TOTAL OPERATING BUDGET	250,394,932	268,433,167	268,040,873	276,050,462
Transfers Out				
CIP	6,508,526	67,400	3,067,400	67,400
CIP 25% Construction Sales Tax	2,334,110	2,539,667	2,372,209	2,347,771
CIP Excess Interest	564,186	615,319	1,160,403	2,574,918
CIP Food Tax	2,273,154	5,010,900	4,582,370	4,630,261
CIP Stormwater	-	-	-	2,170,000
Debt Svc MPC Bonds	15,466,166	12,111,151	12,110,926	12,220,576
Operating	295,191	240,000	160,000	124,425
Subtotal	27,441,333	20,584,437	23,453,308	24,135,351
Total Uses	277,836,265	289,017,604	291,494,181	300,185,813
Sources Over/(Under) Uses	(3,586,207)	(6,376,111)	(5,898,456)	2,245,703
ONGOING Sources Over/(Under) Uses	11,874,902	2,437,534	7,681,400	4,213,697
Ending Fund Balance				
Operating Contingency	2,125,000	3,000,000	454,250	3,000,000
Operating Reserve	25,039,500	26,843,300	26,804,087	27,605,046
PSPRS Pension Liabilities	-	-	-	21,950,000
Undesignated, Unreserved Fund Balance	29,609,617	16,382,556	23,617,324	566,318
Total Ending Fund Balance ^(a)	56,774,117	46,225,856	50,875,661	53,121,364

^(a) Excludes accrued liabilities of \$6.8 million in FY 2016/17 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Contingency	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Operating Reserve	26,804,087	27,605,046	28,550,780	29,328,770	29,971,330
PSPRS Pension Liabilities	-	21,950,000	21,138,760	21,297,620	23,108,960
Undesignated, Unreserved Fund Balance	21,071,574	566,318	599,724	526,474	487,074
Total Beginning Fund Balance ^(a)	50,875,661	53,121,364	53,289,264	54,152,864	56,567,364
Revenues					
Taxes - Local					
Sales Tax (1.00%)	114,810,435	117,936,500	121,172,000	124,498,400	127,983,000
Sales Tax - Public Safety (0.10%)	11,267,798	11,576,200	11,895,200	12,223,500	12,567,400
Electric & Gas Franchise	8,541,000	8,615,600	8,691,000	8,767,100	8,843,900
Cable TV License Fee	4,143,700	4,164,400	4,176,900	4,181,100	4,183,200
Stormwater Fee	3,103,234	3,134,300	3,165,600	3,197,300	3,229,200
Salt River Project In Lieu	217,952	209,200	200,900	192,800	185,100
State Shared Revenues					
State Shared Income Tax	30,278,353	30,883,900	31,501,600	32,131,600	32,774,300
State Shared Sales Tax	24,479,293	25,213,700	25,970,100	26,749,200	27,551,700
Auto Lieu Tax	10,899,543	11,444,500	12,016,700	12,617,600	13,248,500
Property Tax					
Property Tax	31,558,188	32,491,900	33,453,200	34,442,900	35,462,000
Building Permit Fees & Charges					
Building Permit Fees & Charges	15,565,523	15,443,100	16,009,400	16,512,400	16,840,500
Charges For Service/Other					
Westworld Equestrian Facility Fees	4,902,586	4,993,300	5,085,800	5,180,600	5,276,800
Property Rental	3,372,747	3,535,500	3,567,400	3,622,400	3,678,700
Miscellaneous	2,265,140	2,276,600	2,288,400	2,298,200	2,788,300
Intergovernmental	1,819,929	1,848,700	1,857,800	1,745,400	1,749,600
License Permits & Fees					
Recreation Fees	4,306,882	4,371,800	4,435,300	4,500,500	4,560,900
Business & Liquor Licenses	1,885,121	1,891,800	1,898,100	1,906,500	1,914,800
Fire Charges For Services	1,512,900	1,514,900	1,517,200	1,519,500	1,521,800
Fines Fees & Forfeitures					
Court Fines	4,169,347	4,564,200	5,281,200	5,463,000	5,519,000
Photo Radar	2,264,853	2,276,100	2,299,700	2,312,900	2,326,100
Library	466,950	467,000	467,000	466,000	466,000
Parking Fines	251,884	251,900	255,700	259,600	262,500
Indirect/Direct Cost Allocations					
Indirect Costs	6,091,427	6,396,000	6,715,800	7,051,600	7,404,200
Direct Cost Allocation (Fire)	383,500	402,700	422,800	443,900	466,100
Interest Earnings					
Interest Earnings	3,574,918	4,002,100	4,482,900	4,550,800	4,575,500
Subtotal	292,133,203	299,905,900	308,827,700	316,834,800	325,379,100
Transfers In					
Debt Service	-	-	-	-	-
Enterprise Franchise Fees	7,417,865	7,630,700	7,849,700	8,075,200	8,307,400
Special Revenue Funds	2,880,448	2,909,000	2,965,100	3,038,600	3,034,200
Subtotal	10,298,313	10,539,700	10,814,800	11,113,800	11,341,600
Total Sources	302,431,516	310,445,600	319,642,500	327,948,600	336,720,700

^(a) Excludes accrued liabilities of \$6.8 million in FY 2016/17 and unknown accrued liabilities in current and future years.

BUDGET BY FUND | General Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Expenditures					
Mayor and City Council	663,553	662,500	674,000	686,400	699,200
City Attorney	7,063,005	7,113,300	7,175,900	7,241,500	7,310,900
City Auditor	960,417	992,000	1,009,000	1,015,500	1,028,600
City Clerk	1,038,391	775,000	1,054,100	792,000	1,072,400
City Court	4,785,513	4,834,100	4,890,300	4,947,900	5,009,300
City Manager	2,580,340	2,554,400	2,581,700	2,605,400	2,634,100
City Treasurer	9,146,685	9,227,600	9,349,100	9,478,700	9,614,000
Administrative Services	14,948,331	15,604,200	15,792,100	16,193,500	16,385,000
Community and Economic Development	24,785,983	24,942,200	25,141,800	25,521,600	25,913,800
Community Services	36,832,909	36,488,000	36,948,000	37,025,300	37,499,400
Public Safety - Fire	40,149,889	40,608,300	41,033,700	41,487,100	42,015,000
Public Safety - Police	101,727,372	102,640,700	103,580,200	104,608,300	105,772,100
Public Works	12,417,500	12,014,000	12,115,100	12,191,200	12,123,600
CIP Operating Impacts	-	418,700	527,300	1,670,800	1,730,800
Utilities	8,421,780	8,506,100	8,591,100	8,677,100	8,763,800
Citywide Pay Program	2,464,123	4,589,200	6,544,900	8,332,300	10,024,200
Fire Pay Program	513,509	1,023,000	1,465,100	1,778,400	2,055,300
Police Pay Program	758,988	1,445,700	2,020,400	2,536,200	3,014,200
Sergeant Pay Program	223,062	447,600	645,200	795,500	890,200
Compensation Other	5,661,107	9,727,300	13,817,300	13,810,600	13,833,200
Leave Accrual Payments	2,033,500	2,074,200	2,115,700	2,157,900	2,201,100
Personnel - Other	-	-	-	-	-
Savings from Vacant Positions	(4,846,100)	(4,943,000)	(5,041,900)	(5,142,700)	(5,245,600)
Vacation Trade	829,857	854,800	880,400	906,800	934,000
Subtotal	273,159,714	282,599,900	292,910,500	299,317,300	305,278,600
Contracts Payable & Certificates of Participation (COPs)					
Certificates of Participation	2,548,680	2,548,700	-	-	-
Contracts Payable	342,068	359,200	377,200	396,000	415,800
Subtotal	2,890,748	2,907,900	377,200	396,000	415,800
TOTAL OPERATING BUDGET	276,050,462	285,507,800	293,287,700	299,713,300	305,694,400
Transfers Out					
CIP	67,400	67,400	67,400	67,400	67,400
CIP 25% Construction Sales Tax	2,347,771	2,358,000	2,381,500	2,406,800	2,436,900
CIP Excess Interest	2,574,918	3,002,100	3,482,900	3,550,800	3,575,500
CIP Food Tax	4,630,261	4,676,500	4,723,400	4,770,600	4,818,300
CIP Stormwater	2,170,000	2,191,700	2,213,600	2,235,800	2,258,100
Debt Svc MPC Bonds	12,220,576	12,329,700	12,455,800	12,598,300	12,698,400
Operating	124,425	144,500	166,600	191,100	218,900
Subtotal	24,135,351	24,769,900	25,491,200	25,820,800	26,073,500
Total Uses	300,185,813	310,277,700	318,778,900	325,534,100	331,767,900
Sources Over/(Under) Uses	2,245,703	167,900	863,600	2,414,500	4,952,800
ONGOING Sources Over/(Under) Uses	4,213,697	583,212	1,111,600	2,662,500	4,952,800
Ending Fund Balance					
Operating Contingency	3,000,000	3,000,000	3,000,000	3,000,000	3,300,000
Operating Reserve	27,605,046	28,550,780	29,328,770	29,971,330	30,569,440
PSPRS Pension Liabilities	21,950,000	21,138,760	21,297,620	23,108,960	27,075,570
Undesignated, Unreserved Fund Balance	566,318	599,724	526,474	487,074	575,154
Total Ending Fund Balance ^(a)	53,121,364	53,289,264	54,152,864	56,567,364	61,520,164

^(a) Excludes accrued liabilities of \$6.8 million in FY 2016/17 and unknown accrued liabilities in current and future years.

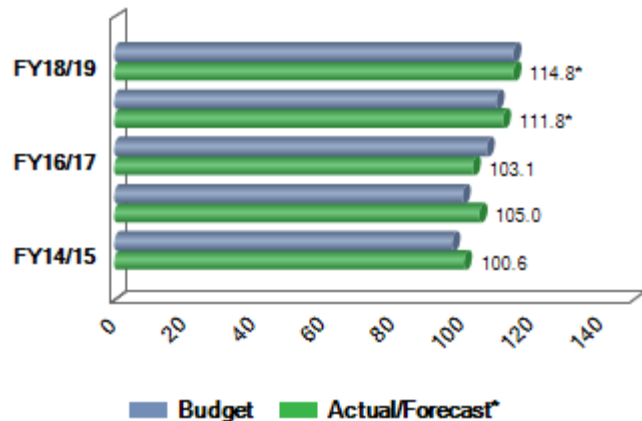
General Fund Sources

General Fund sources include both revenues and transfers-in from other fund types such as the Special Programs, Tourism and Development and Enterprise Funds. For FY 2018/19 estimated General Fund revenues and transfers-in equal \$302.4 million, an increase of approximately \$16.8 million, or 5.9 percent, from the FY 2017/18 year-end forecast of \$285.6 million. Primarily contributing to the increase is \$3.3 million in Sales Taxes, \$2.2 million in Stormwater Fee, \$2.5 million in State Shared Revenues, \$4.4 million for Property Tax and \$1.3 million in Building Permit Fees & Charges. Certain components of the revenue sources are subject to dramatic peaks and valleys from year to year. Scottsdale continues to experience positive trends in revenue, with the majority of revenue categories projected to maintain current activity levels with many increasing. Revenues and transfers-in determine Scottsdale's capacity to provide program services to citizens. The major resources, which fund the program operating budget, debt service, and capital projects, are identified in this section.

Sales Tax (1.00%)

Sales Tax (1.00%) represents the 1.00 percent General Fund share of the city's total 1.65 percent Sales Tax that is available for any municipal purpose. This revenue also includes sales tax application and penalty fees. It is the General Fund's largest revenue source, which is used to pay for general governmental operations as well as the repayment of Municipal Property Corporation (MPC) Bonds. For FY 2018/19, the anticipated revenue budget is \$114.8 million, which is approximately \$3.0 million, or 2.7 percent, more than the FY 2017/18 year-end forecast of \$111.8 million. Staff forecast the Sales Tax collections by business category to arrive at more precise projections. The revenue forecasts for each business category use various assumptions that combine historical elements as well as emerging fiscal, economic and legal considerations. FY 2016/17 includes a one-time 'loss' of \$3.7 million in collections as a result of the Arizona Department of Revenue (ADOR) taking over the administration, collection and reporting of Sales Tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily, which resulted in a one-time reduction in collections related to the timing of payments being received. Also, beginning in FY 2016/17 a portion of the Food Sales Tax collections is transferred to the CIP to fund various projects. The FY 2018/19 transfer to CIP is \$4.6 million, or 2/3, of the Food category estimated collections. The 1.00 percent five-year Sales Tax forecast is shown in detail in the following table by major business category.

Adopted Budget to Actual/Forecast* (in millions)



Sales Tax (1.00%) Five-Year Forecast by Business Category (rounding differences may occur)

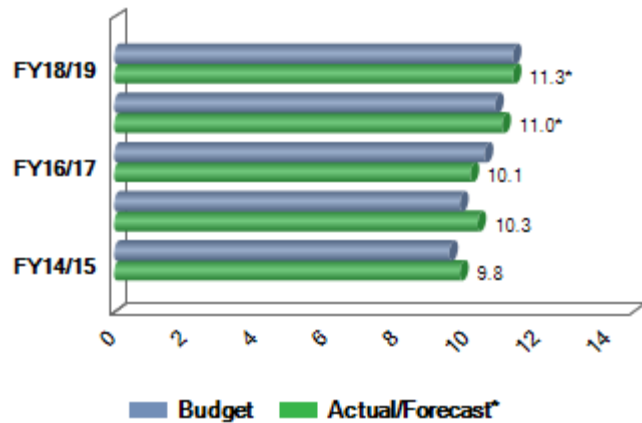
Business Category	FY 16/17	% of	FY 17/18	% of	FY 17/18	% of	FY 18/19	% of
	Actual	Total	Adopted	Total	Forecast	Total	Adopted	Total
Automotive	14,948,508	15%	14,186,006	13%	16,341,955	15%	16,442,129	14%
Construction	9,336,439	9%	10,158,667	9%	9,488,837	8%	9,391,085	8%
Food	6,820,144	7%	7,515,974	7%	6,873,212	6%	6,941,920	6%
Hotel/Motel	6,433,215	6%	6,387,251	6%	6,608,348	6%	6,875,547	6%
Major Dept Stores	9,025,332	9%	9,475,038	9%	9,524,913	9%	9,663,443	8%
Misc. Retail	18,383,496	18%	20,228,605	18%	20,363,997	18%	21,374,879	19%
Other Taxable	8,403,231	8%	9,198,822	8%	9,257,487	8%	9,720,637	8%
Rental	13,800,292	13%	14,872,727	14%	16,193,158	14%	17,002,808	15%
Restaurants	9,693,488	9%	10,797,422	10%	10,306,006	9%	10,615,163	9%
Utilities	4,552,303	4%	5,083,683	5%	4,745,160	4%	4,650,364	4%
Other	1,684,656	2%	1,971,830	2%	2,090,646	2%	2,132,460	2%
Total	103,081,105	100%	109,876,026	100%	111,793,719	100%	114,810,435	100%

Business Category	FY 19/20	% of	FY 20/21	% of	FY 21/22	% of	FY 22/23	% of
	Forecast	Total	Forecast	Total	Forecast	Total	Forecast	Total
Automotive	16,356,400	14%	16,192,900	13%	16,192,900	13%	16,192,900	13%
Construction	9,431,800	8%	9,526,100	8%	9,627,200	8%	9,747,500	8%
Food	7,011,300	6%	7,081,500	6%	7,152,300	6%	7,223,800	6%
Hotel/Motel	7,081,800	6%	7,294,300	6%	7,294,300	6%	7,294,300	6%
Major Dept Stores	9,856,700	8%	10,053,800	8%	10,254,900	8%	10,460,000	8%
Misc. Retail	22,443,600	19%	23,565,800	19%	24,744,100	20%	25,981,300	20%
Other Taxable	10,206,700	9%	10,717,000	9%	11,252,900	9%	11,815,500	9%
Rental	17,682,900	15%	18,390,200	15%	19,125,800	15%	19,890,900	16%
Restaurants	11,039,800	9%	11,481,400	9%	11,940,600	10%	12,418,200	10%
Utilities	4,650,400	4%	4,650,400	4%	4,650,400	4%	4,650,400	4%
Other	2,175,100	2%	2,218,600	2%	2,263,000	2%	2,308,200	2%
Total	117,936,500	100%	121,172,000	100%	124,498,400	100%	127,983,000	100%

Sales Tax - Public Safety (0.10%)

Sales Tax - Public Safety (0.10%) represents the 0.10 percent of the total 1.65 percent sales tax rate and is dedicated exclusively to public safety. The Sales Tax - Public Safety (0.10%) revenue budget for FY 2018/19 is \$11.3 million, which is an increase over the FY 2017/18 year-end forecast of \$11.0 million. This designated sales tax covers 7.9 percent of the FY 2018/19 Public Safety Police and Fire General Fund budgets combined. FY 2016/17 includes a one-time 'loss' of \$0.4 million in collections as a result of the Arizona Department of Revenue (ADOR) taking over the administration, collection and reporting of Sales Tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily, which resulted in a one-time reduction in collections related to the timing of payments being received. The 0.10 percent five-year Sales Tax - Public Safety is shown in detail by business category in the following table.

Adopted Budget to Actual/Forecast* (in millions)



Sales Tax - Public Safety (0.10%) Five-Year Forecast by Business Category (rounding differences may occur)

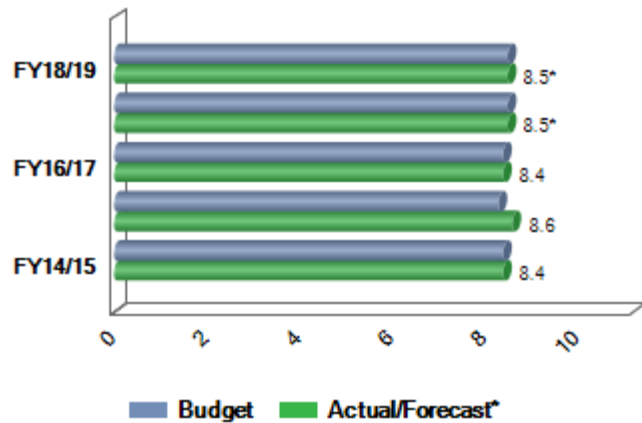
Business Category	FY 16/17	% of	FY 17/18	% of	FY 17/18	% of	FY 18/19	% of
	Actual	Total	Adopted	Total	Forecast	Total	Adopted	Total
Automotive	1,494,849	15%	1,418,601	13%	1,634,196	15%	1,644,213	15%
Construction	933,643	9%	1,015,867	9%	948,884	9%	939,109	8%
Food	682,013	7%	751,597	7%	687,321	6%	694,192	6%
Hotel/Motel	643,320	6%	638,725	6%	660,835	6%	687,555	6%
Major Dept Stores	902,532	9%	947,504	9%	952,491	9%	966,344	9%
Misc. Retail	1,838,347	18%	2,022,861	19%	2,036,400	19%	2,137,488	19%
Other Taxable	840,322	8%	919,882	9%	925,749	8%	972,064	9%
Rental	1,380,024	14%	1,487,273	14%	1,619,316	15%	1,700,281	15%
Restaurants	969,348	10%	1,079,742	10%	1,030,601	9%	1,061,516	9%
Utilities	455,229	4%	508,368	5%	474,516	4%	465,036	4%
Total	10,139,627	100%	10,790,420	100%	10,970,309	100%	11,267,798	100%

Business Category	FY 19/20	% of	FY 20/21	% of	FY 21/22	% of	FY 22/23	% of
	Forecast	Total	Forecast	Total	Forecast	Total	Forecast	Total
Automotive	1,635,600	14%	1,619,300	14%	1,619,300	13%	1,619,300	13%
Construction	943,200	8%	952,600	8%	962,700	8%	974,800	8%
Food	701,100	6%	708,100	6%	715,200	6%	722,400	6%
Hotel/Motel	708,200	6%	729,400	6%	729,400	6%	729,400	6%
Major Dept Stores	985,700	9%	1,005,400	8%	1,025,500	8%	1,046,000	8%
Misc. Retail	2,244,400	19%	2,356,600	20%	2,474,400	20%	2,598,100	21%
Other Taxable	1,020,700	9%	1,071,700	9%	1,125,300	9%	1,181,500	9%
Rental	1,768,300	15%	1,839,000	15%	1,912,600	16%	1,989,100	16%
Restaurants	1,104,000	10%	1,148,100	10%	1,194,100	10%	1,241,800	10%
Utilities	465,000	4%	465,000	4%	465,000	4%	465,000	4%
Total	11,576,200	100%	11,895,200	100%	12,223,500	100%	12,567,400	100%

Electric & Gas Franchise

Electric & Gas Franchise includes franchise taxes charged on revenues from utility companies for use of city right-of-ways and in-lieu property tax for municipal utilities. The FY 2018/19 budget for Electric & Gas Franchise totals \$8.5 million. This revenue has remained consistent over the past few years due to the nature of the activity.

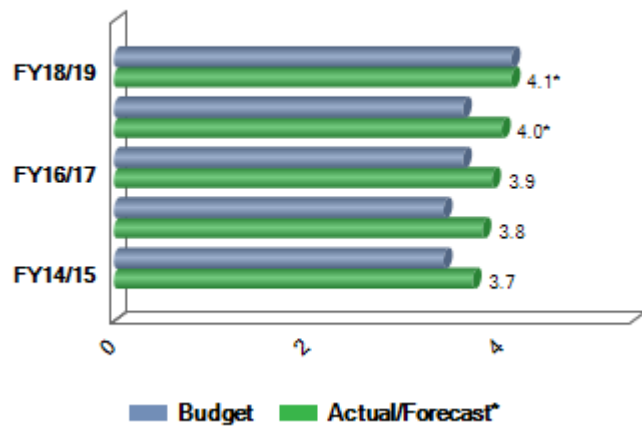
Adopted Budget to Actual/Forecast* (in millions)



Cable TV License Fee

Cable TV License Fee is a franchise tax charged on revenues from cable companies for use of city right-of-ways. The FY 2018/19 budget is \$4.1 million, which is an increase of \$0.1 million from the FY 2017/18 year-end forecast. Despite higher cable TV prices and numerous streaming TV services available, consumers are continuing to maintain their cable TV subscriptions.

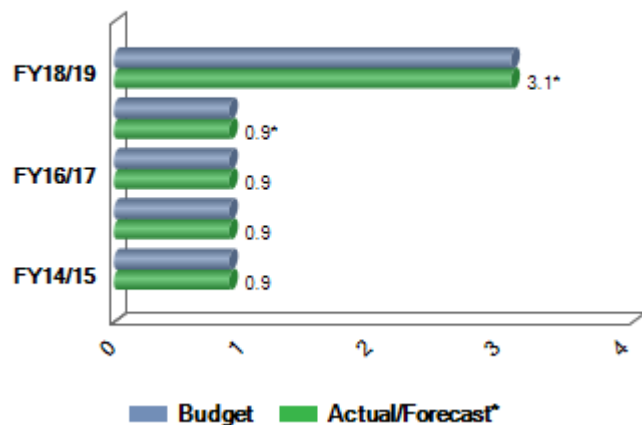
Adopted Budget to Actual/Forecast* (in millions)



Stormwater Fee

Stormwater Fee revenue relates to the water quality charge to help pay a portion of the city's Stormwater Management program costs. These costs are driven by unfunded federal mandates that require the city to operate under a National Pollution Discharge Elimination System (NPDES) permit and to address the quality of stormwater runoff. The FY 2018/19 revenue budget of \$3.1 million represents an increase of \$2.2 million from the FY 2017/18 year-end forecast of \$0.9 million due to a \$2 monthly increase paid by utility customers to fund stormwater related capital projects.

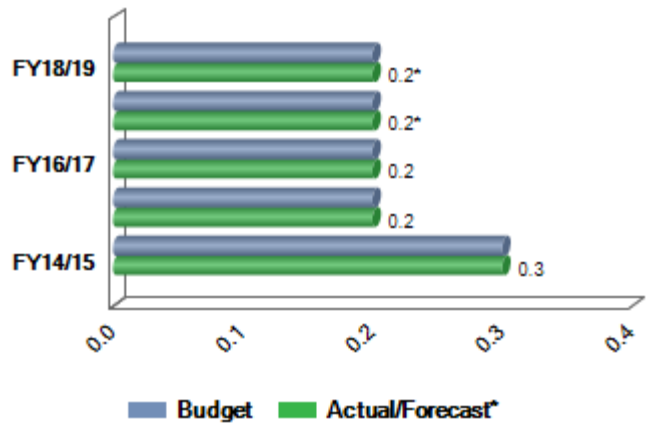
Adopted Budget to Actual/Forecast* (in millions)



Salt River Project In Lieu

Salt River Project In Lieu is franchise taxes charged on revenues to Salt River Project (SRP), a local utility provider, for the use of city right-of-ways and in-lieu property tax for municipal utilities. Revenues have been consistent in prior years and both the adopted FY 2018/19 revenue and the FY 2017/18 year-end forecasted revenue total \$0.2 million.

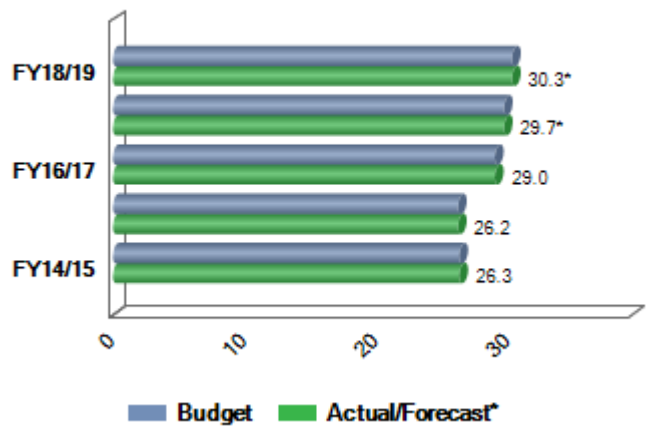
Adopted Budget to Actual/Forecast* (in millions)



State Shared Income Tax

The formula for distribution of the State Shared Income Tax is based upon the relation of the city's population to the total incorporated state population. Cities and towns in Arizona are prohibited by law from levying a local income tax; however, 15 percent of the state income tax collections are shared with the cities and towns. There is a two-year lag between the time citizens report income to the State and when the State remits shared income tax revenues to cities and towns. Revenue from State Shared Income Tax is budgeted at \$30.3 million for FY 2018/19, an increase of \$0.6 million from the FY 2017/18 year-end forecast of \$29.7 million.

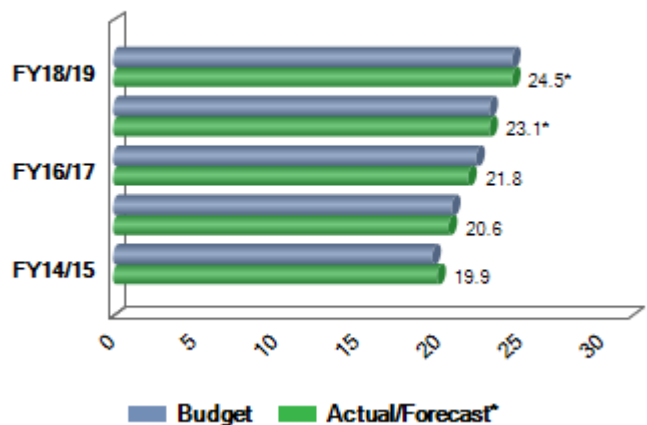
Adopted Budget to Actual/Forecast* (in millions)



State Shared Sales Tax

The formula for distribution of State Shared Sales Tax is based upon the relation of the city's population to the total incorporated state population. Cities and towns share in a portion of the 6 percent sales tax collected by the State. The distribution base (shared portion) varies by category. For example, retail sales is 40 percent shared and 60 percent non-shared (retained by the State). Of the shared portion, 25 percent is returned to incorporated cities and towns, 40.51 percent is returned to counties, and 34.49 percent is returned to the State General Fund. The FY 2018/19 revenue budget is \$24.5 million versus the FY 2017/18 year-end forecast of \$23.1 million, an increase of \$1.3 million.

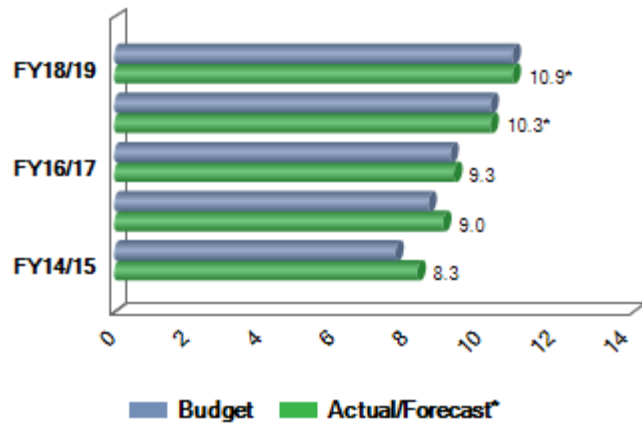
Adopted Budget to Actual/Forecast* (in millions)



Auto Lieu Tax

Auto Lieu Tax is part of the vehicle license fees collected by Maricopa County, but it is actually a State revenue source. 25 percent of the net revenues collected for the licensing of motor vehicles by the county are distributed back to the cities and towns based on population. The only stipulation on the use of this revenue is that it must be spent on a public purpose. The revenue budget for FY 2018/19 is \$10.9 million, which is \$0.6 million higher than the FY 2017/18 year-end forecast of \$10.3 million.

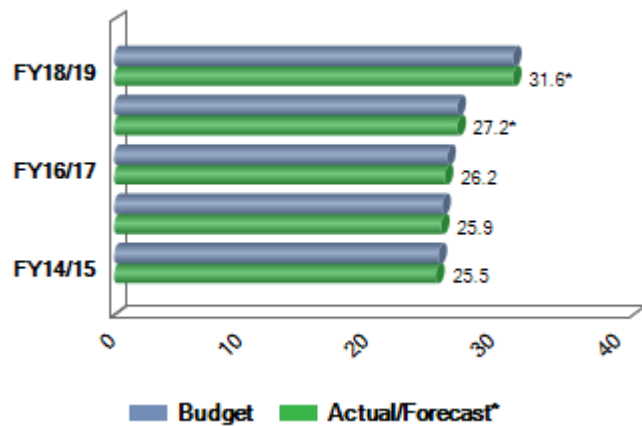
Adopted Budget to Actual/Forecast* (in millions)



Property Tax

Property Tax represents the General Fund's portion of the Property Tax which is levied on the assessed value of all property within the city to help pay for city general governmental operation costs. By Arizona State Statute, the primary property levy is limited to a 2 percent increase per year, plus an allowance for annexations and new construction. Primary property tax accounts for approximately 10.4 percent of the total adopted FY 2018/19 General Fund sources. The FY 2018/19 revenue budget of \$31.6 million represents an increase of \$4.4 million from the FY 2017/18 year-end forecast of \$27.2 million due to the 2 percent statutory adjustment for FY 2011/12 through FY 2016/17 and FY 2018/19, and new construction. The adopted primary property tax rate of approximately 53 cents per \$100 of assessed valuation represents a 0.04 cents increase from the FY 2017/18 rate.

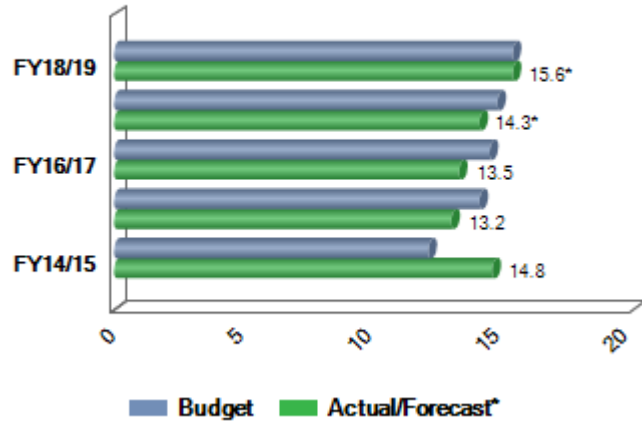
Adopted Budget to Actual/Forecast* (in millions)



Building Permit Fees & Charges

Building Permit Fees & Charges include fees assessed to developers/builders that recover the cost of four primary functions: 1) reviewing/processing development applications, 2) plan review of construction documents, 3) the issuance of building, electrical, mechanical and plumbing permits, and 4) the inspection of buildings/structures in the construction phase. The FY 2018/19 revenue budget of \$15.6 million has increased by \$1.3 million over the FY 2017/18 year-end forecast. While multi-family housing trend has slowed, single family residential new home construction follows the State's upward trend in the real estate market.

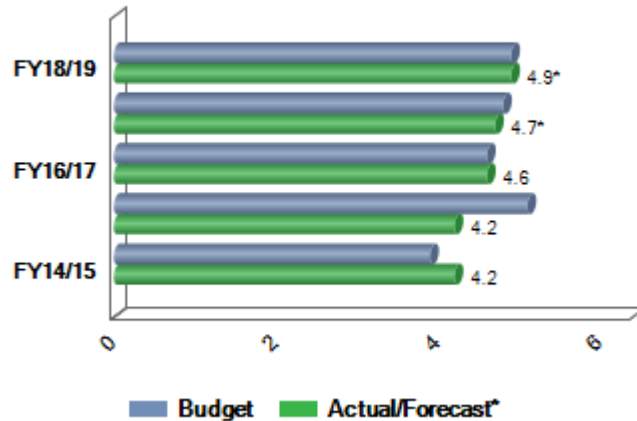
Adopted Budget to Actual/Forecast* (in millions)



WestWorld Equestrian Facility Fees

WestWorld Equestrian Facility Fees include revenue (general facility rental, concessions, parking fees, etc.) from events such as horse shows, auto auctions and car shows, consumer and home shows, as well as RV space rental income. Revenues of \$4.9 million are budgeted in FY 2018/19 versus the FY 2017/18 year-end forecast of \$4.7 million. The FY 2018/19 revenue budget is based on future confirmed bookings for WestWorld, feed and bedding. The continual increase in revenues from FY 2014/15 is primarily due to the expansion of the Tony Nelssen Equestrian Center. The facility now includes approximately 300,000 square feet of climate-controlled enclosed space, which allows for additional events year-round as well as additional areas to accommodate multiple users.

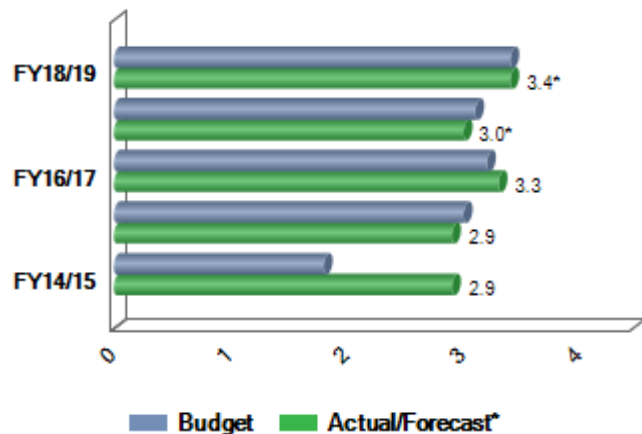
Adopted Budget to Actual/Forecast* (in millions)



Property Rental

Property Rental revenues are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club (TPC) for a percent of revenue on gross sales agreements. The FY 2018/19 revenue of \$3.4 million is \$0.4 million higher than the FY 2017/18 year-end forecast of \$3.0 million. This is due to a 0.5% contract increase in revenue collection from TPC.

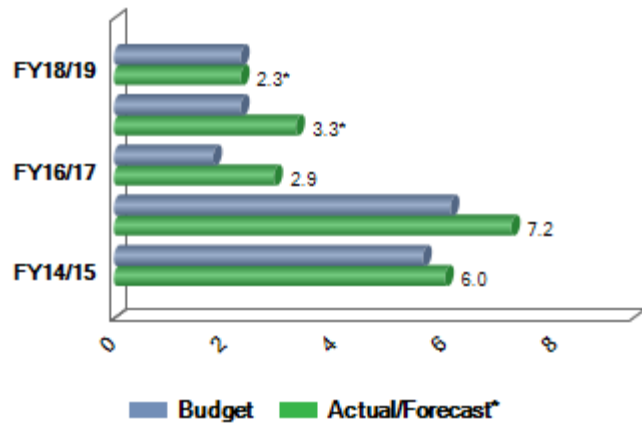
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous revenue includes various revenues the city receives during any given year that are not attributable to one of the specific revenue categories noted previously, such as Other Sale of Property, Passport Fees, Copies of Materials, etc. The FY 2018/19 Miscellaneous revenue is \$2.3 million, which is \$1.0 million lower than the FY 2017/18 year-end forecast of \$3.3 million. This decrease is due to a one-time collection of \$1.0 million from the Arizona Public Service (APS) Raintree Utilities - Improvement District for the cost of constructing underground lines in FY 2017/18. There is also an offsetting expense of the same amount for a net \$0 impact.

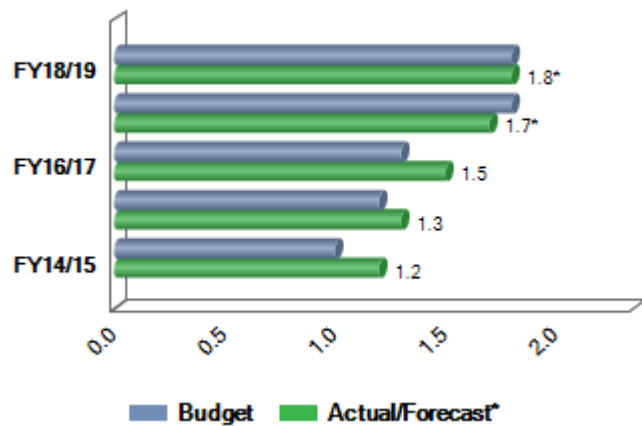
Adopted Budget to Actual/Forecast* (in millions)



Intergovernmental

Intergovernmental revenue is related to School Resource Officers from the Scottsdale Police Department servicing local area schools, an intergovernmental agreement with the Scottsdale Unified School District for shared use of Palomino Library, and revenue received from the County Library District for reciprocal interlibrary use. FY 2018/19 revenues are budgeted at \$1.8 million, which is an increase of \$0.1 million from the FY 2017/18 year-end forecast.

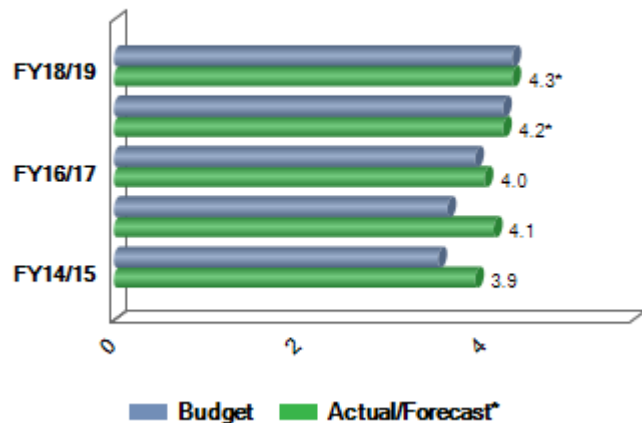
Adopted Budget to Actual/Forecast* (in millions)



Recreation Fees

Recreation Fees are budgeted at \$4.3 million for FY 2018/19 and include revenue from the various recreational programs, classes and entry fees. In accordance with the city's adopted financial policies, recreation fees are reviewed and adjusted annually as needed to meet cost recovery targets as approved by City Council. FY 2018/19 includes increases to field prep fees, non-resident aquatic team participation fees, sand volleyball courts fees, and the McCormick-Stillman Railroad Park holiday lights train ride.

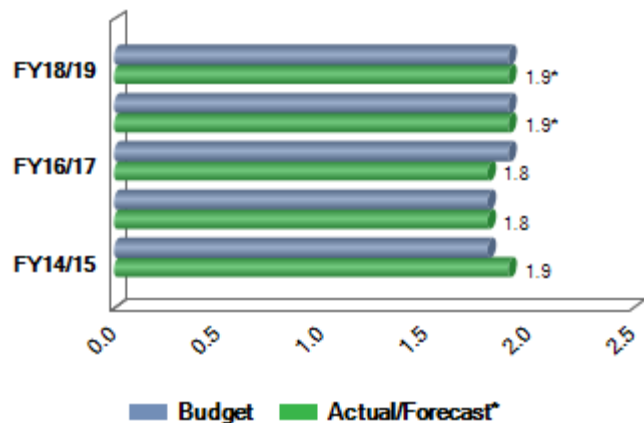
Adopted Budget to Actual/Forecast* (in millions)



Business & Liquor Licenses

Business & Liquor Licenses include the licensing of business activity and the associated fees relating to the licensure and regulation of specific activities. Revenues of \$1.9 million are budgeted for FY 2018/19, which is flat when compared to the FY 2017/18 year-end forecast.

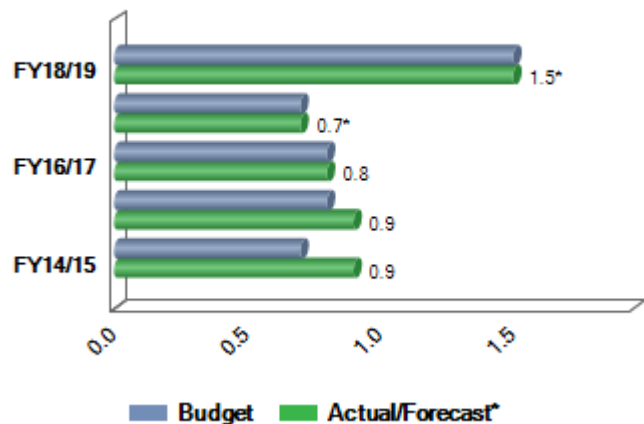
Adopted Budget to Actual/Forecast* (in millions)



Fire Charges for Services

Fire Charges for Services include fees for the cost recovery of fire and medical standbys at special events, after hours inspections, ambulance staffing, and medical enhancement costs associated with the ambulance agreement. In addition, the fire department collects fees for CPR classes, permits and incident reports. The FY 2018/19 revenues are budgeted at \$1.5 million, which is \$0.8 million higher than the FY 2017/18 year-end forecast of \$0.7 million. This is due to a new ambulance contract that is estimated to bring \$1.1 million in revenue, which is \$0.8 million more than the previous contract.

Adopted Budget to Actual/Forecast* (in millions)



Court Fines

Court Fines are the General Fund portion of penalties or fees assessed by state statute, city ordinance or the Presiding Judge. Examples include: fines, a portion of the registration fee to attend Defensive Driving School, bonds forfeited to the city and default fees. The other portions of the fines are included in the Special Programs Fund for Court Enhancement and the Judicial Collections Enhancement or remitted to the State of Arizona. Revenues of \$4.2 million are budgeted for FY 2018/19, which is flat when compared to the FY 2017/18 year-end forecast. Additionally, a City Attorney Service Enhancement fee of \$10 is imposed on every civil and criminal citation, excluding parking violations. The intent of the fee is to have enhanced services such as diversion, probation and home monitoring be paid for by those incurring extra costs associated with providing the enhanced services.

Adopted Budget to Actual/Forecast* (in millions)

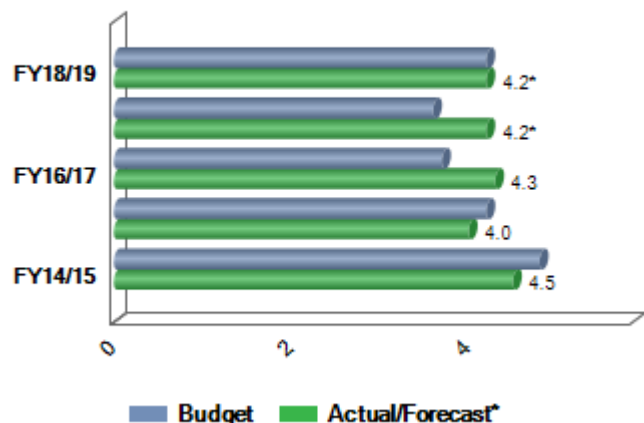
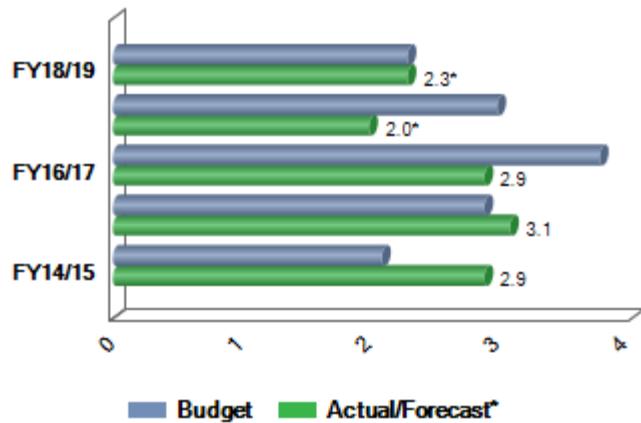


Photo Radar

Photo Radar is the General Fund's portion of photo enforcement penalties as assessed by the Presiding Judge. Examples include: red light and speeding fines and a portion of the registration fee to attend Defensive Driving School. The other portions of the fines are included in the Special Programs Fund for Court Enhancement and Judicial Collections Enhancement or remitted to the State of Arizona. Revenues are budgeted at \$2.3 million for FY 2018/19, which is an increase of \$0.2 million when compared to the FY 2017/18 year-end forecast of \$2.0 million. The use of photo radar by Public Safety - Police is designed as a deterrent to unsafe driving and to modify driving habits, not as a revenue producer.

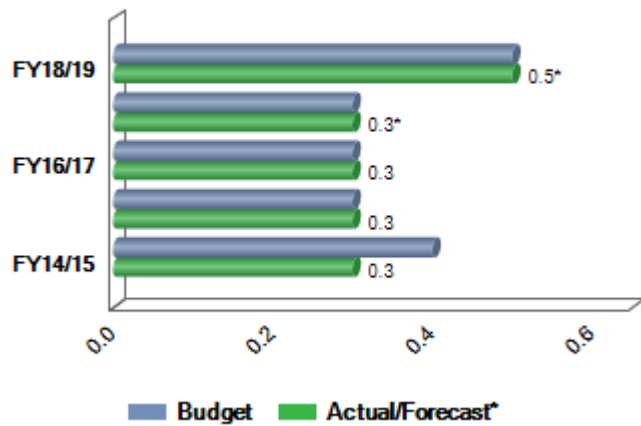
Adopted Budget to Actual/Forecast* (in millions)



Library

Library fees are monies collected when library materials are returned after their due date, are lost, and/or are damaged. The FY 2018/19 revenues are budgeted at \$0.5 million, which is an increase of \$0.2 million. This is due to a change of reporting library book sale revenue from the Special Programs Fund to the General Fund to be consistent with other department operations.

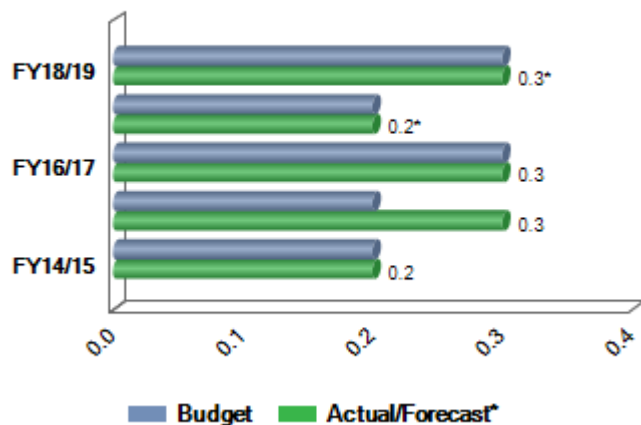
Adopted Budget to Actual/Forecast* (in millions)



Parking Fines

Parking Fines are the General Fund portion of parking fees assessed per city ordinance and are budgeted at \$0.3 million for FY 2018/19. The other portions of the fines are included in the Special Programs Fund for Court Enhancement and Judicial Collections Enhancement. The revenue budget is up slightly compared to the FY 2017/18 year-end forecast primarily due to the anticipation of the parking program being fully staffed.

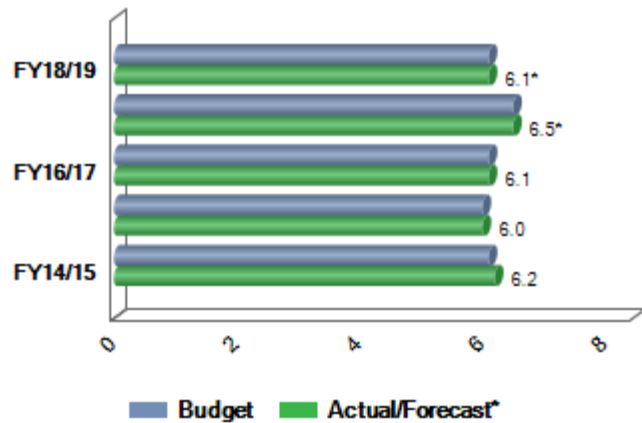
Adopted Budget to Actual/Forecast* (in millions)



Indirect Cost

The Indirect Cost is the payment for services provided by the General Fund to other operating areas within the city. These services include Accounting, Human Resources, Information Technology, etc. Costs are budgeted at \$6.1 million for FY 2018/19. This is a decrease of \$0.5 million due to a decreased rate of 9.85 percent being charged to operating areas, which was set at 10.4 percent in FY 2017/18. The decreased rate is primarily the result of a reduction in one-time and ongoing maintenance projects reducing the overall spend which is used in the Indirect Cost allocation calculation.

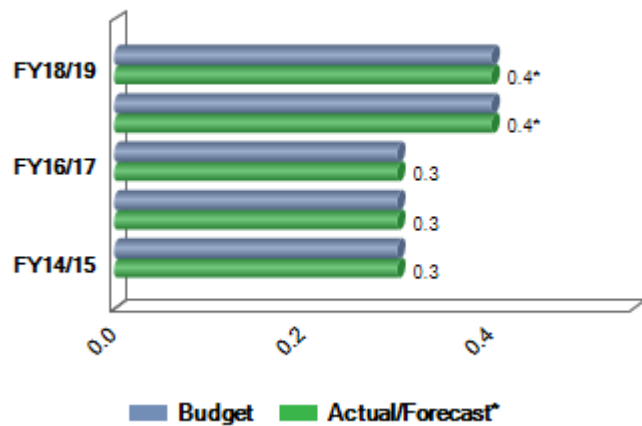
Adopted Budget to Actual/Forecast* (in millions)



Direct Cost Allocation (Fire)

The Direct Cost Allocation (Fire) is the direct cost of fire services at the Scottsdale Airport. The revenue, which is received from the Aviation Fund is budgeted at \$0.4 million for FY 2018/19, remaining flat when compared to the FY 2017/18 year-end forecast.

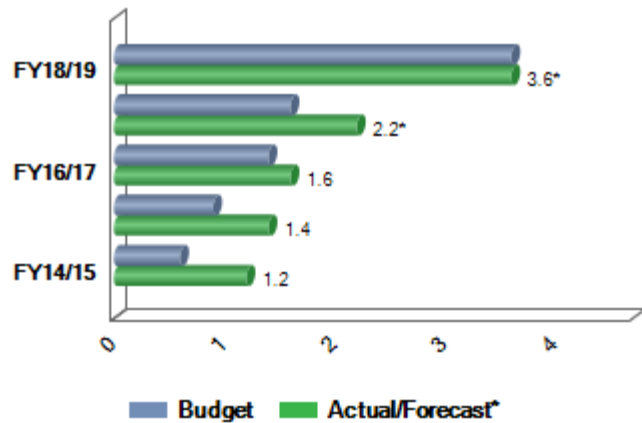
Adopted Budget to Actual/Forecast* (in millions)



Interest Earnings

Interest Earnings are generated on idle General Fund cash balances throughout the year. This revenue is a function of the relationship between the city's available cash balance and the interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield. Interest earnings applicable to bond proceeds and the Capital Improvement Plan accrue to the CIP budget and are not included in General Fund revenues. Interest Earnings revenue is budgeted at \$3.6 million in FY 2018/19 an increase of \$1.4 million due two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the "Federal Fund Rate" (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments. Per financial policy No.17, 100 percent of net interest income in excess of \$1.0 million will be transferred to the General Fund CIP.

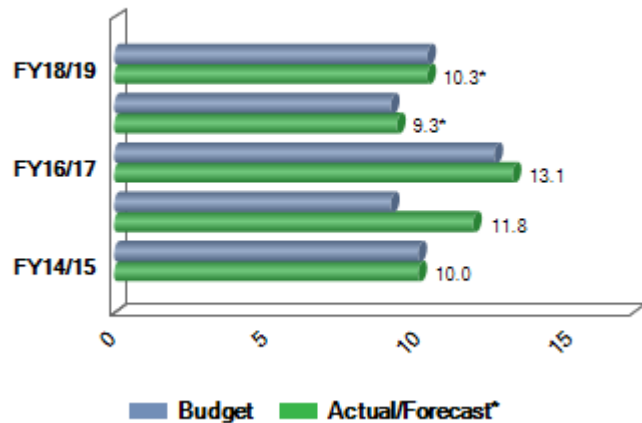
Adopted Budget to Actual/Forecast* (in millions)



Transfers In

The Transfers In for FY 2018/19 are budgeted at \$10.3 million and include: 1) \$7.4 million from the Water and Water Reclamation Fund for Enterprise Franchise Fees, which is 5 percent of Water Service and Water Reclamation Charges revenue. The city charges all utility companies, including the city's Water and Water Reclamation Fund, for use of the right-of-ways and medians.; 2) \$2.4 million from the Tourism Development Fund to comply with Financial Policy No.21A (12 percent of the transient lodging/bed tax revenues); 3) \$0.1 million from the Tourism Development Fund to support marketing efforts at WestWorld; and 4) \$0.3 million from the Special Programs Fund to pay for the General Fund costs associated with administering the 30-Day Tow Program, including the enforcement of the State Statute related to suspended driver's licenses, driving under the influence offenses and driving without insurance. The FY 2018/19 Transfers In budget is an increase of \$1.0 million over the FY 2017/18 year-end forecast as a result of the City Council's change to Financial Policy No.21A, adjusting the allocation of the Tourism Development Fund from fixed dollar amounts to percentages.

Adopted Budget to Actual/Forecast* (in millions)



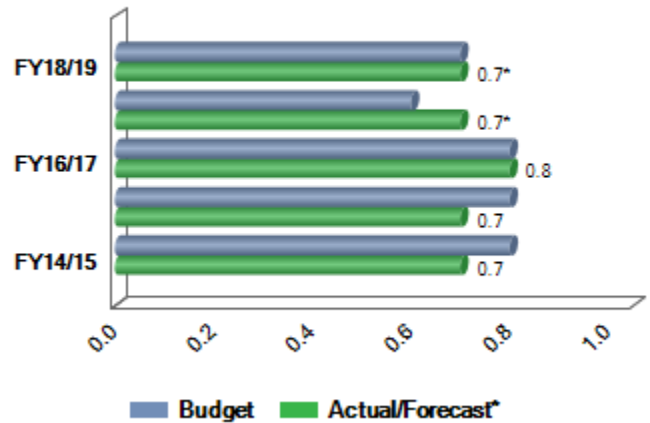
General Fund Uses

The General Fund uses are presented by the following divisions, additional operating categories, debt service and transfers out.

Mayor and City Council

Mayor and City Council includes the voter elected mayor, six Council members and operational support staff. Expenditures have remained relatively flat with a budget of \$0.7 million in FY 2018/19.

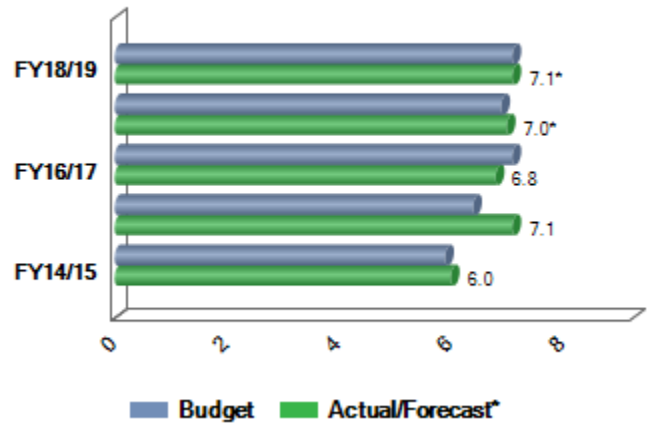
Adopted Budget to Actual/Forecast* (in millions)



City Attorney

The City Attorney is the city's chief legal advisor and includes Civil, Prosecution, Victim Services General Fund Departments. Expenditures in FY 2018/19 of \$7.1 million are a slightly increased from the prior fiscal year-end forecast. The increase between FY 2014/15 and FY 2015/16 is due to increased settlements affecting this division's share of Property, Liability and Workers' Comp costs, and the expected one-time purchase of a new case management system which was then delayed and carried forward into FY 2016/17.

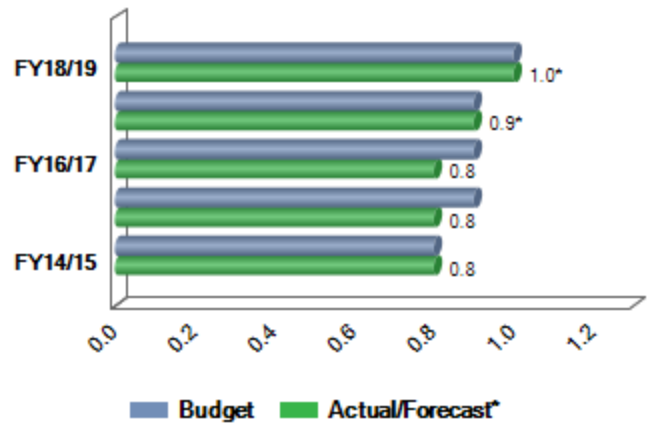
Adopted Budget to Actual/Forecast* (in millions)



City Auditor

The City Auditor conducts audits to independently evaluate the operational efficiency and effectiveness, compliance and accountability of the city. Expenditures have slightly increased in FY 2018/19 with a budget of \$1.0 million. The increase is primarily due to the addition of a part-time Executive Secretary to Charter Officer (0.50 FTE) position to assist with audit reports, webpage communications, database maintenance, audit follow up requests and various tasks assigned by the City Auditor.

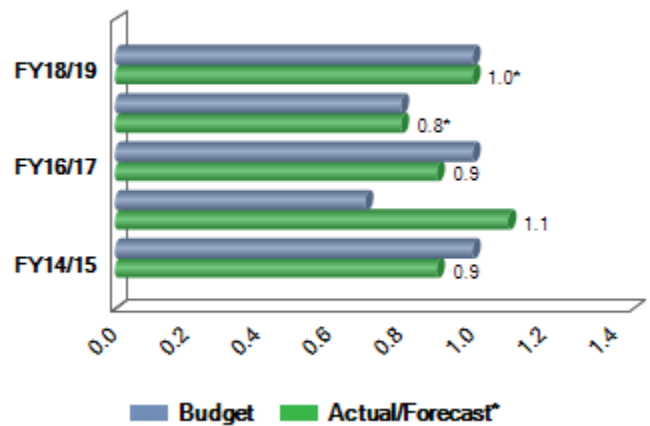
Adopted Budget to Actual/Forecast* (in millions)



City Clerk

The City Clerk conducts all local elections, gives notice of all City Council meetings, keeps the records of Council proceedings, administers the city's records management program, authenticates ordinances and resolutions, and provides administrative support to the Council. The Clerk's expenses fluctuate from year to year due to elections. The Clerk conducts and oversees the election process for municipal elections, referendums and initiatives within the city resulting in increased costs when these activities occur. At times elections are known, such as when Council seats are up for election, and other times, the elections may not be known such as new debt issuances being taken to the voters, which occurred in FY 2015/16. The FY 2018/19 budget of \$1.0 includes \$0.2 million of expenses related to the November 2018 general election.

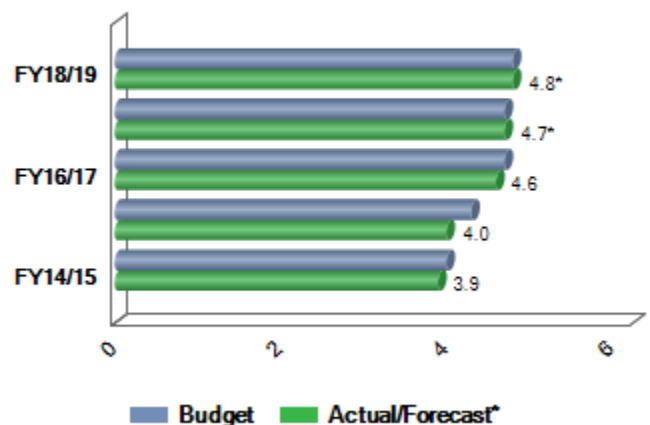
Adopted Budget to Actual/Forecast* (in millions)



City Court

The City Court is part of the integrated judicial system for Arizona and is the judicial branch for the city efficiently resolving civil traffic and misdemeanor violations, petty offenses, city ordinance and code violations, and issuance of protective orders. Additionally, the Court had been transferring two positions per year from the Court Enhancement Fund in the Special Programs Fund back to General Fund operations, which was completed in FY 2016/17. These were originally removed from General Fund to aid in the balancing of the citywide budget and as the economy has improved these positions have been returned to the General Fund, increasing the budget over the past few years. There is a total of \$4.8 million budgeted for FY 2018/19.

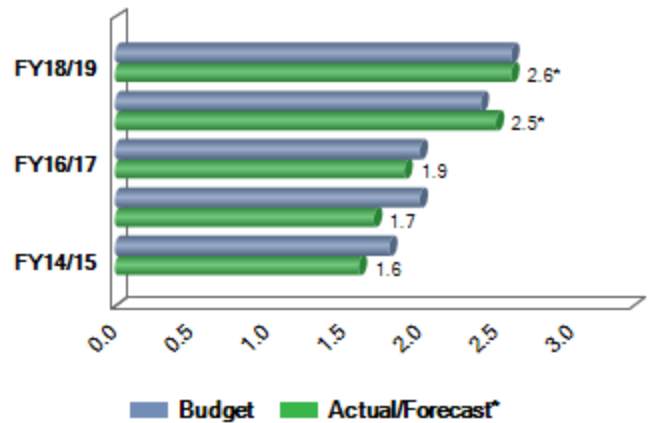
Adopted Budget to Actual/Forecast* (in millions)



City Manager

The City Manager's Division provides the organizational leadership necessary to successfully implement the policy direction of the City Council, communicates that direction to the organization, ensures the efficient, effective and economical delivery of services to citizens, builds relationships with other governments, fosters diversity, and coordinates citywide preparation and response to local disasters. Over the past few years Personnel Services costs have increased in the City Manager's Division as existing operations have moved from other divisions for a citywide net pay \$0 impact including; Office of Diversity, Emergency Management, and most recently Citizen Services, which coordinates various outreach programs. The FY 2018/19 budget of \$2.6 has increased by \$0.1 million from the FY 2017/18 year-end forecast of \$2.5 million.

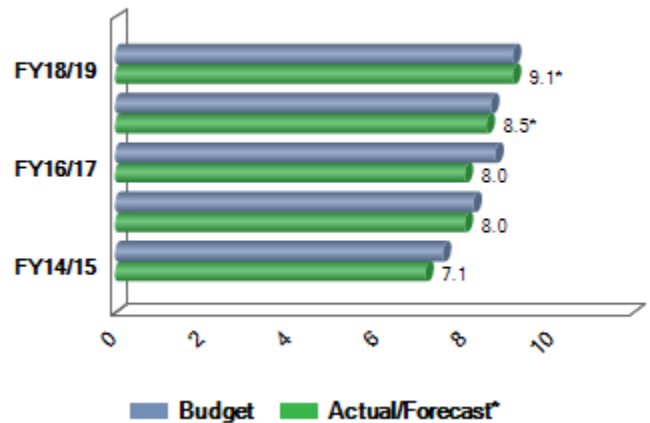
Adopted Budget to Actual/Forecast* (in millions)



City Treasurer

The City Treasurer, the city's chief financial officer, is responsible for providing City Council and management with timely financial reports as well as oversight of the Accounting, Budget, Finance, Business Services and Purchasing Departments. Beginning in FY 2018/19 the City Treasurer Division includes the Purchasing Department, which was previously within the Administrative Services Division. This organizational change is to best align citywide needs, functions and oversight. The Purchasing Department's financial history has been removed from the Administrative Services Division and added to the City Treasurer Division to best reflect year over year comparisons. The FY 2018/19 budget of \$9.1 million is \$0.7 million higher than FY 2017/18 year-end forecast due mainly to the following: 1) the lockbox service used for receiving and processing utility billing and tax and license payments. Due to the recent increase in interest rates, it is no longer advantageous for the city to keep a high balance with the financial institution as the city can receive a greater return by investing the funds in its portfolio. The lockbox service cost was previously paid with earnings credits, which is no longer available; 2) an increased Arizona Department of Revenue administrative cost; and 3) an increase in printing and graphic services to meet the in-house printing business demands.

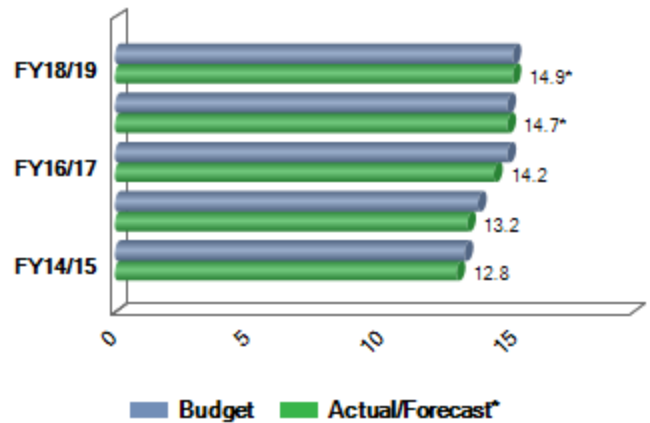
Adopted Budget to Actual/Forecast* (in millions)



Administrative Services

Administrative Services is comprised of the Communications, Human Resources and Information Technology Departments. These departments are responsible for a wide breadth of activities but include the sharing of information; training, recruiting and hiring employees as well as benefits and compensation; and the design, support and maintenance of a variety of citywide systems and hardware. Beginning in FY 2018/19, the Purchasing Department no longer resides organizationally within the Administrative Services Division but is now within the City Treasurer Division. This organizational change is to best align citywide needs, functions and oversight. The Purchasing Department's financial history has been removed from the Administrative Services Division and added to the City Treasurer Division to best reflect year over year comparisons. The FY 2018/19 Administrative Services budget has a slight \$0.2 million increase from the FY 2017/18 year-end forecast of \$14.7 million.

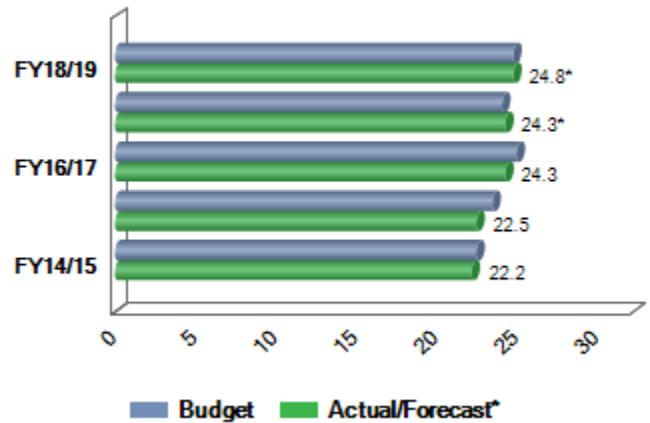
Adopted Budget to Actual/Forecast* (in millions)



Community and Economic Development

Community and Economic Development works to preserve Scottsdale as a great community, offering value-added programs to stimulate the economy, sustain, revitalize, and build upon the community's unique lifestyle and character. The departments with General Fund budgets include Economic Development, Planning and Development, Tourism and Events and WestWorld. The FY 2018/19 adopted budget is \$24.8 million, which is an increase of \$0.5 million from the FY 2017/18 year-end forecast of \$24.3 million. The increase is due to: 1) an additional 14 Maintenance Helper and five Custodial Worker part-time positions (3.61 FTE) to ensure year-round maintenance coverage at WestWorld; 2) one-time funding for a One Stop Shop records document scanning; and 3) contract worker services for a new Customized Expedited Program for Plan Reviews and to support the increased demand in the Stormwater Management Program.

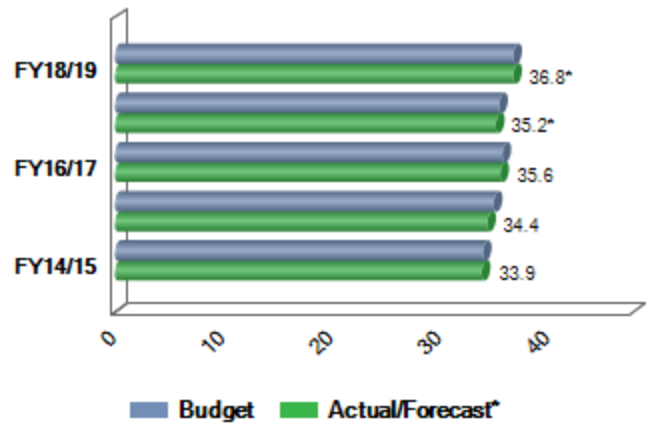
Adopted Budget to Actual/Forecast* (in millions)



Community Services

Community Services is comprised of five departments including; Community Services Planning and Administration, Parks and Recreation, Human Services, Library Systems, and Preserve Management, all of which work to improve the quality of life of Scottsdale residents. The FY 2018/19 total budget of \$36.8 million is a \$1.6 million increase from the FY 2017/18 year-end forecast of \$35.2 million. This increase is mostly due to: 1) the FY 2017/18 year-end forecast includes significant savings within part-time wages for vacant positions; 2) one-time funding being added to replace the McCormick-Stillman Railroad Park concert area restrooms facility; and 3) one-time funding for the replacement of playground equipment at the Agua Linda Park.

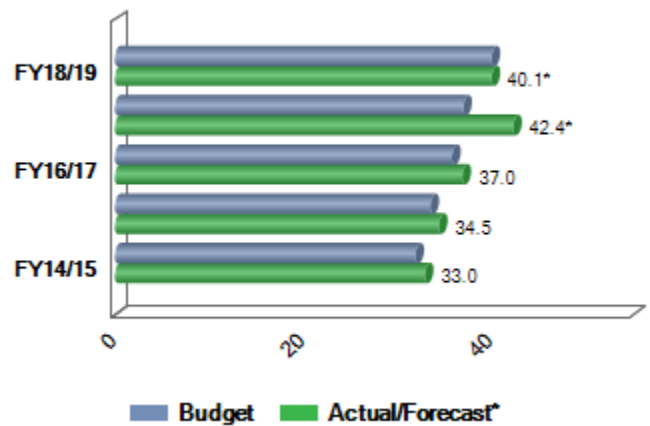
Adopted Budget to Actual/Forecast* (in millions)



Public Safety – Fire

Public Safety - Fire responds to emergencies through timely, skilled and compassionate service including; fire, emergency medical, chemical, biological, nuclear and radiologic, wildland and technical rescue. The FY 2018/19 budget is \$2.3 million less than the FY 2017/18 year-end forecast. This decrease is mainly due to the Parker Case Ruling, which resulted in a one-time refund with interest of prior years' retirement contributions for public safety sworn staff. The payout was completed in FY 2017/18. The decrease would have been greater, but has been offset by: 1) the addition of 8.00 FTEs to mitigate increased Overtime and to support the new ambulance contract that will fund 2.00 of the FTEs; 2) an increase in retirement and healthcare costs; 3) an increase in Risk Management and fleet replacement charges; and 4) an increase of the expenses for replacing equipment and tools.

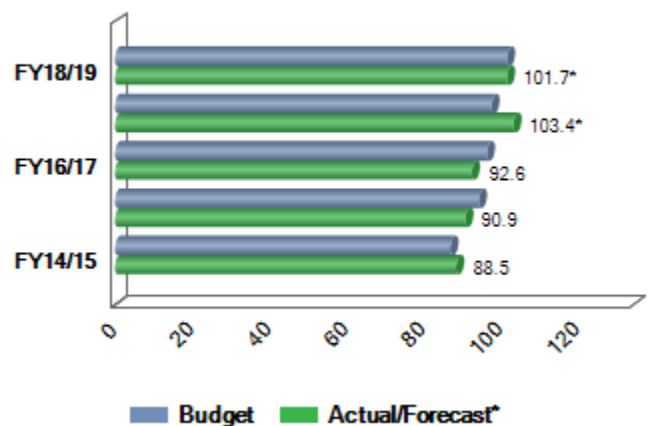
Adopted Budget to Actual/Forecast* (in millions)



Public Safety - Police

Public Safety - Police provides efficient and effective police services to the community confronting crime, responding to any needs, and seeking citizen involvement and partnerships. The operating areas include Police Uniformed Services, Investigative Services, Operational Services and Office of the Police Chief. The FY 2018/19 budget is \$101.7 million, which is \$1.7 million less than the FY 2017/18 year-end forecast of \$103.4 million. This decrease is mainly due to the Parker Case Ruling, which resulted in a one-time refund with interest of prior years' retirement contributions for public safety sworn staff. The payout was completed in FY 2017/18. The decrease would have been greater but has been offset by a significant increase in retirement costs and the annual pay for performance to eligible employees.

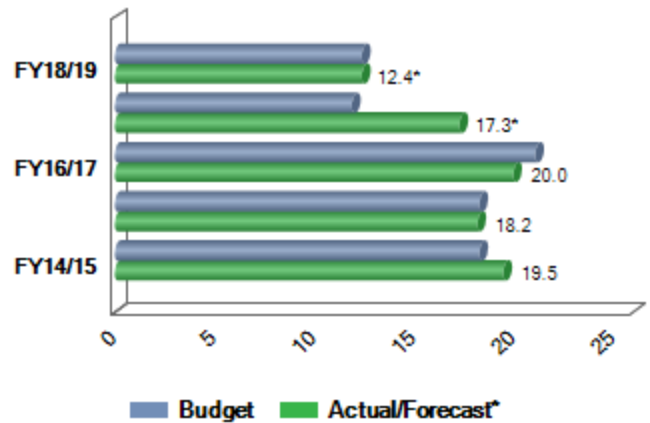
Adopted Budget to Actual/Forecast* (in millions)



Public Works

Public Works General Fund includes Capital Project Management which oversee the design and construction of capital improvement projects (also includes the city's real estate services area) and Facilities Management which includes the repair and maintenance on three million square feet of city-owned facilities provided by building maintenance, strategic space planning and contract administration. The FY 2018/19 budget of \$12.4 million is significantly less than the FY 2017/18 year-end forecast of \$17.3 million. The decrease of \$4.9 million is largely due to an administrative change that began March 2017 to move the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account in an effort to provide greater efficiency in monitoring the utilities budget. Monthly as utilities expenditures occur, a budget transfer is completed to move the needed budget from the macro utilities holding account to Public Works, which is reflected in the FY 2017/18 year-end forecast but not yet included for FY 2018/19. Additionally, contributing to the FY 2018/19 decrease, the FY 2017/18 year-end forecast includes a one-time \$1.0 million expense for the cost of constructing underground lines for the Arizona Public Service (APS) Utility Improvement District. This expense had an offsetting revenue of the same amount for a net \$0 impact.

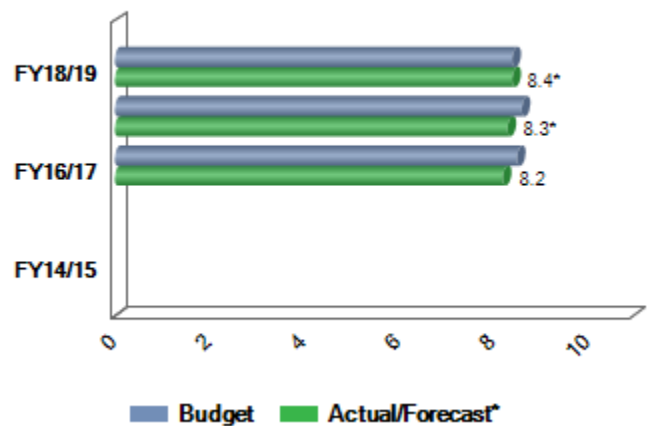
Adopted Budget to Actual/Forecast* (in millions)



Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year-end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions. The FY 2017/18 year-end forecast and FY 2016/17 actual displayed are also recorded and reported as part of division's expenditures.

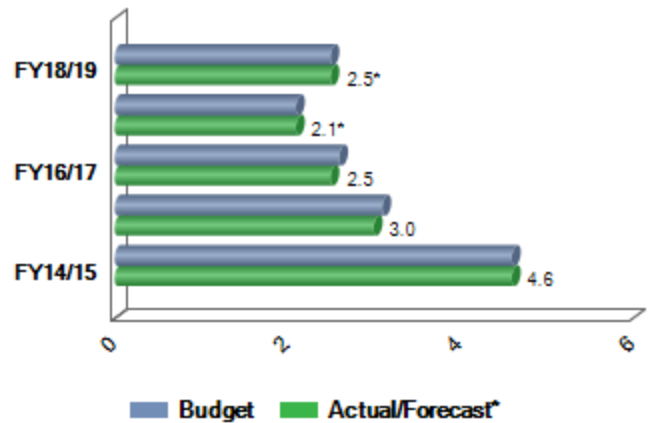
Adopted Budget to Actual/Forecast* (in millions)



Citywide Pay Program

Citywide Pay Program, through which employees may receive increases within their established salary ranges based on performance. In FY 2014/15 all employee increases were budgeted here, including the Public Safety Fire and Police sworn positions, which are now reported separately in their respective pay for performance programs. The Citywide Pay Program is budgeted at \$2.5 million for FY 2018/19, which is an increase of \$0.4 million over the FY 2017/18 year-end forecast. The increase is primarily due to the classification adjustments that resulted from the Council approved classification and compensation study as more employees had capacity within their pay range for a pay for performance increase.

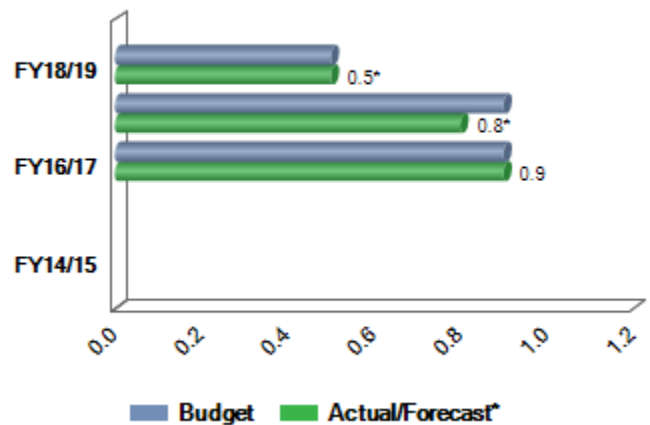
Adopted Budget to Actual/Forecast* (in millions)



Fire Pay Program

Pay for performance increase within established salary ranges totaling \$0.5 million for eligible firefighters, fire engineers and fire captains. The Fire Pay Program began in FY 2016/17 with costs totaling \$0.9 million. The cost is decreasing due to staff reaching the maximum allowed within their respective pay grades. The program was originally a Five Percent Step Program but beginning in FY 2018/19 it is a pay for performance program consistent with the rest of the organization.

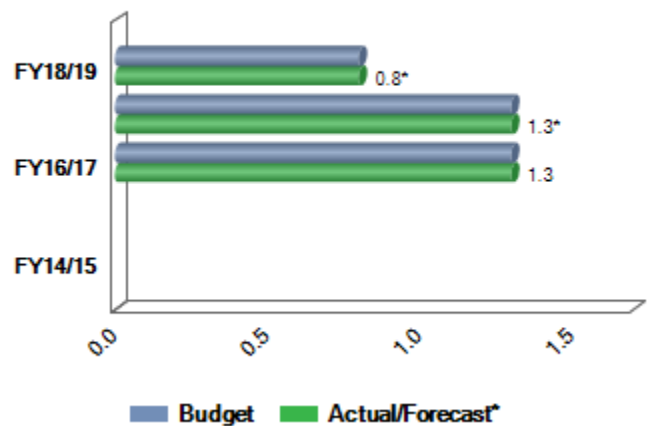
Adopted Budget to Actual/Forecast* (in millions)



Police Pay Program

Pay for performance increase within the established salary range for police officers totaling \$0.8 million. The cost is decreasing due to staff reaching the maximum allowed within their respective pay grades. The Police Pay Program began in FY 2016/17 for Police Officers. The program was originally a Five Percent Step Program but beginning in FY 2018/19 it is a pay for performance program consistent with the rest of the organization.

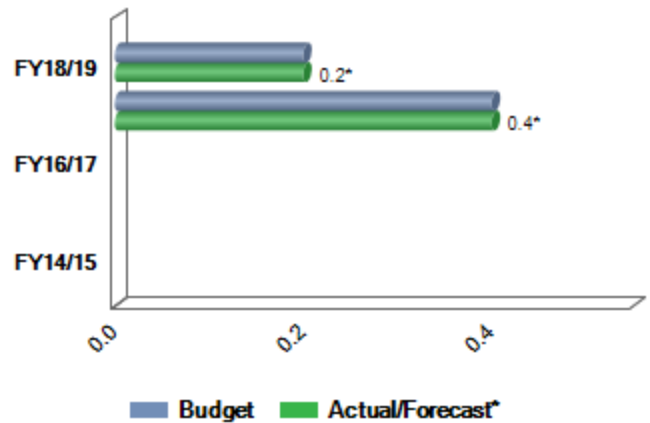
Adopted Budget to Actual/Forecast* (in millions)



Sergeant Pay Program

Pay for performance increase within the established salary ranges for Police Sergeants totaling \$0.2 million. The cost is decreasing due to staff reaching the maximum allowed within their respective pay grades. The Sergeant Pay Program began in FY 2017/18. The program was originally a Five Percent Step Program but beginning in FY 2018/19 it is a pay for performance program consistent with the rest of the organization.

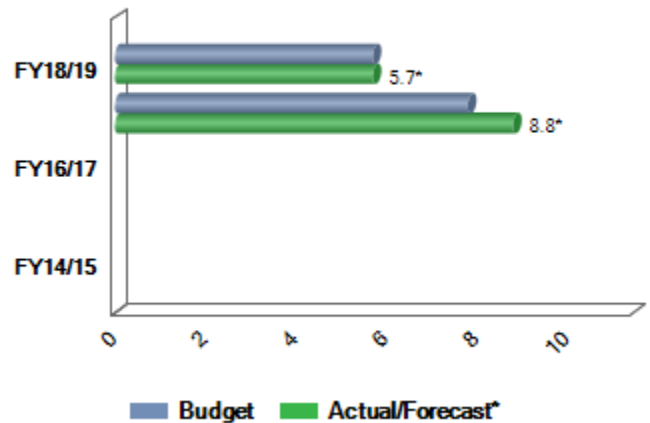
Adopted Budget to Actual/Forecast* (in millions)



Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18. \$8.8 million in FY 2017/18 represents the Parker Case Ruling payout. The statewide litigation related to pension reform which occurred in 2011 and was determined to be unconstitutional by the Arizona Supreme Court. The settlement of this case is an extension of a ruling issued in Hall v. Elected Officials Retirement Plan related to the same pension reform in 2011. Both lawsuits were due to current employees having their pension contributions increased to a higher rate which resulted in a diminished benefit for existing employees. While there are numerous provisions related to the settlements, this payout was to retroactively compensate employees who had their pension rates increased. This impacts Tier 1 employees (those hired prior to July 1st, 2011) in both Police and Fire and also impacts Elected Officials, resulting in a large one-time payout plus interest which the city has chosen to absorb versus further increasing the unfunded liability that currently exists in the respective pension plans. The payout was completed in FY 2017/18.

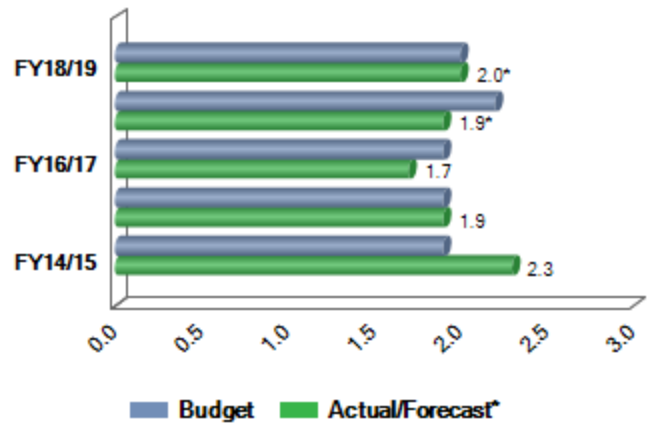
Adopted Budget to Actual/Forecast* (in millions)



Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. The total FY 2018/19 payments are estimated to be \$2.0 million with \$1.3 million medical leave accrual payouts and \$0.7 million vacation accrual payouts.

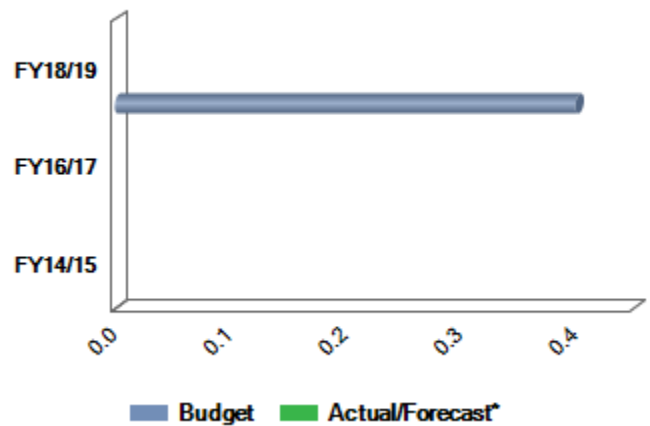
Adopted Budget to Actual/Forecast* (in millions)



Personnel – Other

Personnel - Other was established to fund the estimated impact of a Council approved classification and compensation study in FY 2017/18. However, the study was completed in late FY 2017/18. Therefore, its findings could not be implemented within the same fiscal year. They are budgeted under Compensation - Other in FY 2018/19

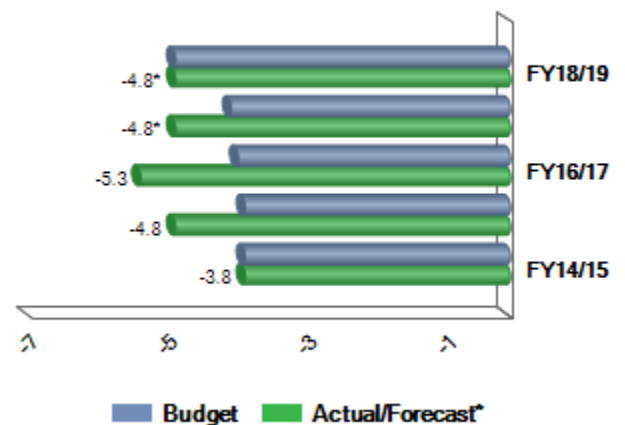
Adopted Budget to Actual/Forecast* (in millions)



Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings achieved from vacant positions. The General Fund experiences approximately 100 vacant positions at any given time. The FY 2018/19 General Fund estimate for vacancy savings is (\$4.8) million, which is flat from the FY 2017/18 year-end forecast.

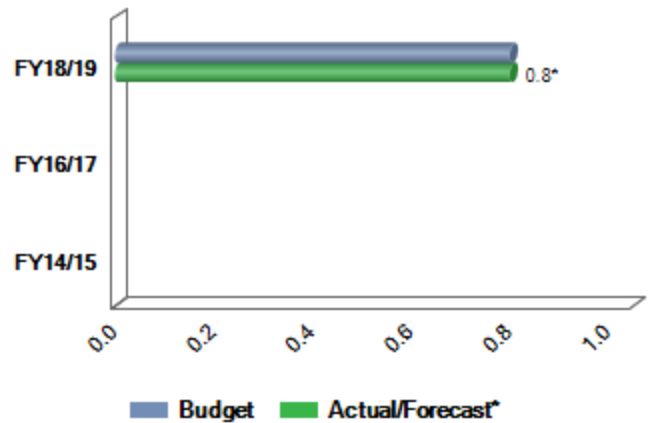
Adopted Budget to Actual/Forecast* (in millions)



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 General Fund adopted budget includes \$0.8 million for the vacation trade program.

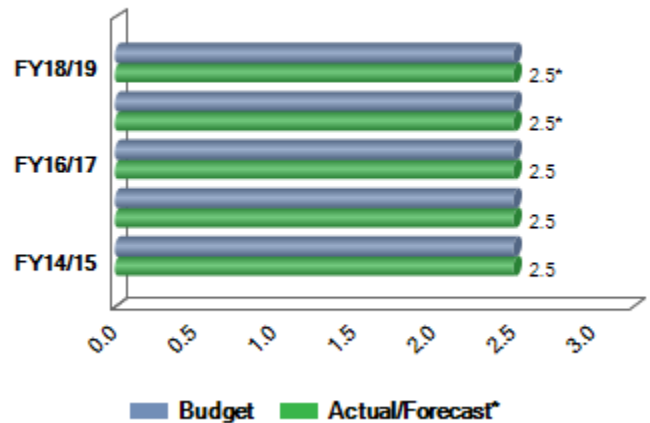
Adopted Budget to Actual/Forecast* (in millions)



Certificates of Participation

Certificates of Participation (COPs) are instruments whereby the city enters into a lease-purchase agreement for the acquisition, operation and/or maintenance of a project. COPs are secured by a budgeted appropriation made each year by the city. At the completion of the lease period, the city owns the project. In FY 2010/11 the city issued \$20.0 million of COPs for a public safety radio system. The FY 2018/19 budget of \$2.5 million is related to the FY 2010/11 COPs issuance, with the final payment made in FY 2019/20.

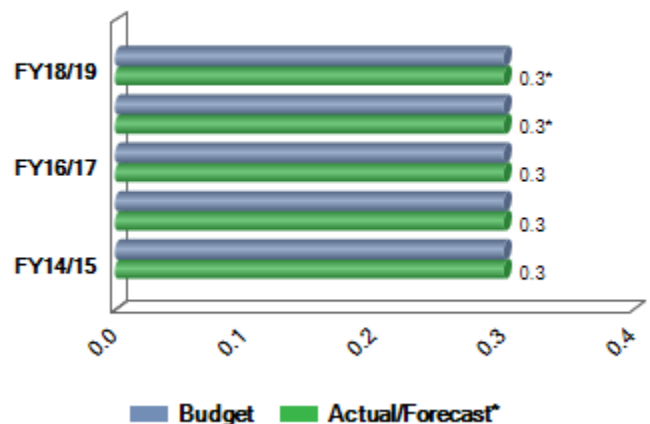
Adopted Budget to Actual/Forecast* (in millions)



Contracts Payable

Contracts Payable is primarily contractual debt related to sales tax development agreements and will vary based on the actual sales tax collections at each developed site. The FY 2018/19 Contracts Payable budget is \$0.3 million.

Adopted Budget to Actual/Forecast* (in millions)



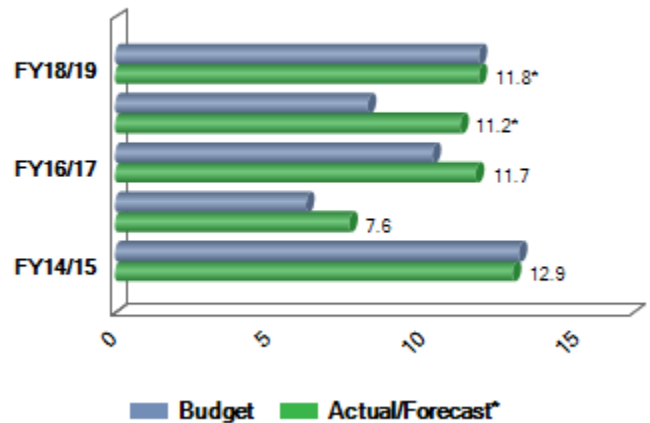
Transfers Out

Transfers Out are the authorized movement of cash to other funds and/or capital projects.

CIP

Transfers Out to the Capital Improvement Plan (CIP) in FY 2018/19 total \$11.8 million. A total of \$9.5 million is to ensure compliance with Financial Policy No.17 (\$2.3 million or 25 percent of the construction sales tax, \$4.6 million or two-thirds of the 1.10 percent sales tax collected on food for home consumption, and \$2.6 million or 100 percent of net interest income in excess of \$1.0 million). A total of \$0.1 million to the CIP for an agreement related to the Scottsdale Stadium. A total of \$2.2 million to Drainage and Flood Control CIP project from the \$2 monthly stormwater fee increase paid by utility customers, which became effective in FY 2018/19. The FY 2017/18 year-end forecast exceeded budget due to additional transfers approved by Council totaling \$3.0 million to fund two priority Drainage and Flood Control CIP projects in the areas of Rawhide Wash and Reata Wash.

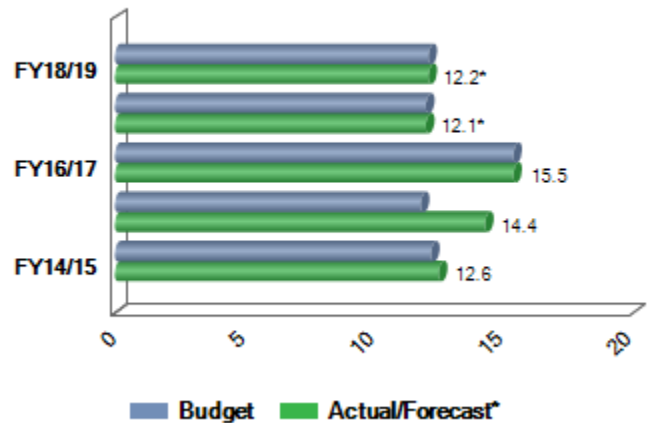
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc MPC Bonds

Debt Service Municipal Property Corporation (MPC) bonds include transfers to the Debt Service Fund for the annual debt service payments for MPC bonds issued that use sales tax as dedicated revenue source to service the debt. The MPC bonds issued include SkySong, WestWorld land acquisitions, Tournament Players Club (TPC) improvements, the Tony Nelssen Equestrian Center (TNEC) and the Scottsdale Fashion Square parking garage. In FY 2018/19, \$12.2 million of MPC bonds annual payment will be transferred to the Debt Service Fund.

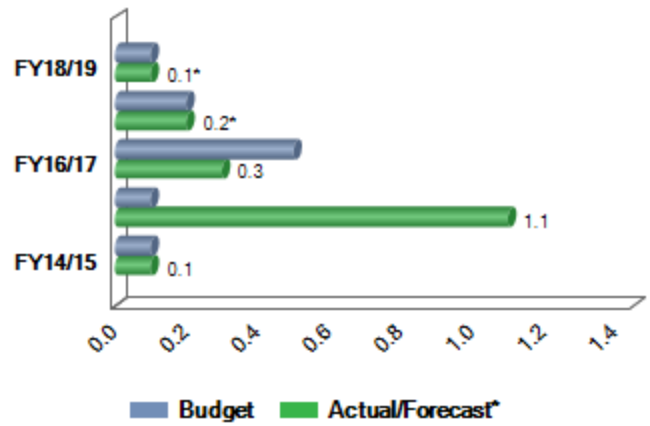
Adopted Budget to Actual/Forecast* (in millions)



Operating

The FY 2018/19 Operating Transfers Out budget is \$0.1 million to the Healthcare Self Insurance Fund to subsidize the costs of providing disabled public safety retiree healthcare benefits, per City Council direction. FY 2015/16 includes an authorized transfer of approximately \$1.0 million to reimburse the Healthcare Self Insurance Fund for the General Fund's proportionate share for health related expenditures, which accumulated due to offering coverage to retirees in previous years.

Adopted Budget to Actual/Forecast* (in millions)



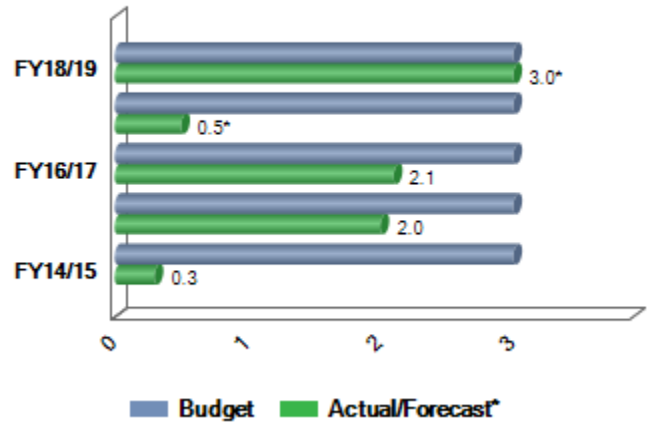
General Fund Ending Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's General Fund ending balance is noted in the following:

Operating Contingency

Operating Contingency includes \$3.0 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

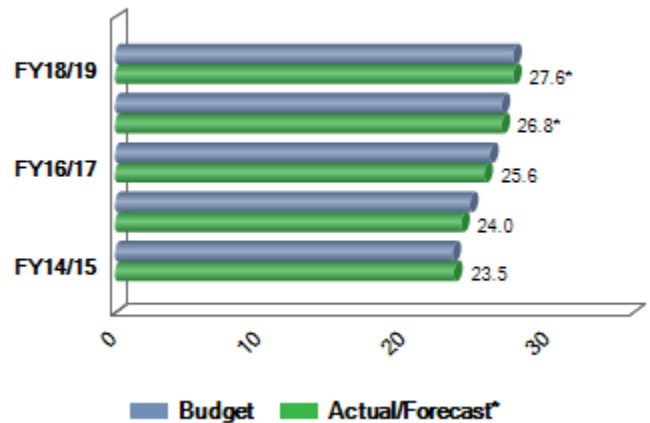
Adopted Budget to Actual/Forecast* (in millions)



Operating Reserve

The Operating Reserve complies with Reserve Management Financial Policy No.37. The policy states the General Fund will maintain a stabilization reserve of 10 percent of the annual General Fund operating expenditures and is to only be used for unforeseen emergencies or catastrophic impacts to the city. Maintaining a sufficient General Fund Reserve level is financially prudent and aids in retaining the city's AAA bond rating. Based on the operating budget expenditure estimate, the ending FY 2018/19 General Fund Reserve is \$27.6 million.

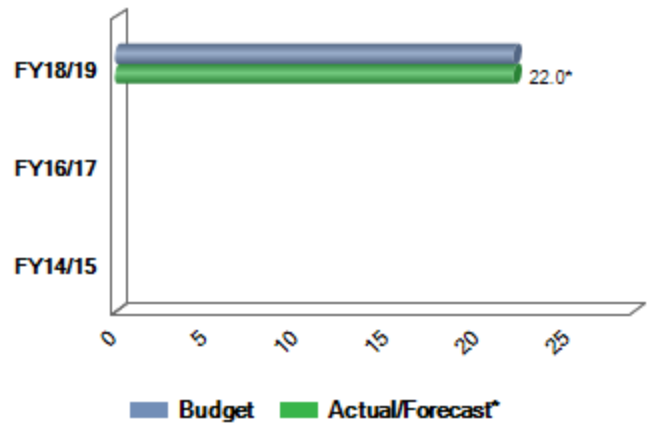
Adopted Budget to Actual/Forecast* (in millions)



PSPRS Pension Liabilities

Public Safety Personnel Retirement System (PSPRS) is an Arizona pension system for public safety personnel. Beginning in FY 2018/19 a 'PSPRS Pension Liabilities' designation was created. The amount designated in FY 2018/19 for PSPRS Pension Liabilities is \$22.0 million. This begins to address the unfunded liability in this area and shore-up the city's portion of the pension program for public safety personnel. In prior years, funds were held in the Undesignated, Unreserved Fund Balance.

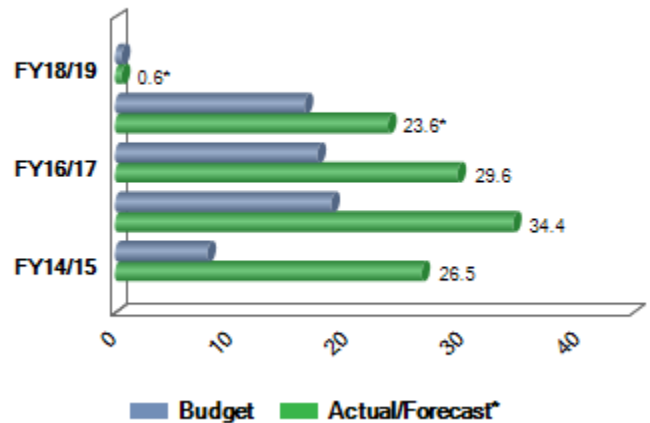
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2018/19 ending undesignated, unreserved fund balance is \$0.6 million. Under prudent fiscal management practices, this balance should most appropriately be used for one-time expenditures, not to fund new or to expand programs with ongoing operating expenses. The current year balance is significantly lower than the prior years. This is due to moving the majority of funds to a new fund balance category, Public Safety Personnel Retirement System (PSPRS) Pension Liabilities to begin to address the unfunded liability for public safety personnel.

Adopted Budget to Actual/Forecast* (in millions)



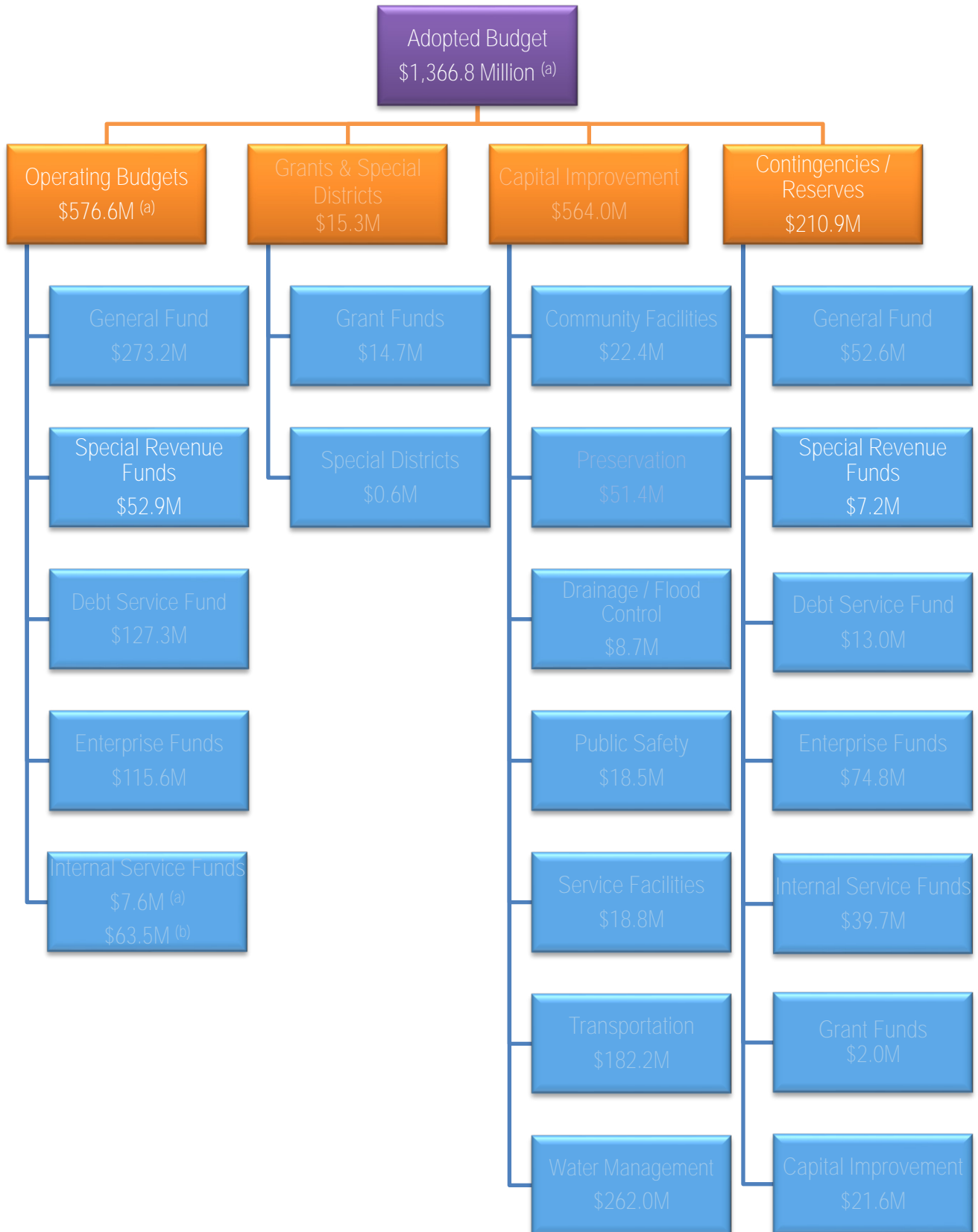


FY 2018/19 Adopted Budget



← Stetson
Drinkwater

BUDGET BY FUND | Special Revenue Funds Overview



^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

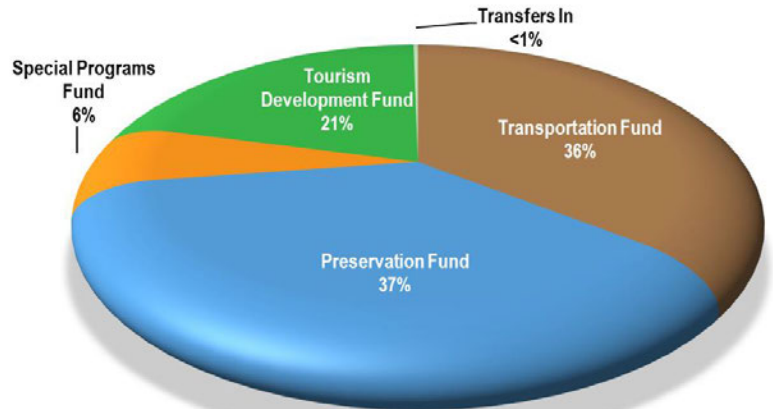
Note: Amounts are rounded in millions; therefore, differences may occur.

Special Revenue Funds Description

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Examples of restricted revenues that must be spent on specific purposes are Sales Tax - Transportation (0.20%), Sales Tax - Preservation (0.35%), Highway User Tax, Transient Occupancy Tax, and special programs such as the Police 30-Day Tow program. The sections to follow discuss each of the funds in more detail.

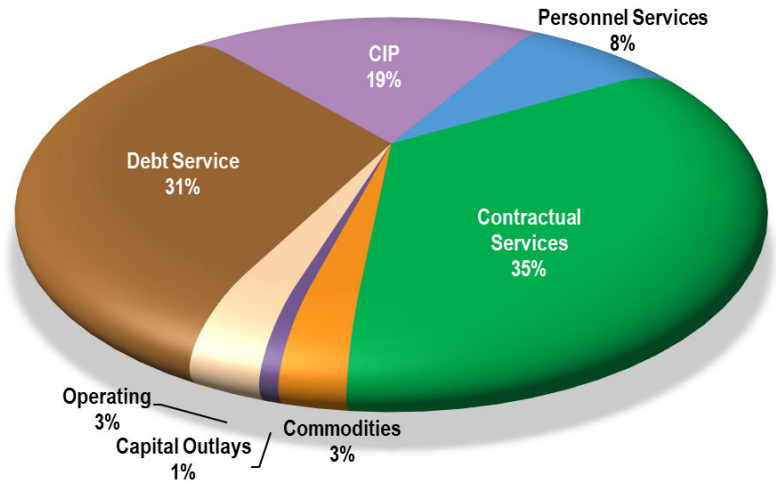
Special Revenue Funds Sources (in millions)

Transportation Fund	38.6
Preservation Fund	40.1
Special Programs Fund	7.0
Tourism Development Fund	22.3
Total Revenues	108.1
Transfers In	0.3
Total Sources	108.4



Special Revenue Funds Uses (in millions)

Personnel Services	9.3
Contractual Services	39.9
Commodities	2.8
Capital Outlays	0.8
Total Operating Budget	52.9
Transfers Out	
Operating	3.2
Debt Service	35.7
CIP	22.1
Total Transfers Out	61.0
Total Uses	113.9
Contingency/Reserves	7.2



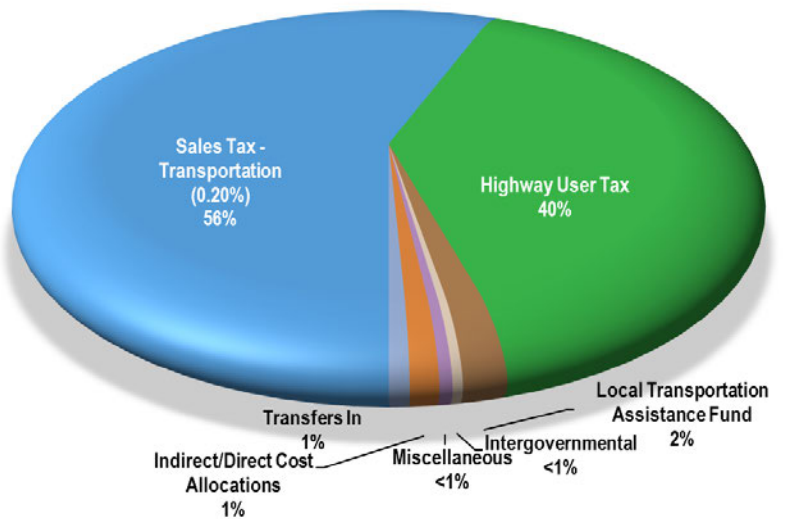
Note: Amounts are rounded in millions; therefore, differences may occur.

Fund Purpose

The State of Arizona requires the city to establish and maintain an accounting for Highway User Tax revenue. The Transportation Fund receives and expends the city's allocation of the Arizona Highway User Tax which is allocated based on the official U.S. Census Bureau population estimate, as directed by Statute. These monies must be used for street construction, reconstruction, maintenance, or transit. The fund also accounts for other transportation related revenues as well as for the 1989 voter approved Sales Tax - Transportation of 0.20 percent, which is dedicated funding for transportation improvements and operations.

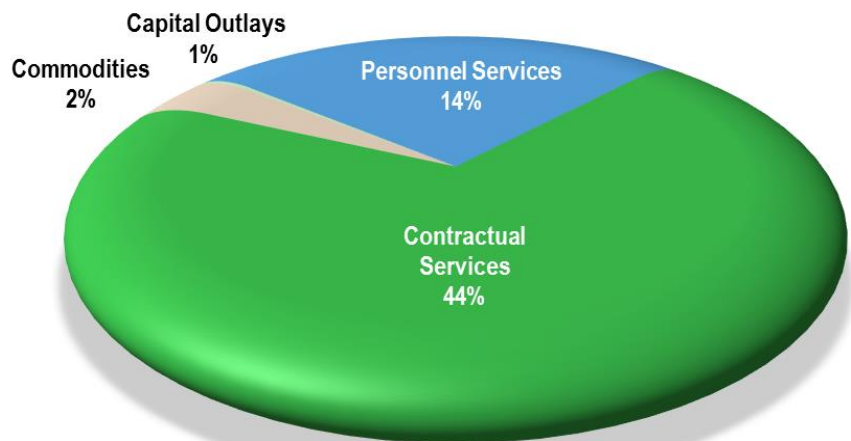
Transportation Fund Sources (in \$ millions)

Sales Tax - Transportation (0.20%)	21.7
Highway User Tax	15.5
Local Transportation Assistance Fund	0.7
Intergovernmental	0.2
Miscellaneous	0.2
Indirect/Direct Cost Allocations	0.4
Total Revenues	38.6
Transfers In	0.3
Total Sources	38.9



Transportation Fund Uses (in \$ millions)

Personnel Services	7.0
Contractual Services	19.0
Commodities	1.0
Capital Outlays	0.1
Total Operating Budget	27.2
Transfers Out	
CIP	10.9
Total Transfers Out	10.9
Total Uses	38.2
Contingency/Reserve	3.2



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

BUDGET BY FUND | Transportation Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Contingency	500,000	500,000	500,000	500,000
Operating Reserve	2,322,119	2,534,900	2,346,920	2,634,482
Undesignated, Unreserved Fund Balance	6,128,302	7,478,086	9,346,733	3,042,601
Total Beginning Fund Balance	8,950,421	10,512,986	12,193,653	6,177,083
Revenues				
Sales Tax - Transportation (0.20%)	19,614,698	20,933,413	21,282,394	21,725,777
Highway User Tax	15,274,615	16,381,995	16,381,995	15,495,713
Local Transportation Assistance Fund	637,841	655,000	655,000	655,000
Indirect/Direct Cost Allocations	578,949	557,773	557,773	424,355
Miscellaneous	307,645	15,000	190,000	190,000
Intergovernmental	141,634	325,000	150,000	150,000
Subtotal	36,555,381	38,868,181	39,217,162	38,640,845
Transfers In				
Operating ^(a)	-	300,000	300,000	300,000
Subtotal	-	300,000	300,000	300,000
Total Sources	36,555,381	39,168,181	39,517,162	38,940,845
Expenditures				
Public Works	13,667,774	13,567,597	14,358,749	13,933,799
Community and Economic Development	8,340,337	9,477,946	9,779,554	9,771,208
City Treasurer	-	-	-	53,904
Community Services	1,461,089	1,574,301	1,574,301	1,855,653
CIP Operating Impacts	-	-	-	-
Citywide Pay Program	-	155,804	-	153,530
Compensation Other	-	-	-	201,905
Leave Accrual Payments	-	51,100	4,431	148,728
Savings from Vacant Positions	-	(159,400)	(62,238)	(418,218)
Utilities	-	1,479,665	690,024	1,493,068
Vacation Trade	-	-	-	33,803
Subtotal	23,469,201	26,147,013	26,344,821	27,227,380
TOTAL OPERATING BUDGET	23,469,201	26,147,013	26,344,821	27,227,380
Transfers Out				
CIP ^(b)	9,807,349	10,466,707	19,164,211	10,862,889
CIP Technology	35,600	24,700	24,700	77,800
Subtotal	9,842,949	10,491,407	19,188,911	10,940,689
Total Uses	33,312,149	36,638,420	45,533,732	38,168,069
Sources Over/(Under) Uses	3,243,232	2,529,761	(6,016,570)	772,776
Ending Fund Balance				
Operating Contingency	500,000	500,000	500,000	500,000
Operating Reserve	2,346,920	2,614,701	2,634,482	2,722,738
Undesignated, Unreserved Fund Balance	9,346,733	9,928,046	3,042,601	3,727,121
Total Ending Fund Balance	12,193,653	13,042,747	6,177,083	6,949,859

(a) Council has authorized \$0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for this program. However, beginning in FY 2017/18, the preference is to transfer from Tourism Development Fund to the Transportation Fund, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

(b) The significant increase in the FY 2017/18 forecast in Transfers Out - CIP is due to Council approved one-time transfers from the Transportation undesignated, unreserved fund balance to the CIP for the widening of Happy Valley and Pima Roads as well as the Drinkwater Bridge and 68th Street Bridge emergency structural repairs.

BUDGET BY FUND | Transportation Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,634,482	2,722,738	2,857,030	2,916,470	2,978,330
Undesignated, Unreserved Fund Balance	3,042,601	3,727,121	1,231,129	1,617,589	2,172,129
Total Beginning Fund Balance	6,177,083	6,949,859	4,588,159	5,034,059	5,650,459
Revenues					
Sales Tax - Transportation (0.20%)	21,725,777	22,320,400	22,935,900	23,568,600	24,231,700
Highway User Tax	15,495,713	15,960,600	16,439,400	16,932,600	17,440,600
Local Transportation Assistance Fund	655,000	655,000	655,000	655,000	655,000
Indirect/Direct Cost Allocations	424,355	432,700	440,100	447,900	455,800
Miscellaneous	190,000	190,000	190,000	190,000	190,000
Intergovernmental	150,000	150,000	150,000	150,000	150,000
Subtotal	38,640,845	39,708,700	40,810,400	41,944,100	43,123,100
Transfers In					
Operating	300,000	300,000	300,000	300,000	300,000
Subtotal	300,000	300,000	300,000	300,000	300,000
Total Sources	38,940,845	40,008,700	41,110,400	42,244,100	43,423,100
Expenditures					
Public Works	13,933,799	14,581,300	14,506,000	14,775,000	15,060,100
Community and Economic Development	9,771,208	9,987,600	10,186,000	10,381,100	10,585,400
City Treasurer	53,904	54,500	55,200	55,900	56,600
Community Services	1,855,653	1,658,700	1,697,100	1,734,000	1,773,500
CIP Operating Impacts	-	393,200	559,700	559,700	559,700
Citywide Pay Program	153,530	277,500	390,400	494,300	582,600
Compensation Other	201,905	348,900	490,200	491,700	493,200
Leave Accrual Payments	148,728	152,400	156,300	160,200	164,200
Savings from Vacant Positions	(418,218)	(426,600)	(435,100)	(443,800)	(452,700)
Utilities	1,493,068	1,508,000	1,523,000	1,538,300	1,553,600
Vacation Trade	33,803	34,800	35,900	36,900	38,000
Subtotal	27,227,380	28,570,300	29,164,700	29,783,300	30,414,200
TOTAL OPERATING BUDGET	27,227,380	28,570,300	29,164,700	29,783,300	30,414,200
Transfers Out					
CIP	10,862,889	13,760,200	11,468,000	11,784,300	12,115,900
CIP Technology	77,800	39,900	31,800	60,100	83,600
Subtotal	10,940,689	13,800,100	11,499,800	11,844,400	12,199,500
Total Uses	38,168,069	42,370,400	40,664,500	41,627,700	42,613,700
Sources Over/(Under) Uses	772,776	(2,361,700)	445,900	616,400	809,400
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Operating Reserve	2,722,738	2,857,030	2,916,470	2,978,330	3,041,420
Undesignated, Unreserved Fund Balance	3,727,121	1,231,129	1,617,589	2,172,129	2,918,439
Total Ending Fund Balance	6,949,859	4,588,159	5,034,059	5,650,459	6,459,859

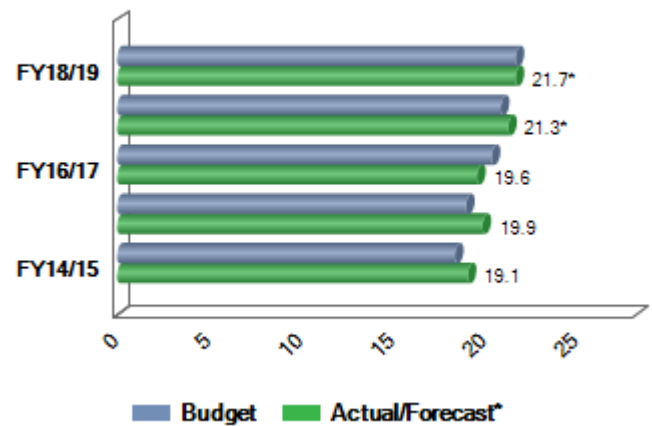
Transportation Fund Sources

Transportation Fund sources for FY 2018/19 equal \$38.9 million which is a decrease of \$0.6 million from the FY 2017/18 year-end forecast mostly due to a lower estimate of Highway User Revenue Fund (HURF) revenue. The same methodology for developing the Sales Tax budgeted in the General Fund is also used for the Transportation Fund.

Sales Tax - Transportation (0.20%)

Sales Tax - Transportation (0.20%) represents the 0.20 percent of the city's sales tax dedicated solely to transportation. Please note that while the rate is the same for the transportation and 1995 preservation sales tax, there is a difference between the revenue amounts, which is attributable to differences in the taxing provisions for each of the revenues. The adopted FY 2018/19 budget of \$21.7 million represents an increase of \$0.4 million, or two percent, over the FY 2017/18 year-end forecast. The one-time decrease in collections in FY 2016/17 is the result of Arizona Department of Revenue (ADOR) taking over administration, collection and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily, which caused a one-time timing delay of collections. The following table is a five-year forecast by business category for the transportation sales tax, which reflects about a three percent increase annually for total collections.

Adopted Budget to Actual/Forecast* (in millions)



Sales Tax - Transportation (0.20%) Five Year Forecast by Business Category (rounding differences may occur)

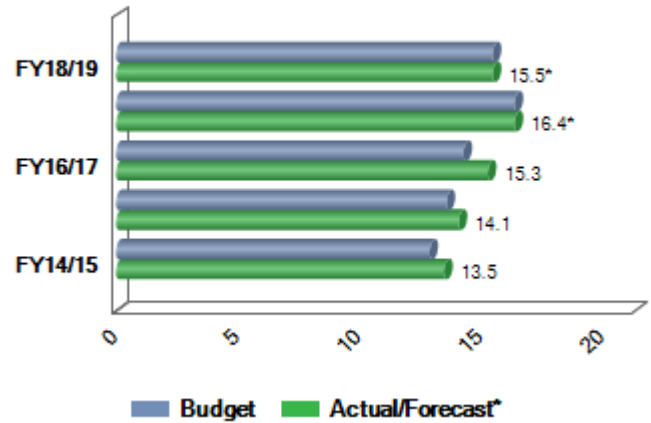
Business Category	FY 16/17 Actual	% of Total	FY 17/18 Adopted	% of Total	FY 17/18 Forecast	% of Total	FY 18/19 Adopted	% of Total
Automotive	2,842,978	14%	2,752,085	13%	3,170,339	15%	3,170,256	15%
Construction	1,853,552	9%	1,970,781	9%	1,840,834	9%	1,810,723	8%
Food	1,359,974	7%	1,458,099	7%	1,333,403	6%	1,338,492	6%
Hotel/Motel	1,268,619	6%	1,239,127	6%	1,282,019	6%	1,325,695	6%
Major Dept Stores	1,780,114	9%	1,838,157	9%	1,847,833	9%	1,863,237	9%
Misc. Retail	3,474,835	18%	3,924,349	19%	3,950,615	19%	4,121,355	19%
Other Taxable	1,463,912	7%	1,784,571	9%	1,795,953	8%	1,874,265	9%
Rental	2,743,335	14%	2,885,309	14%	3,141,472	15%	3,278,362	15%
Restaurants	1,925,950	10%	2,094,700	10%	1,999,365	9%	2,046,741	9%
Utilities	901,429	5%	986,235	5%	920,561	4%	896,651	4%
Total	19,614,698	100%	20,933,413	100%	21,282,394	100%	21,725,777	100%

Business Category	FY 19/20 Forecast	% of Total	FY 20/21 Forecast	% of Total	FY 21/22 Forecast	% of Total	FY 22/23 Forecast	% of Total
Automotive	3,153,700	14%	3,122,200	14%	3,122,200	13%	3,122,200	13%
Construction	1,818,600	8%	1,836,800	8%	1,856,200	8%	1,879,500	8%
Food	1,351,900	6%	1,365,400	6%	1,379,100	6%	1,392,800	6%
Hotel/Motel	1,365,500	6%	1,406,400	6%	1,406,400	6%	1,406,400	6%
Major Dept Stores	1,900,500	9%	1,938,500	8%	1,977,300	8%	2,016,800	8%
Misc. Retail	4,327,400	19%	4,543,800	20%	4,771,000	20%	5,009,500	21%
Other Taxable	1,968,000	9%	2,066,400	9%	2,169,700	9%	2,278,200	9%
Rental	3,409,500	15%	3,545,900	15%	3,687,700	16%	3,835,200	16%
Restaurants	2,128,600	10%	2,213,800	10%	2,302,300	10%	2,394,400	10%
Utilities	896,700	4%	896,700	4%	896,700	4%	896,700	4%
Total	22,320,400	100%	22,935,900	100%	23,568,600	100%	24,231,700	100%

Highway User Tax

Highway User Revenue Fund (HURF), also known as gas tax, is distributed by the State of Arizona. The State constitution requires that all highway user revenue be used solely for street, highway or transit purposes. Cities and towns receive 27.5 percent of the highway user revenue fund, of which one half of the monies are distributed based on population of all incorporated cities and towns in the State. The remaining half is distributed based on 'county of origin' of gasoline sales and the relation of the city or town's population to the total incorporated population of Maricopa County. The adopted FY 2018/19 budget of \$15.5 million represents a five percent, or \$0.9 million, decrease from the FY 2017/18 year-end forecast due to lower initial estimates provided by the Arizona Department of Transportation.

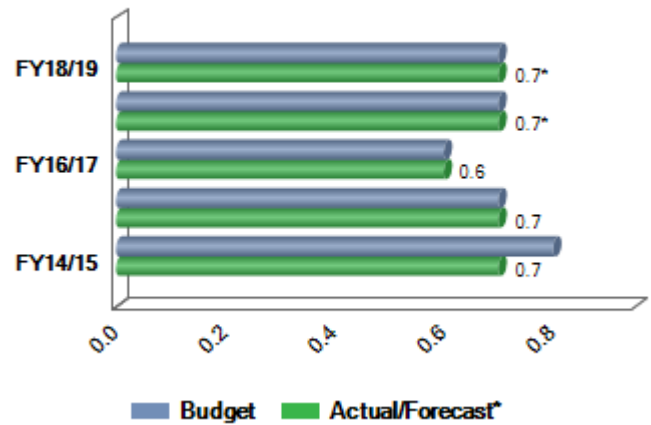
Adopted Budget to Actual/Forecast* (in millions)



Local Transportation Assistance Fund

Local Transportation Assistance Fund supports the development and operation of a comprehensive multi-modal public transportation program in Arizona. The funding to this program comes from lottery proceeds and it is distributed to cities and towns through an annual application process. The amounts available to cities and towns are capped based on population. The FY 2018/19 budget for this revenue is \$0.7 million, which represents the entire allocation available to the city.

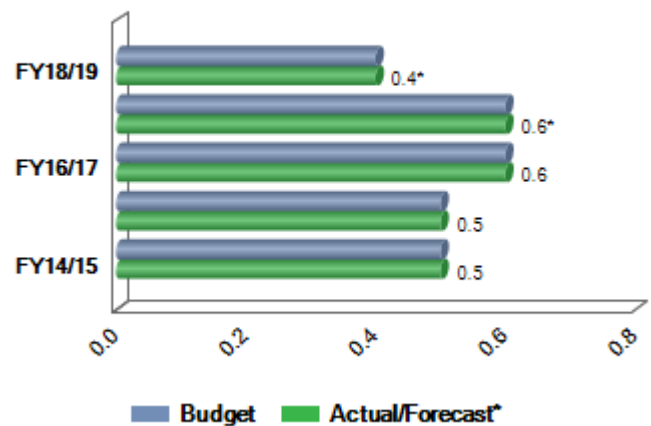
Adopted Budget to Actual/Forecast* (in millions)



Indirect/Direct Cost Allocations

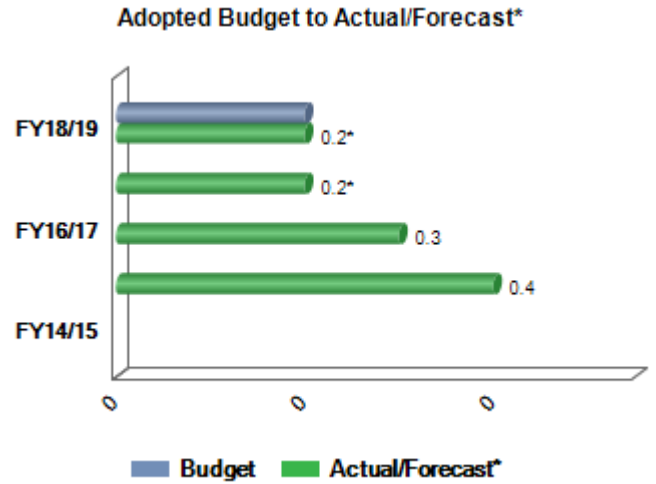
Indirect/Direct Cost Allocations represent charges to the Solid Waste Fund to cover the costs associated with alley maintenance performed by the Street Operations department for the benefit of Solid Waste operations. The budget for this revenue in FY 2018/19 is \$0.4 million which is a decrease of \$0.2 million from the FY 2017/18 year-end forecast. The decrease is the result of modifying the allocation calculation to be more reflective of actual street operation costs.

Adopted Budget to Actual/Forecast* (in millions)



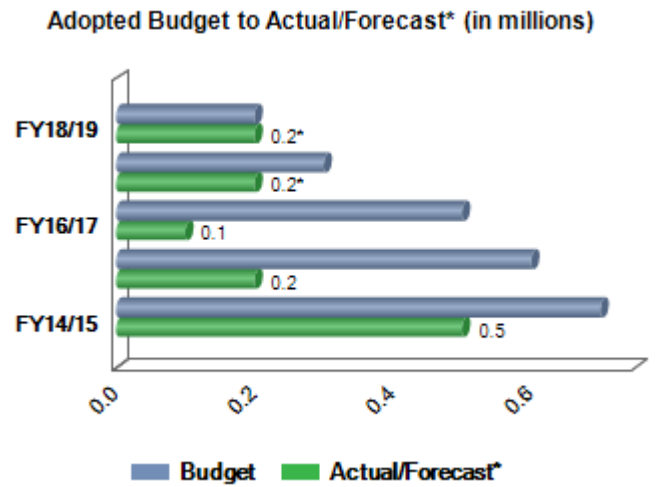
Miscellaneous

Miscellaneous includes various revenues the city receives in the Transportation Fund during any given year that are not attributable to one of the specific revenue categories previously noted. The FY 2018/19 budget of \$0.2 million includes the Valley Metro Regional Public Transportation Authority (RPTA) reconciliation, City of Phoenix reconciliation, as well as transportation vehicle auction proceeds. Historically, Miscellaneous was unbudgeted. However, because revenue has been consistently collected in the category, revenue is now budget beginning in FY 2018/19.



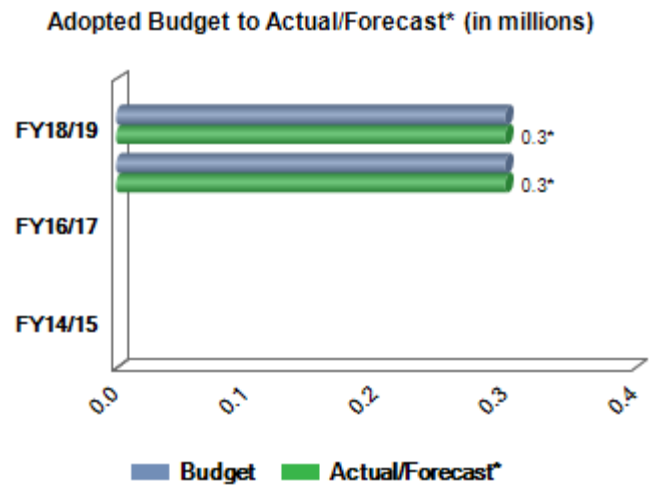
Intergovernmental

Intergovernmental represents the city's allocation of the half-cent sales tax for transportation improvements approved in Proposition 400 by Maricopa County voters in November 2004. This revenue, through the Public Transportation Fund funds the ADA Cab Connection Rides program, which addresses the transportation needs of people with disabilities within the city. The FY 2018/19 budget is \$0.2 million, which is even with the FY 2017/18 year-end forecast. There has been a reduction in participation in the past few years that has stabilized at the level estimated for FY 2018/19.



Operating Transfer In

Beginning in FY 2017/18, the \$0.3 million council authorized use of Tourism Development Funds for the operation of the downtown trolley will be received as an Operating Transfer In, which will allow a better monitoring of the program at the fund level. In previous years, the Transportation Department charged the Tourism Development Fund directly for this program.



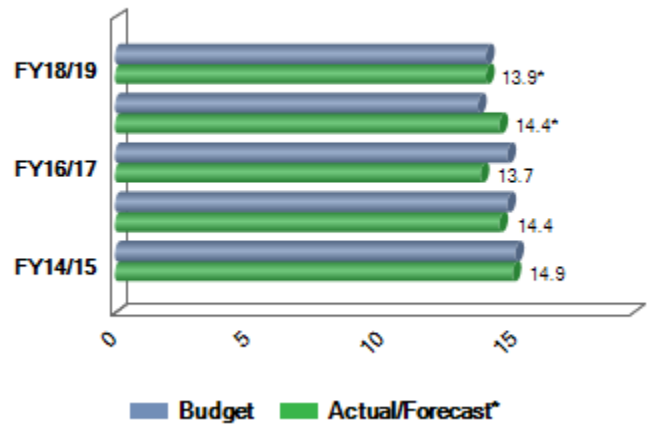
Transportation Fund Uses by Division

The Transportation Fund uses are presented by division, plus additional operating categories to include contingencies, utilities and transfers out to other funds.

Public Works

The expenditures for Public Works include alley maintenance, streets cleaning, lighting maintenance, and traffic signal maintenance. The adopted FY 2018/19 Public Works budget of \$13.9 million is a decrease of \$0.4 million from the FY 2017/18 year-end forecast of \$14.4 million mostly due to an administrative change beginning March 2017 to no longer budget utilities (water, electric, sewer, gas, solid waste and recycling services) within divisions but at a citywide macro level.

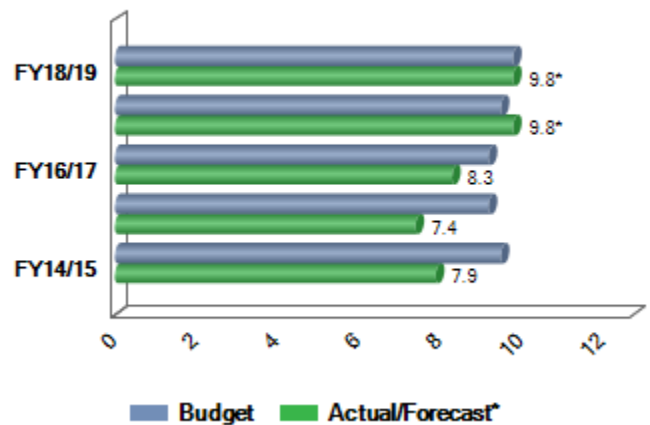
Adopted Budget to Actual/Forecast* (in millions)



Community and Economic Development

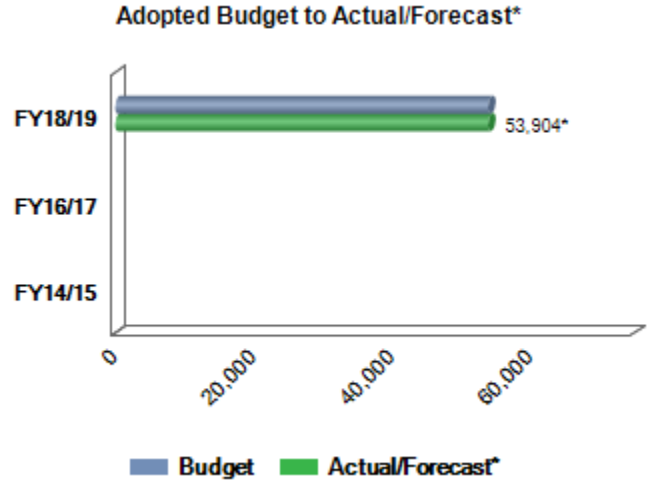
The Transportation Department within the Community and Economic Development Division includes administrative expenses and the various transit agreements with the City of Phoenix (\$2.1 million), Valley Metro (\$0.3 million), and trolley contractors (\$2.3 million), among others. The adopted FY 2018/19 budget of \$9.8 million is flat from the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)



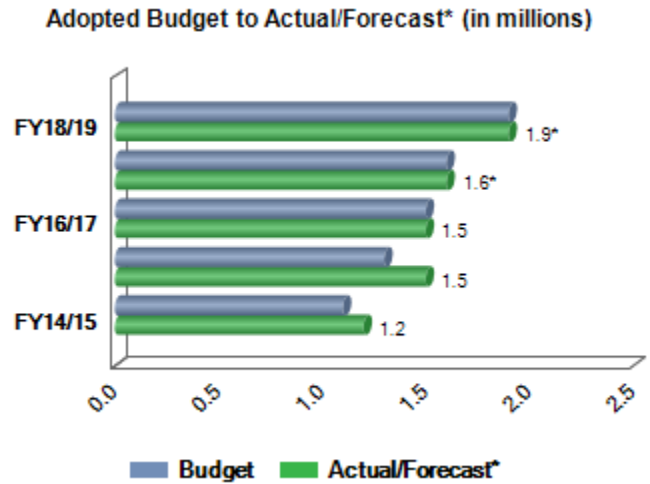
City Treasurer

This budget is used to partially fund the newly reclassified Sr. Budget Analyst position within the City Treasurer's division. The position is primarily dedicated to support the complex operating and capital financial needs within the Transportation Fund. The FY 2018/19 adopted budget is \$53,904.



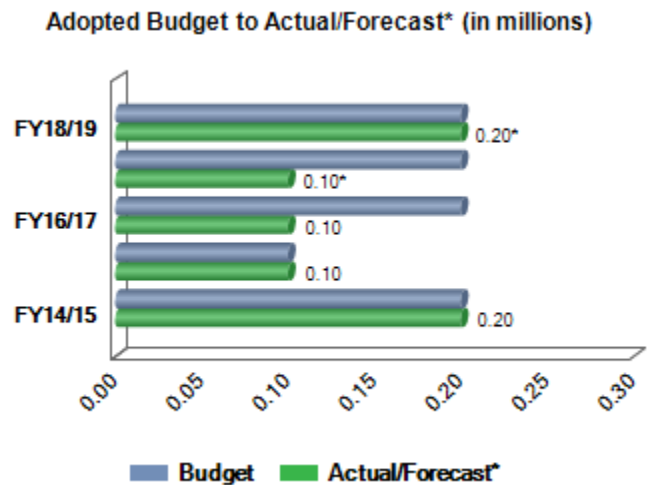
Community Services

This budget is used for the contracted landscaping of medians and right of ways. The FY 2018/19 adopted budget of \$1.9 million is an increase of \$0.3 million from the FY 2017/18 year-end forecast for the addition of one-time funding for median projects on Shea Boulevard and Mountain View Road.



Citywide Pay Program

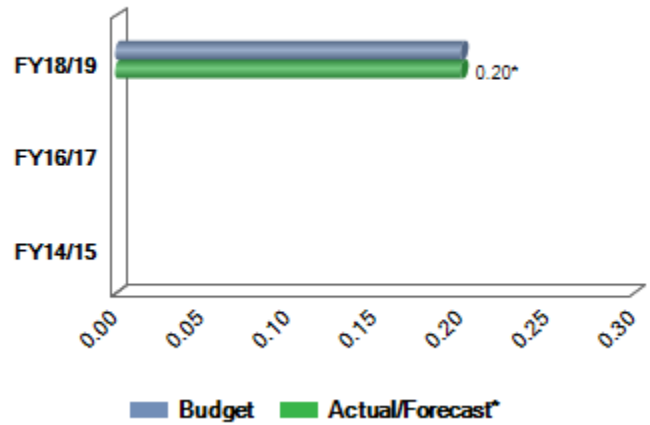
A citywide pay program, through which employees may receive increases within their established salary ranges based on performance. The FY 2018/19 adopted budget total is \$0.2 million. The FY 2017/18 year-end forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases within the department. The actual amount spent each year was at or below the adopted budget.



Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.

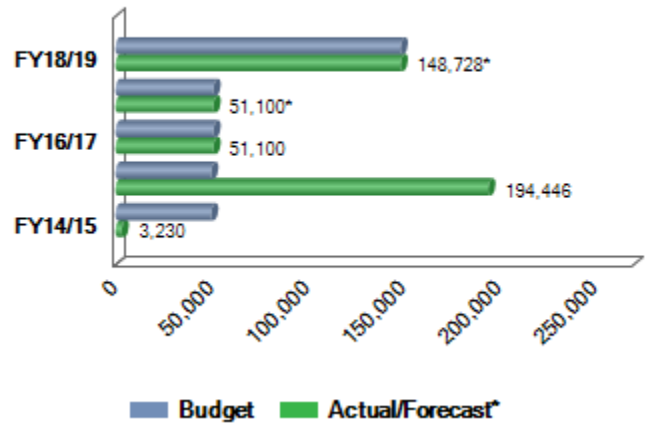
Adopted Budget to Actual/Forecast* (in millions)



Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2018/19 leave accrual payments budget is \$148,728, which includes \$68,628 budgeted for medical leave accrual payouts and \$80,100 budgeted for vacation leave accrual payouts. The FY 2017/18 year-end forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures.

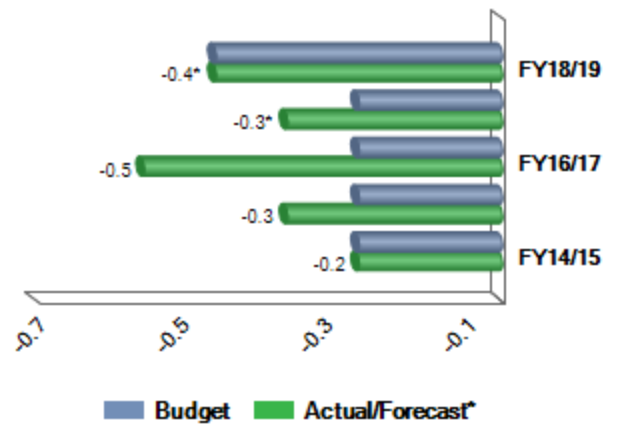
Adopted Budget to Actual/Forecast*



Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings achieved from vacant positions. The FY 2018/19 Transportation Fund estimate for vacancy savings is (\$0.4) million.

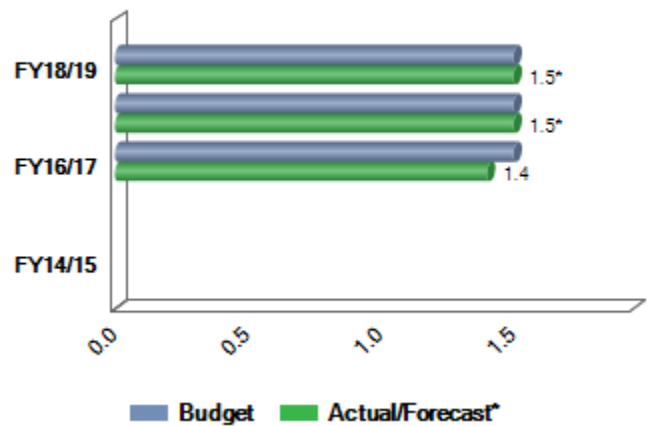
Adopted Budget to Actual/Forecast* (in millions)



Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions. The FY 2018/19 utilities budget is \$1.5 million in the Transportation Fund. The FY 2017/18 year-end forecast and FY 2016/17 actual displayed are recorded and reported as part of the division's expenditures.

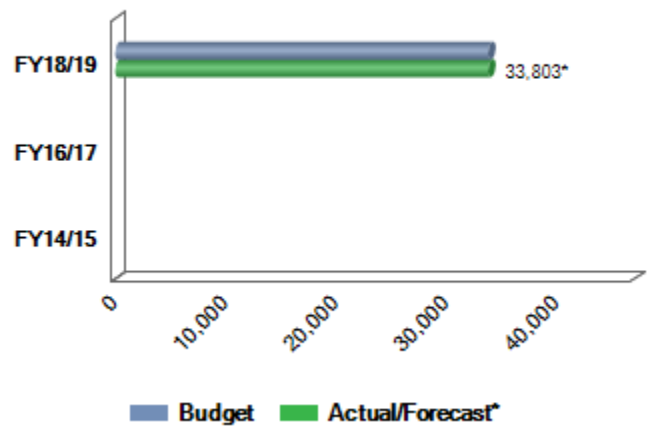
Adopted Budget to Actual/Forecast* (in millions)



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Transportation Fund adopted budget includes \$33,803 for the vacation trade program.

Adopted Budget to Actual/Forecast*



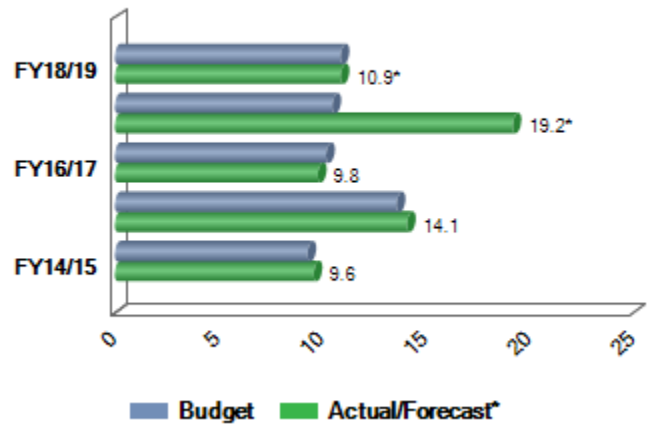
Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects.

CIP

The FY 2018/19 budget includes a \$10.9 million transfer of the Sales Tax - Transportation (0.20%) revenue, which is 50 percent of the revenue collected per financial policy No.27, to the Capital Improvement Plan (CIP). The FY 2017/18 year-end forecast includes additional transfers totaling \$8.5 million to fund four priority transportation capital projects in the vicinity of Pima Road, Happy Valley Road, Drinkwater Bridge, and 68th Street Bridge. Two of the projects are part of the Arterial Life Cycle Program (ALCP) managed by Maricopa Associate of Governments (MAG).

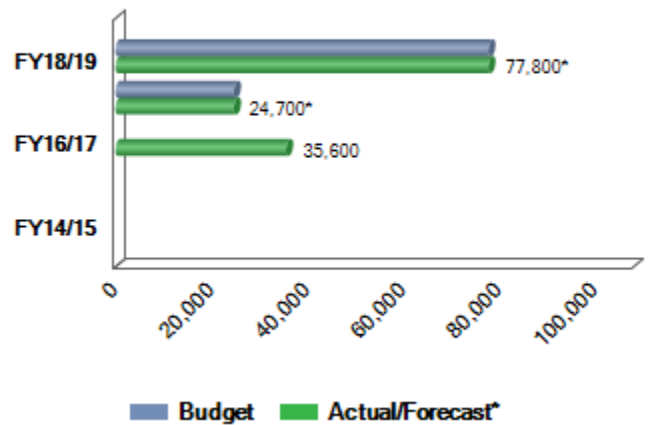
Adopted Budget to Actual/Forecast* (in millions)



CIP Technology

CIP Technology is the authorized transfer to CIP to fund technology related capital projects. The FY 2018/19 adopted budget is \$77,800.

Adopted Budget to Actual/Forecast*



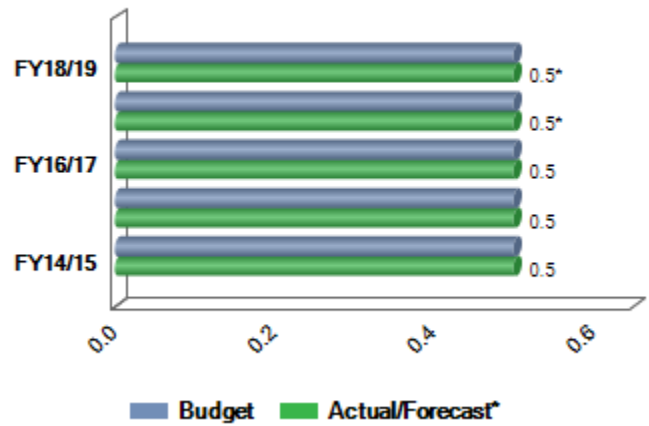
Transportation Fund Ending Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's Transportation Fund ending balance is noted in the following:

Operating Contingency

Operating Contingency includes \$0.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

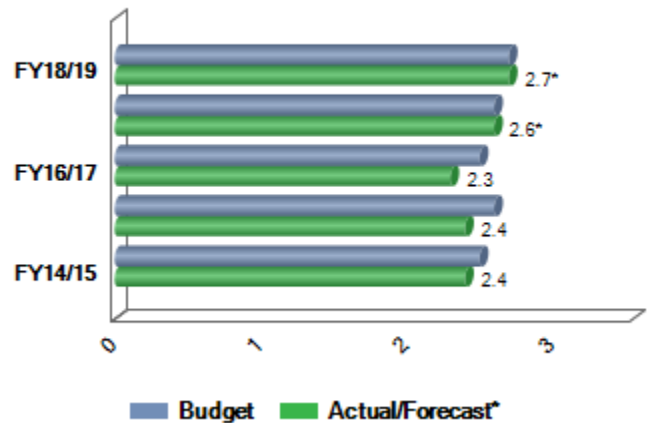
Adopted Budget to Actual/Forecast* (in millions)



Operating Reserve

Per financial policy No.37, the city's transportation operating reserve shall be 10 percent of the annual Transportation Fund operating budget and shall be used for unforeseen emergencies or catastrophic impacts to the city related to transportation. The FY 2018/19 Transportation Fund operating reserve is \$2.7 million.

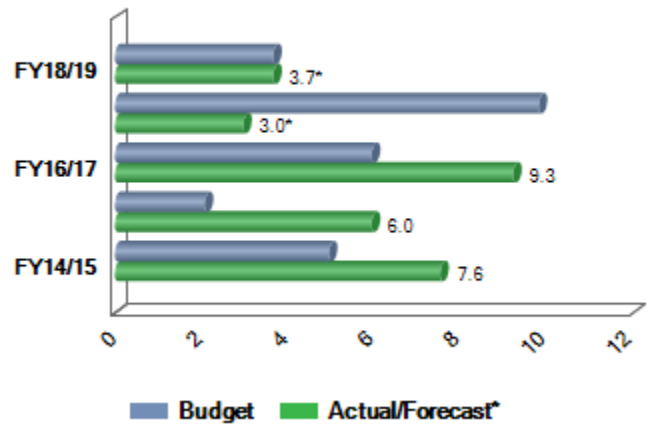
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance accounts for any remaining funds after the designation of all other reserves/uses. The FY 2018/19 ending undesignated, unreserved fund balance is \$3.7 million. Under prudent fiscal management practices, this balance should most appropriately be used for one-time expenditures, not to fund new or to expand programs with ongoing operating expenses.

Adopted Budget to Actual/Forecast* (in millions)





FY 2018/19 Adopted Budget

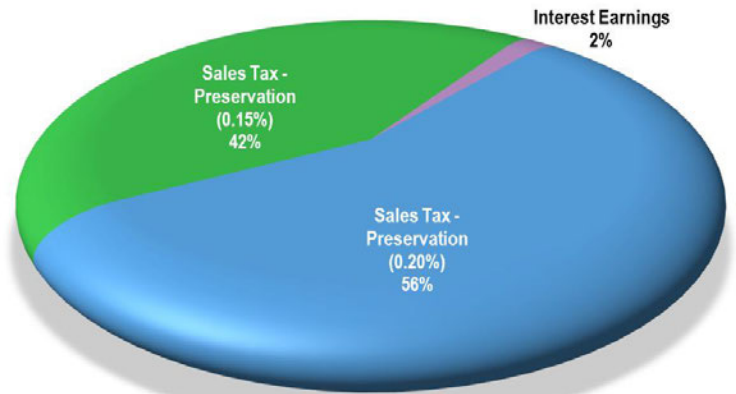
Fund Purpose

The Preservation Fund accounts for the portion of the city's Sales Tax – Preservation (0.35 percent) dedicated to the purchase of about 36,400 acres of land within the McDowell Sonoran Preserve. In 1995, voters approved increasing the city's sales tax rate by 0.20 percent for the purchase of land within the McDowell Sonoran Preserve. In May 2004, voters approved an additional 0.15 percent in the city's sales tax rate dedicated to the McDowell Sonoran Preserve land acquisition. Differing from the 1995 tax, the 2004 tax also allows for the construction of essential preserve related necessities such as proposed trailheads. The 1995 Sales Tax – Preservation of 0.20 percent is due to sunset in 2025 and the 2004 Sales Tax – Preservation of 0.15 is due to sunset in 2034.

Revenue collections and contractual debt associated with purchased land are accounted for in this fund. A Transfer Out is made to the Debt Service Fund or Capital Improvement Plan (CIP) to pay debt service payments associated with bonds issued for land purchases or general capital preserve projects.

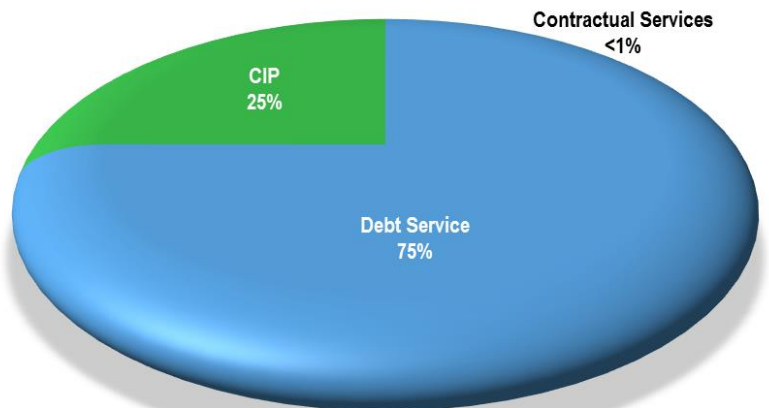
Preservation Fund Sources (in \$ millions)

Sales Tax - Preservation (0.20%)	22.5
Sales Tax - Preservation (0.15%)	16.9
Interest Earnings	0.7
Total Sources	40.1



Preservation Fund Uses (in \$ millions)

Contractual Services	0.0
Total Operating Budget	0.0
Transfers Out	
Debt Service	32.0
CIP	10.6
Total Transfers Out	42.6
Total Uses	42.6



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

BUDGET BY FUND | Preservation Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adpoted 2018/19
Beginning Fund Balance				
Undesignated, Unreserved Fund Balance	36,326,942	27,604,130	25,605,456	26,065,980
Total Beginning Fund Balance	36,326,942	27,604,130	25,605,456	26,065,980
Revenues				
Sales Tax - Preservation (0.20%)	20,273,594	21,580,838	21,940,614	22,535,596
Sales Tax - Preservation (0.15%)	15,209,457	16,185,629	16,455,461	16,901,695
Interest Earnings	380,297	399,453	399,453	686,217
Subtotal	35,863,348	38,165,920	38,795,528	40,123,508
Total Sources	35,863,348	38,165,920	38,795,528	40,123,508
Expenditures				
Professional Services	-	2,200	2,200	2,200
Subtotal	-	2,200	2,200	2,200
TOTAL OPERATING BUDGET	-	2,200	2,200	2,200
Transfers Out				
CIP ^(a)	16,500,805	3,880,000	6,863,873	10,649,271
Debt Svc GO Bonds	24,480,912	25,724,510	26,364,556	26,873,185
Debt Svc SPA Bonds	5,603,117	6,129,963	5,104,375	5,121,875
Subtotal	46,584,835	35,734,473	38,332,804	42,644,331
Total Uses	46,584,835	35,736,673	38,335,004	42,646,531
Sources Over/(Under) Uses	(10,721,486)	2,429,247	460,524	(2,523,023)
Ending Fund Balance				
Undesignated, Unreserved Fund Balance	25,605,456	30,033,377	26,065,980	23,542,957
Total Ending Fund Balance	25,605,456	30,033,377	26,065,980	23,542,957

(a) The FY 2016/17 Transfers Out - CIP actuals were less than anticipated. Therefore, the transfers out were carried forward and are reflected in the FY 2017/18 forecast.

BUDGET BY FUND | Preservation Fund Five-Year Financial Forecast

	Adpoted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Undesignated, Unreserved Fund Balance	26,065,980	23,542,957	27,408,757	36,124,857	45,314,557
Total Beginning Fund Balance	26,065,980	23,542,957	27,408,757	36,124,857	45,314,557
Revenues					
Sales Tax - Preservation (0.20%)	22,535,596	23,152,400	23,790,800	24,447,200	25,135,100
Sales Tax - Preservation (0.15%)	16,901,695	17,364,300	17,843,000	18,335,200	18,851,100
Interest Earnings	686,217	771,400	866,800	882,600	889,400
Subtotal	40,123,508	41,288,100	42,500,600	43,665,000	44,875,600
Total Sources	40,123,508	41,288,100	42,500,600	43,665,000	44,875,600
Expenditures					
Professional Services	2,200	2,300	2,300	2,400	2,400
Subtotal	2,200	2,300	2,300	2,400	2,400
TOTAL OPERATING BUDGET	2,200	2,300	2,300	2,400	2,400
Transfers Out					
CIP	10,649,271	4,684,700	500,000	450,000	450,000
Debt Svc GO Bonds	26,873,185	27,600,400	31,868,200	32,602,900	34,510,900
Debt Svc SPA Bonds	5,121,875	5,134,900	1,414,000	1,420,000	-
Subtotal	42,644,331	37,420,000	33,782,200	34,472,900	34,960,900
Total Uses	42,646,531	37,422,300	33,784,500	34,475,300	34,963,300
Sources Over/(Under) Uses	(2,523,023)	3,865,800	8,716,100	9,189,700	9,912,300
Ending Fund Balance					
Undesignated, Unreserved Fund Balance	23,542,957	27,408,757	36,124,857	45,314,557	55,226,857
Total Ending Fund Balance	23,542,957	27,408,757	36,124,857	45,314,557	55,226,857

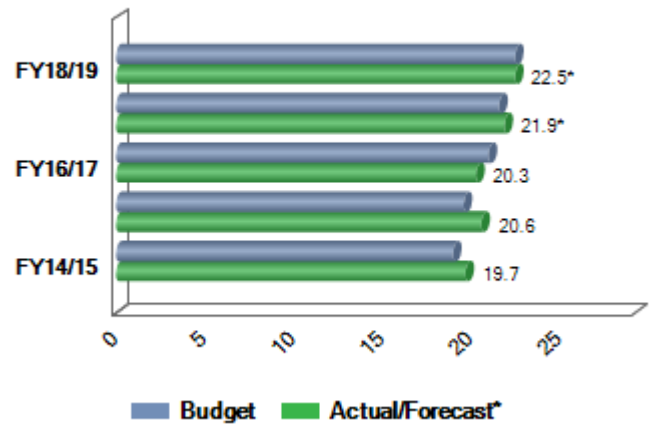
Preservation Fund Sources

The Preservation Fund sources for FY 2018/19 are budgeted at \$40.1 million, an increase of \$1.3 million from the FY 2017/18 year-end forecast. The same methodology for developing the transaction sales tax budgeted in the General Fund is also used for the Preservation Fund.

Sales Tax - Preservation (0.20%)

Sales Tax - Preservation (0.20%) represents the 1995 voter approved 0.20 percent of the city's sales tax dedicated to the purchase of land within the McDowell Sonoran Preserve of which will sunset in the year 2025. The FY 2018/19 budget of \$22.5 million represents an increase of \$0.6 million, or three percent, over the FY 2017/18 year-end forecast. The one time decrease in collections in FY 2016/17 is the result of the Arizona Department of Revenue (ADOR) taking over the administration, collection and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily, which caused a one-time delay in collections. The following table is a five-year forecast by business category for the preservation sales tax, which reflects a three percent increase annually for total collections.

Adopted Budget to Actual/Forecast* (in millions)



Sales Tax - Preservation (0.20%) Five-Year Forecast by Business Category (rounding differences may occur)

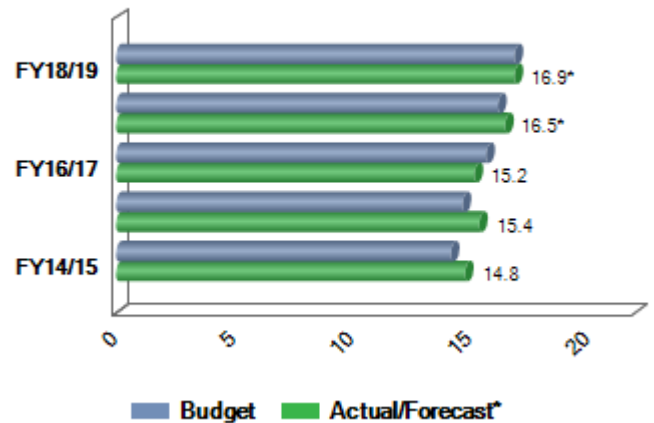
Business Category	Actual 2016/17	% of Total	Adopted 2017/18	% of Total	Forecast 2017/18	% of Total	Adopted 2018/19	% of Total
Automotive	2,989,018	15%	2,837,201	13%	3,268,391	15%	3,288,426	15%
Construction	1,866,052	9%	2,031,733	9%	1,897,767	9%	1,878,217	8%
Food	1,363,972	7%	1,503,195	7%	1,374,642	6%	1,388,384	6%
Hotel/Motel	1,286,641	6%	1,277,450	6%	1,321,669	6%	1,375,109	6%
Major Dept Stores	1,805,064	9%	1,895,008	9%	1,904,983	9%	1,932,689	9%
Misc. Retail	3,676,322	18%	4,045,721	19%	4,072,799	19%	4,274,976	19%
Other Taxable	1,678,133	8%	1,839,764	9%	1,851,497	8%	1,944,127	9%
Rental	2,760,053	14%	2,974,545	14%	3,238,631	15%	3,400,562	15%
Restaurants	1,937,888	10%	2,159,484	10%	2,061,201	9%	2,123,033	9%
Utilities	910,452	4%	1,016,737	5%	949,032	4%	930,073	4%
Total	20,273,594	100%	21,580,838	100%	21,940,614	100%	22,535,596	100%

Business Category	Forecast 2019/20	% of Total	Forecast 2020/21	% of Total	Forecast 2021/22	% of Total	Forecast 2022/23	% of Total
Automotive	3,271,300	14%	3,238,600	14%	3,238,600	13%	3,238,600	13%
Construction	1,886,400	8%	1,905,200	8%	1,925,400	8%	1,949,500	8%
Food	1,402,300	6%	1,416,300	6%	1,430,500	6%	1,444,800	6%
Hotel/Motel	1,416,400	6%	1,458,900	6%	1,458,900	6%	1,458,900	6%
Major Dept Stores	1,971,300	9%	2,010,800	8%	2,051,000	8%	2,092,000	8%
Misc. Retail	4,488,700	19%	4,713,200	20%	4,948,800	20%	5,196,300	21%
Other Taxable	2,041,300	9%	2,143,400	9%	2,250,600	9%	2,363,100	9%
Rental	3,536,600	15%	3,678,100	15%	3,825,200	16%	3,978,200	16%
Restaurants	2,208,000	10%	2,296,200	10%	2,388,100	10%	2,483,600	10%
Utilities	930,100	4%	930,100	4%	930,100	4%	930,100	4%
Total	23,152,400	100%	23,790,800	100%	24,447,200	100%	25,135,100	100%

Sales Tax - Preservation (0.15%)

Sales Tax - Preservation (0.15%) represents the 2004 voter approved 0.15 percent of the city's sales tax dedicated to the purchase of land within the McDowell Sonoran Preserve, plus construction of essential preserve related necessities such as proposed trailheads. These funds are due to sunset in the year 2034. The FY 2018/19 budget of \$16.9 million represents an increase of \$0.4 million, or four percent, over the FY 2017/18 year-end forecast. The one time decrease in collections in FY 2016/17 is the result of the Arizona Department of Revenue (ADOR) taking over the administration, collection and reporting of sales tax as of January 1, 2017. Payments from ADOR are received weekly rather than daily, which caused a one-time delay in collections. The following table is a five-year forecast by business category for the preservation sales tax, which reflects a three percent increase annually for total collections.

Adopted Budget to Actual/Forecast* (in millions)



Sales Tax - Preservation (0.15%) Five-Year Forecast by Business Category (rounding differences may occur)

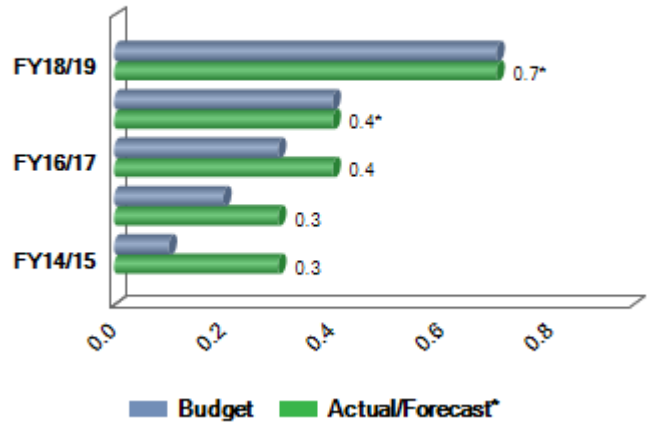
Business Category	Actual 2016/17	% of Total	Adopted 2017/18	% of Total	Forecast 2017/18	% of Total	Adopted 2018/19	% of Total
Automotive	2,242,272	15%	2,127,901	13%	2,451,293	15%	2,466,319	15%
Construction	1,400,465	9%	1,523,800	9%	1,423,326	9%	1,408,663	8%
Food	1,023,020	7%	1,127,396	7%	1,030,982	6%	1,041,288	6%
Hotel/Motel	964,981	6%	958,088	6%	991,252	6%	1,031,332	6%
Major Dept Stores	1,353,798	9%	1,421,256	9%	1,428,737	9%	1,449,516	9%
Misc. Retail	2,757,522	18%	3,034,291	19%	3,054,600	19%	3,206,232	19%
Other Taxable	1,260,486	8%	1,379,823	9%	1,388,623	8%	1,458,095	9%
Rental	2,070,047	14%	2,230,909	14%	2,428,974	15%	2,550,421	15%
Restaurants	1,454,022	10%	1,619,613	10%	1,545,901	9%	1,592,274	9%
Utilities	682,845	4%	762,552	5%	711,774	4%	697,555	4%
Total	15,209,457	100%	16,185,629	100%	16,455,461	100%	16,901,695	100%

Business Category	Forecast 2019/20	% of Total	Forecast 2020/21	% of Total	Forecast 2021/22	% of Total	Forecast 2022/23	% of Total
Automotive	2,453,500	14%	2,428,900	14%	2,428,900	13%	2,428,900	13%
Construction	1,414,800	8%	1,428,900	8%	1,444,100	8%	1,462,100	8%
Food	1,051,700	6%	1,062,200	6%	1,072,800	6%	1,083,600	6%
Hotel/Motel	1,062,300	6%	1,094,100	6%	1,094,100	6%	1,094,100	6%
Major Dept Stores	1,478,500	9%	1,508,100	8%	1,538,200	8%	1,569,000	8%
Misc. Retail	3,366,500	19%	3,534,900	20%	3,711,600	20%	3,897,200	21%
Other Taxable	1,531,000	9%	1,607,600	9%	1,687,900	9%	1,772,300	9%
Rental	2,652,400	15%	2,758,500	15%	2,868,900	16%	2,983,600	16%
Restaurants	1,656,000	10%	1,722,200	10%	1,791,100	10%	1,862,700	10%
Utilities	697,600	4%	697,600	4%	697,600	4%	697,600	4%
Total	17,364,300	100%	17,843,000	100%	18,335,200	100%	18,851,100	100%

Interest Earnings

Interest Earnings is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investments in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield. The FY 2018/19 budget of \$0.7 million is an increase of \$0.3 million from the FY 2017/18 year-end forecast. The additional interest earnings projected is due to two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the "Federal Funds Rate" (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments.

Adopted Budget to Actual/Forecast* (in millions)

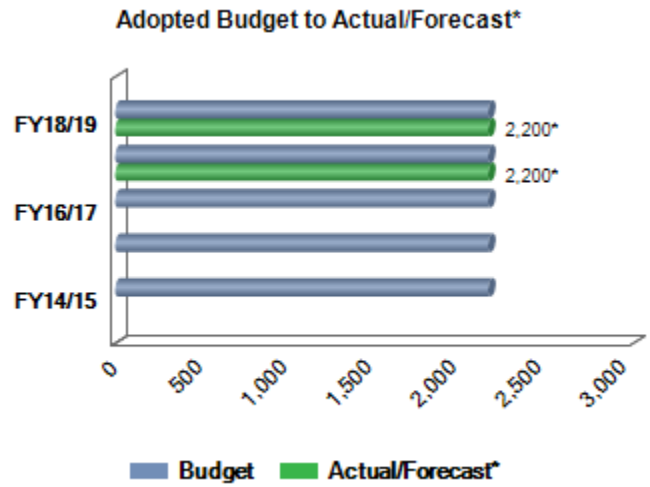


Preservation Fund Uses

Almost all of the uses in this fund are Transfers Out for debt service expenses on Preserve General Obligation Bonds, Revenue Bonds and capital projects such as land acquisition and construction of essential preserve related assets such as trailheads.

Professional Service

Professional Services expenditures adopted budget for FY 2018/19 is \$2,200 to cover operating financial expenses related to servicing the preserve debt, which is consistent with FY 2017/18 year-end forecast.



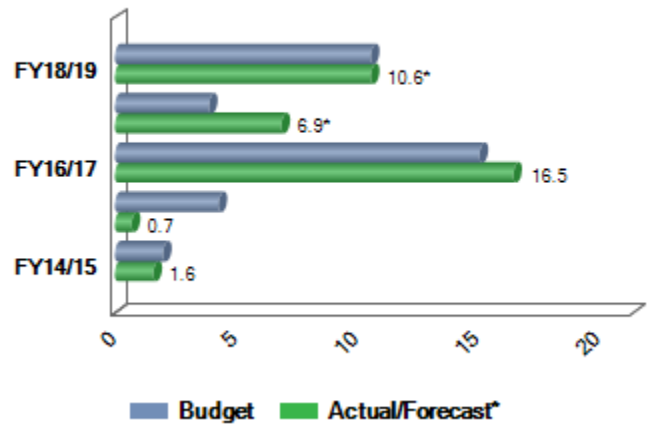
Transfers Out

Transfers Out are the authorized movement of cash or other resources to other funds and/or capital projects. Transfers Out in FY 2018/19 is \$42.6 million, which is provided in further detail in the following:

CIP

Transfers out to the Capital Improvement Plan (CIP) for capital preserve projects. The CIP project schedule is comprised of several areas for trail construction, trailhead maintenance, habitat and safety improvements. The FY 2018/19 adopted budget is \$10.6 million, an increase of \$3.7 million from the FY 2017/18 year-end forecast, related to the Pinnacle Peak Park Improvements project.

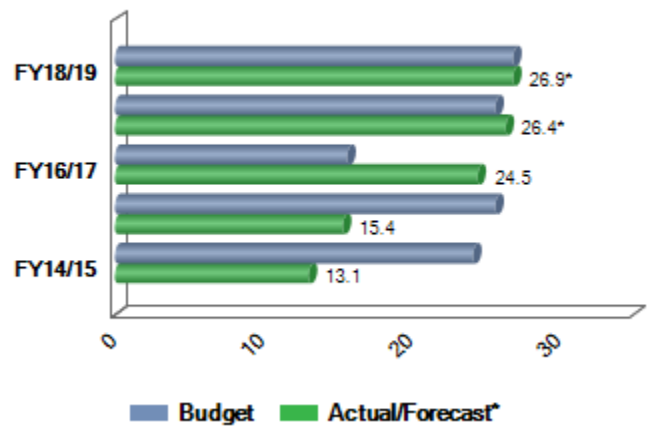
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc GO Bonds

A transfers out to the Debt Service Fund to facilitate payments of the Preserve General Obligated Bonds. The debt issuances are related to the land acquisition in the McDowell Mountain Sonoran Preserve and repaid by a dedicated 0.20 percent sales tax authorized by voters in 1995 and a 0.15 percent sales tax authorized by voters in 2004. Total Transfers Out for FY 2018/19 is \$26.9 million.

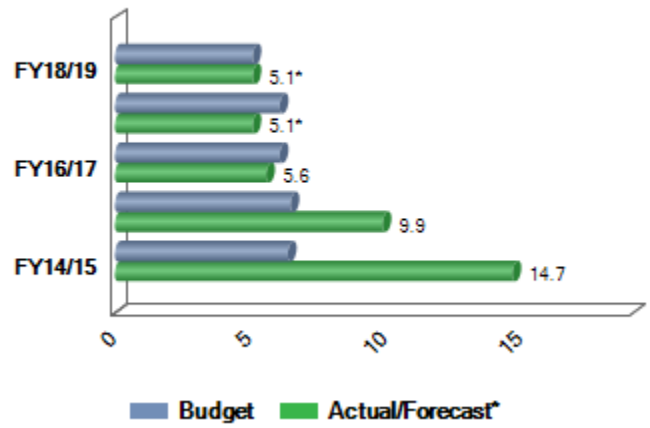
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc Revenue Bonds

A transfers out to the Debt Service Fund to facilitate payments of the Scottsdale Preserve Authority Debt Service. The Scottsdale Preserve Authority Revenue Board authorizes prior debt issuances that are related to the land acquisition in the McDowell Mountain Sonoran Preserve. It is repaid by a dedicated 0.20 percent sales tax authorized by voters in 1995 and a 0.15 percent sales tax authorized by voters in 2004. Total Transfers Out for FY 2018/19 is \$5.1 million.

Adopted Budget to Actual/Forecast* (in millions)

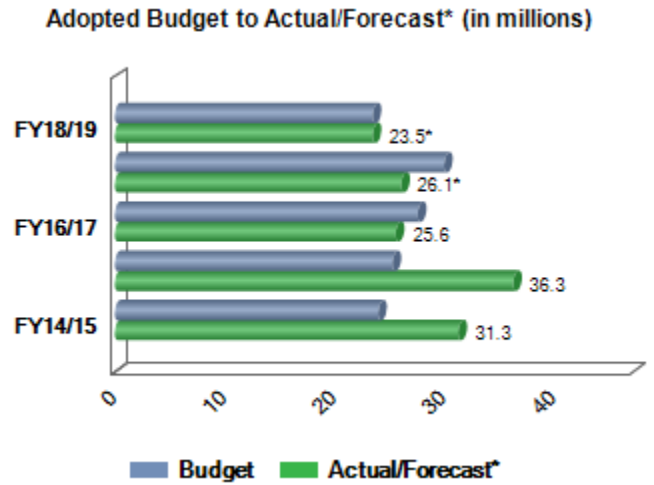


Preservation Fund Ending Balance

Preservation Fund Ending Balance is the accumulation of sources received from Preservation Sales Tax (0.20%, 0.15%) and interest earnings. Growth of the fund balance occurs when sources exceed uses.

Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2018/19 Undesignated, Unreserved Fund Balance is \$23.5 million, which represents the cumulative Preservation Sources not designated for a specific purpose. This balance represents an accumulation of one-time sources and is most appropriately used for one-time uses. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating uses.



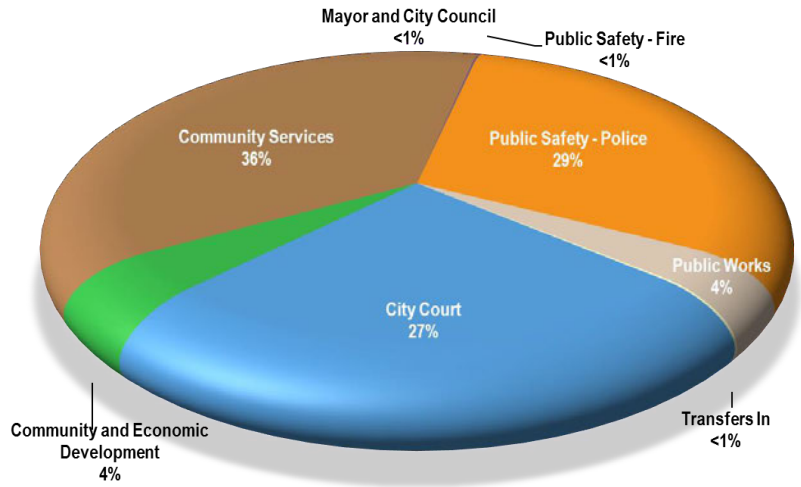
BUDGET BY FUND | Special Programs Fund Overview

Fund Purpose

In accordance with the Governmental Accounting Standards Board (GASB) 54, this fund is used to account for dedicated funding sources and donations earmarked for specific purposes pursuant to constraints imposed by formal action of the City Council or restricted by an outside source. All revenues not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose.

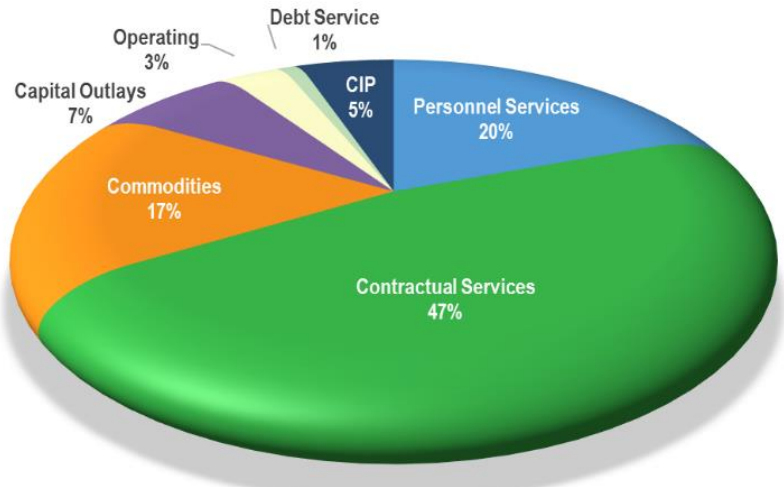
Special Programs Sources by Program Area (in \$ millions)

City Court	1.9
Community and Economic Development	0.3
Community Services	2.6
Mayor and City Council	0.0
Public Safety - Fire	0.0
Public Safety - Police	2.0
Public Works	0.2
Total Revenue	7.0
Transfers In	0.0
Total Sources	7.0



Special Programs Fund Uses (in \$ millions)

Personnel Services	2.0
Contractual Services	4.8
Commodities	1.7
Capital Outlays	0.7
Total Operating Budget	9.3
Transfers Out	
Operating	0.3
Debt Service	0.1
CIP	0.5
Total Transfers Out	1.0
Total Uses	10.2
Contingency/Reserves	1.5



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

BUDGET BY FUND | Special Programs Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Appropriation Contingency ^(a)	1,500,000	1,500,000	1,500,000	1,455,000
Beginning Fund Balance				
Reserve - City Court	5,788,829	6,221,314	6,592,523	7,074,428
Reserve - Community and Economic Development	2,068,633	2,255,799	2,424,227	2,248,429
Reserve - Community Services	1,932,073	1,602,565	1,877,238	1,797,709
Reserve - Mayor and City Council	6,000	9,000	11,306	11,306
Reserve - Public Safety - Fire	6,211	3,391	14,370	10,979
Reserve - Public Safety - Police	1,002,089	901,993	931,994	1,267,205
Reserve - Public Works	50,093	53,121	121,320	139,829
Total Beginning Fund Balance	10,853,928	11,047,183	11,972,978	12,549,885
Revenues				
City Court	2,140,717	1,804,654	1,804,654	1,857,445
Community and Economic Development	1,053,290	278,307	346,677	308,500
Community Services	2,425,316	2,572,351	2,572,351	2,554,443
Mayor and City Council	9,500	7,500	7,500	7,500
Public Safety - Fire	12,814	300	300	500
Public Safety - Police	1,703,942	2,529,857	2,529,857	2,040,387
Public Works	390,872	268,509	268,509	243,000
Subtotal	7,736,452	7,461,478	7,529,848	7,011,775
Transfers In				
Operating	858,999	10,000	10,000	10,000
Subtotal	858,999	10,000	10,000	10,000
Total Sources	8,595,451	7,471,478	7,539,848	7,021,775

^(a) The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Expenditures				
City Court	955,443	1,479,773	1,299,249	1,319,912
Community and Economic Development	284,984	371,150	416,150	1,885,666
Community Services	2,488,777	2,700,630	2,661,880	3,019,441
Mayor and City Council	4,194	7,500	7,500	7,500
Public Safety - Fire	4,655	3,691	3,691	2,180
Public Safety - Police	1,269,945	1,751,154	1,758,432	2,635,617
Public Works	193,299	250,000	250,000	250,000
Citywide Pay Program	-	39,984	-	45,712
Compensation Other	-	-	-	78,484
Vacation Trade	-	-	-	6,226
Subtotal	5,201,298	6,603,882	6,396,902	9,250,738
 TOTAL OPERATING BUDGET	 5,201,298	 6,603,882	 6,396,902	 9,250,738
Transfers Out				
CIP	824,970	43,500	157,987	541,000
CIP Technology	2,300	-	-	-
Debt Svc MPC Bonds	103,825	106,325	106,325	103,575
Operating	1,344,007	301,727	301,727	330,862
Subtotal	2,275,102	451,552	566,039	975,437
 Total Uses	 7,476,401	 7,055,434	 6,962,941	 10,226,175
 Sources Over/(Under) Uses	 1,119,050	 416,044	 576,907	 (3,204,400)
Appropriation Contingency ^(a)	1,409,286	1,500,000	1,455,000	1,500,000
Ending Fund Balance				
Reserve - City Court	6,592,523	6,505,527	7,074,428	7,122,656
Reserve - Community and Economic Development	2,424,227	2,066,631	2,248,429	567,688
Reserve - Community Services	1,877,238	1,456,802	1,797,709	1,198,378
Reserve - Mayor and City Council	11,306	9,000	11,306	11,306
Reserve - Public Safety - Fire	14,370	-	10,979	9,299
Reserve - Public Safety - Police	931,994	1,353,637	1,267,205	303,329
Reserve - Public Works	121,320	71,630	139,829	132,829
Total Ending Fund Balance	11,972,978	11,463,227	12,549,885	9,345,485

^(a) The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Appropriation Contingency ^(a)	1,455,000	1,500,000	1,500,000	1,500,000	1,500,000
Beginning Fund Balance					
Reserve - City Court	7,074,428	7,122,656	7,787,699	8,435,034	9,067,140
Reserve - Community and Economic Development	2,248,429	567,688	306,188	129,488	7,888
Reserve - Community Services	1,797,709	1,198,378	769,922	309,179	298,564
Reserve - Mayor and City Council	11,306	11,306	11,306	11,306	11,306
Reserve - Public Safety - Fire	10,979	9,299	9,499	9,699	9,899
Reserve - Public Safety - Police	1,267,205	303,329	140,042	71,250	186,559
Reserve - Public Works	139,829	132,829	130,729	133,529	141,429
Total Beginning Fund Balance	12,549,885	9,345,485	9,155,385	9,099,485	9,722,785
Revenues					
City Court	1,857,445	1,881,100	1,910,700	1,922,200	1,924,800
Community and Economic Development	308,500	310,300	312,100	314,000	315,900
Community Services	2,554,443	2,487,800	2,524,300	2,551,300	2,575,500
Mayor and City Council	7,500	7,500	7,500	7,500	7,500
Public Safety - Fire	500	500	500	500	500
Public Safety - Police	2,040,387	2,300,000	2,300,000	2,100,000	2,000,000
Public Works	243,000	247,900	252,800	257,900	263,000
Subtotal	7,011,775	7,235,100	7,307,900	7,153,400	7,087,200
Transfers In					
Operating	10,000	10,000	10,000	10,000	10,000
Subtotal	10,000	10,000	10,000	10,000	10,000
Total Sources	7,021,775	7,245,100	7,317,900	7,163,400	7,097,200

^(a) The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

BUDGET BY FUND | Special Programs Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Expenditures					
City Court	1,319,912	1,137,200	1,150,900	1,164,500	1,178,900
Community and Economic Development	1,885,666	466,000	381,000	331,000	206,000
Community Services	3,019,441	2,824,100	2,854,600	2,408,900	2,381,800
Mayor and City Council	7,500	7,500	7,500	7,500	7,500
Public Safety - Fire	2,180	300	300	300	300
Public Safety - Police	2,635,617	2,123,600	2,032,900	1,644,800	1,663,900
Public Works	250,000	250,000	250,000	250,000	250,000
Citywide Pay Program	45,712	89,900	136,800	180,900	223,300
Compensation Other	78,484	118,500	159,100	158,900	159,200
Vacation Trade	6,226	6,400	6,600	6,800	7,000
Subtotal	9,250,738	7,023,500	6,979,700	6,153,600	6,077,900
 TOTAL OPERATING BUDGET	9,250,738	7,023,500	6,979,700	6,153,600	6,077,900
Transfers Out					
CIP	541,000	20,000	20,000	20,000	20,000
CIP Technology	-	-	-	-	-
Debt Svc MPC Bonds	103,575	105,800	107,800	104,600	106,300
Operating	330,862	285,900	266,300	261,900	257,500
Subtotal	975,437	411,700	394,100	386,500	383,800
 Total Uses	10,226,175	7,435,200	7,373,800	6,540,100	6,461,700
 Sources Over/(Under) Uses	(3,204,400)	(190,100)	(55,900)	623,300	635,500
Appropriation Contingency ^(a)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Ending Fund Balance					
Reserve - City Court	7,122,656	7,787,699	8,435,034	9,067,140	9,675,657
Reserve - Community and Economic Development	567,688	306,188	129,488	7,888	11,489
Reserve - Community Services	1,198,378	769,922	309,179	298,564	315,530
Reserve - Mayor and City Council	11,306	11,306	11,306	11,306	11,306
Reserve - Public Safety - Fire	9,299	9,499	9,699	9,899	10,099
Reserve - Public Safety - Police	303,329	140,042	71,250	186,559	179,775
Reserve - Public Works	132,829	130,729	133,529	141,429	154,429
Total Ending Fund Balance	9,345,485	9,155,385	9,099,485	9,722,785	10,358,285

^(a) The Appropriation Contingency for the Special Programs Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval.

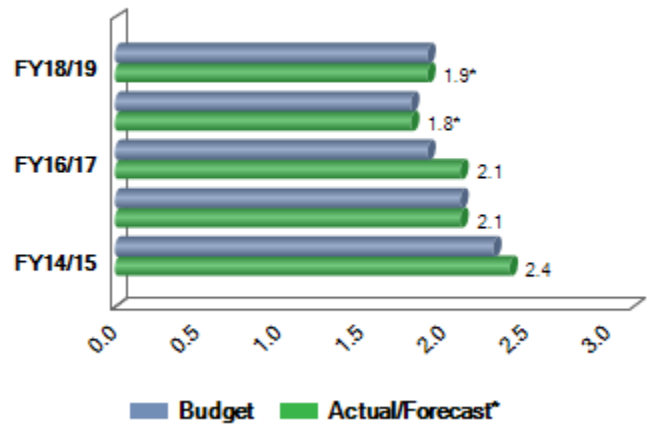
Special Programs Sources

Sources received in the Special Programs Fund consist of various Fines, Fees, Forfeitures and Permits; Racketeering Influenced Corrupt Organization (RICO) revenue; Contributions/Donations; Other Revenues; and Operating Transfers In. The revenues by division are detailed in the following sections.

City Court

City Court revenue originates from four sources: Court Enhancement, Judicial Collections Enhancement Fund (JCEF), Fill-the-Gap (FTG) and Jury Fee Donations. The Court Enhancement is established by Scottsdale City Ordinance 2570 section 9-7.2 and provides funding to enhance the technological, operational, and security facilities of the Court. JCEF and FTG were established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, which provide funding for maintaining and enhancing the Court's ability to collect and manage monies. Jury Fee Donation revenue is a program established in FY 2014/15 which allows jurors to donate their portion of jury pay, which will be used to enhance the experience of citizens serving on juries. The FY 2018/19 budget for restricted City Court revenue is \$1.9 million, which is \$0.1 million greater than the FY 2017/18 year-end forecast.

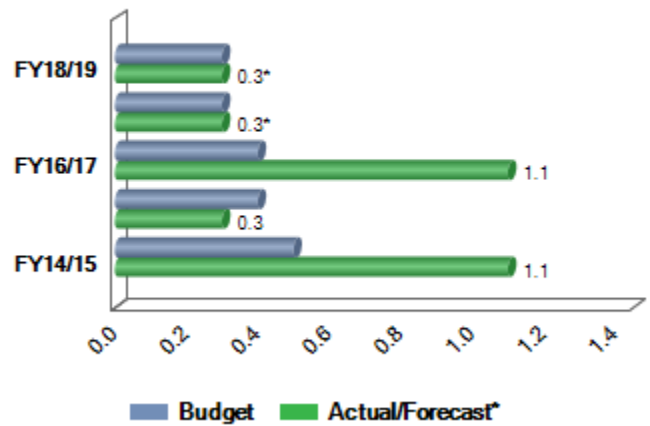
Adopted Budget to Actual/Forecast* (in millions)



Community and Economic Development

Community and Economic Development revenue is generated from the following sources: contributions and donations, lease agreements, revenue from Bureau of Reclamation, and gross sales from McDowell Mountain Golf Course. The FY 2014/15 and FY 2016/17 actuals include in lieu developer fees for public art for various projects. The estimated special revenue for FY 2018/19 is \$0.3 million. The FY 2017/18 year-end forecast is relatively flat from FY 2018/19 adopted budget.

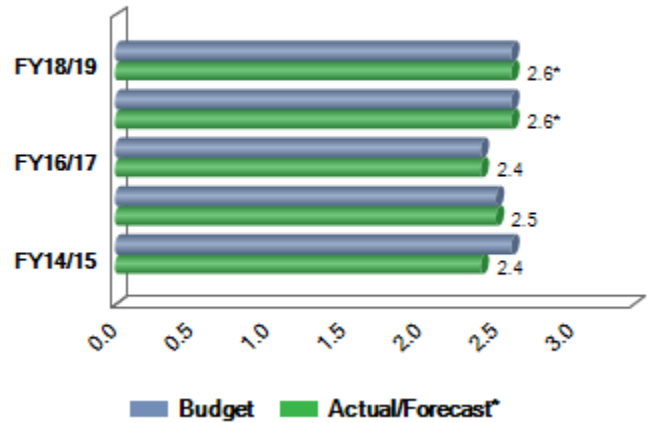
Adopted Budget to Actual/Forecast* (in millions)



Community Services

Community Services special revenues include donations, contributions, user fees and charges that are restricted to specific uses per the revenue source. Restricted uses of special revenue include library and human services, afterschool and summer programs, enhancing parks, youth sports field and pool sponsored team allocations, Handlebar Helpers, Silverado Golf Surcharge, Charros/Giants for capital improvement, providing memorials, special events, funding community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park. The estimated special revenue for FY 2018/19 is \$2.6 million.

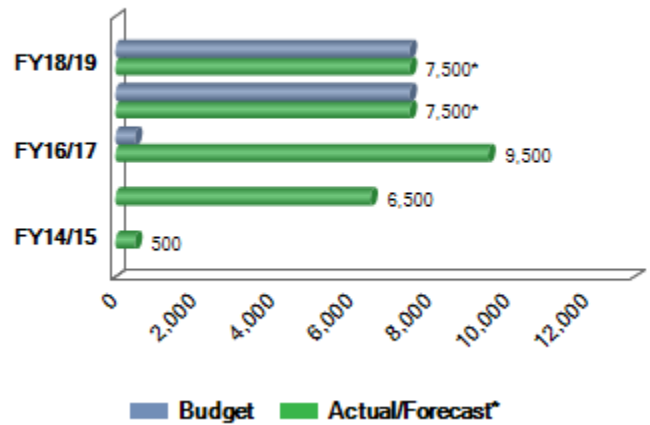
Adopted Budget to Actual/Forecast* (in millions)



Mayor and City Council

Mayor and City Council began receiving contributions and donations to fund the yearly Mayor's Constitution event in FY 2014/15, which was previously recorded in the Trust Fund. In FY 2015/16 the Trust Fund revenue was transferred to the Special Programs Fund due to a change in accounting standards. A conservative budget for this fund was then established in FY 2016/17. The estimated special revenue for FY 2018/19 is \$7,500.

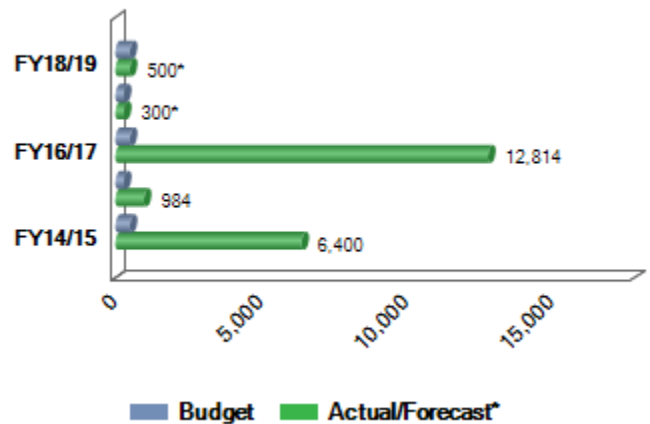
Adopted Budget to Actual/Forecast*



Public Safety – Fire

Public Safety - Fire revenue includes donations and contributions that are to be used for the specific purpose indicated by the donors. Categories include public education support, equipment acquisition, and fire station enhancements. The estimated revenue through restricted revenue sources for FY 2018/19 is \$500.

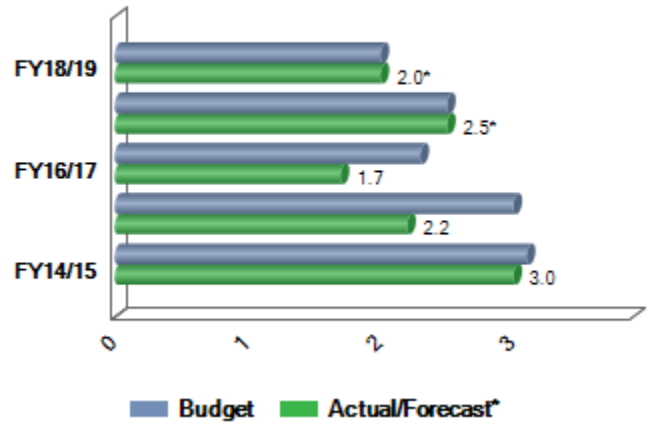
Adopted Budget to Actual/Forecast*



Public Safety – Police

Revenue estimated through restricted revenue sources for FY 2018/19 is \$2.0 million, which is a decrease of \$0.5 million from the FY 2017/18 year-end forecast. Police revenue is generated from the following seven sources: 1) Racketeering Influenced Corrupt Organization (RICO) funds, which are strictly regulated for law enforcement purposes only; 2) Forensic Services Intergovernmental Agreements (IGA) with communities neighboring Scottsdale for full cost recovery of services provided at the crime laboratory; 3) donations made specifically for the Mounted Unit and Family Advocacy Center, as well as general donations to the Police Department that includes the Canine Unit; 4) drug conviction assessments, for the purpose of crime laboratory analysis; 5) Police 30-Day Tow Program that enforces and enhances the State Statute related to suspended driver's licenses, driving under the influence offenses, and driving without insurance; 6) Officer Safety Equipment established by Senate Bill 1398 that imposes a \$13 assessment (\$4 to the investigating/arresting agency) on all criminal charges, civil traffic and parking charges to purchase additional safety equipment for officers; and 7) Second Hand and Pawn Transaction Fee established by Ordinance No.3966 in May 2012 that requires electronically processed pawn tickets and related fees that will be used to recover costs related to the administration of the program.

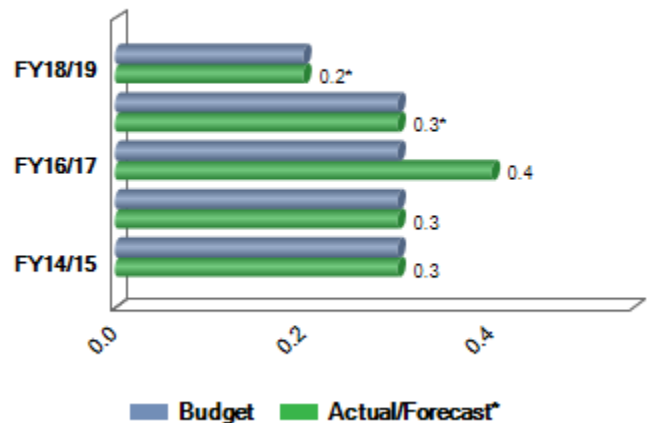
Adopted Budget to Actual/Forecast* (in millions)



Public Works

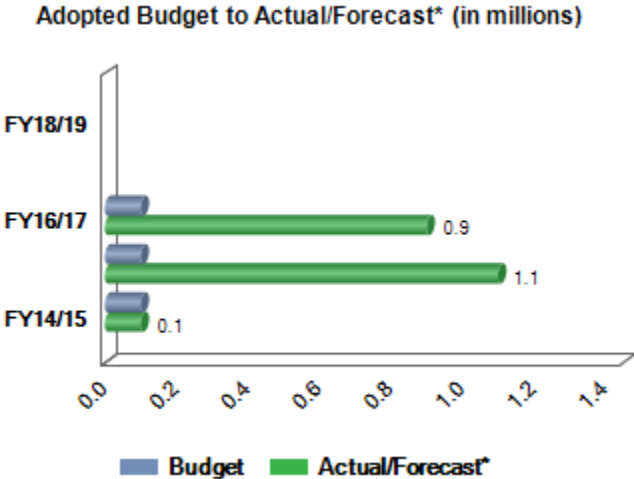
The city receives annual payments from Southwest Gas for a Gas Franchise Agreement allowing for the use of city right of ways. These payments are used to offset costs associated with maintaining various city right-of-ways. The estimated revenue for FY 2018/19 is \$0.2 million, which is a decrease of \$0.1 million from the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)



Transfers In

Transfers In to the Specials Programs Fund for FY 2018/19 includes a \$10,000 transfer from the General Fund for the preservation and maintenance of properties on Scottsdale's Historical Register. The FY 2015/16 and FY 2016/17 actuals represent internal transfers which allowed for better monitoring of the Downtown Cultural Trust and the Airpark Cultural Trust.



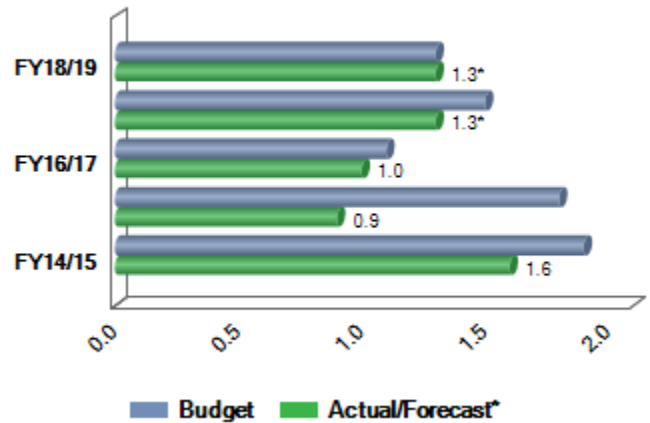
Special Programs Fund Uses

The expenditures by Division and Transfers Out are as follows:

City Court

City Court expenditure budget for FY 2018/19 is approximately \$1.3 million and includes the following specific uses: 1) enhancements to the Court's technological, operational, and security facilities, as allowed under the Court Enhancement established by Scottsdale City Ordinance 2570 section 9-7.2; 2) additional expenditures, as allowed by Judicial Collections Enhancement Fund (JCEF) and Fill-the-Gap (FTG) established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, for the maintenance and enhancement of the Court's ability to collect and manage monies; and 3) beginning in FY 2014/15 the City Court accepts jury donations with proceeds to be spent on services to enhance the experience of citizens serving on juries.

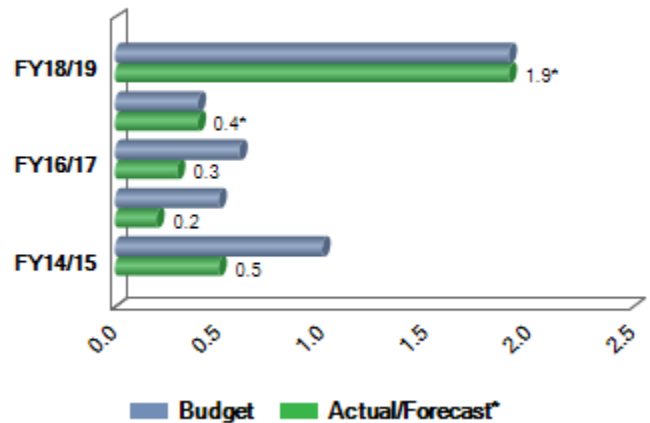
Adopted Budget to Actual/Forecast* (in millions)



Community and Economic Development

The expenditures related to Community and Economic Development are used to further downtown cultural and community arts events, preserve and maintain properties on Scottsdale's Historic Register, support Art in Public Places (AIPP), and to preserve and maintain Sanctuary and TPC golf courses. The adopted budget total for FY 2018/19 is \$1.9 million, which is \$1.5 million higher than the FY 2017/18 year-end forecast mostly due to increasing the budget authority to use available, dedicated funding for acquisition and installation of public art in Downtown and Airpark areas.

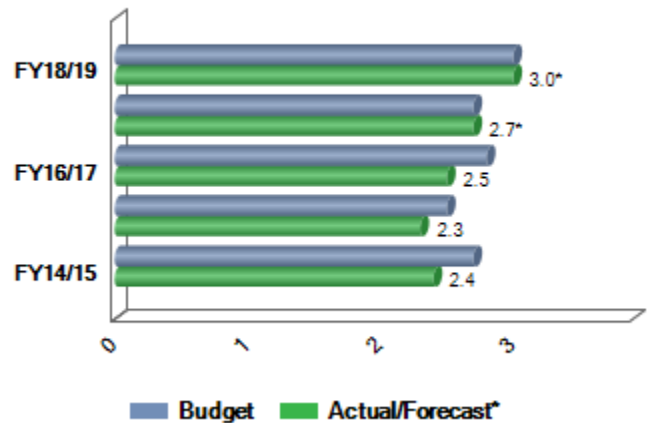
Adopted Budget to Actual/Forecast* (in millions)



Community Services

Community Services expenditure budget for FY 2018/19 is \$3.0 million. Expenditures include youth sports field and pool maintenance, capital outlays improvements, Silverado Golf Course maintenance/improvements, Handlebar Helpers program, special events, providing memorials, funding community support agencies (Scottsdale Cares), afterschool programs, summer programs, library programs and operations, and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park. The \$0.3 million increase from FY 2017/18 is primarily related to one-time funding for a drainage project at the Silverado Golf Course.

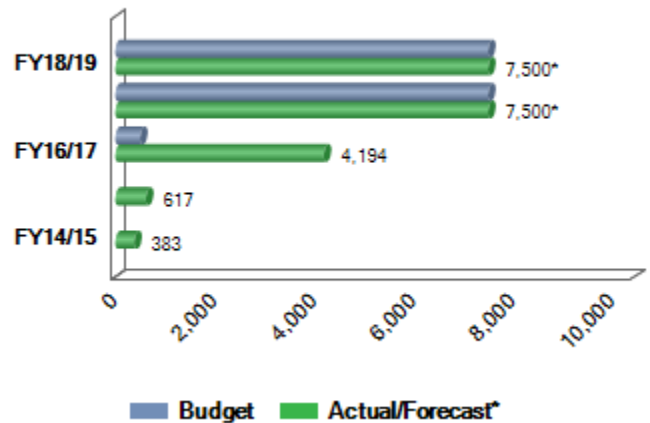
Adopted Budget to Actual/Forecast* (in millions)



Mayor and City Council

Mayor and City Council began receiving contributions and donations to fund the yearly Mayor's Constitution event in FY 2014/15, which was previously recorded in the Trust Fund. In FY 2015/16 the Trust Fund expenses were transferred to the Special Programs Fund due to a change in accounting standards. A conservative budget for this fund was then established in FY 2016/17. The estimated expense for FY 2018/19 is \$7,500.

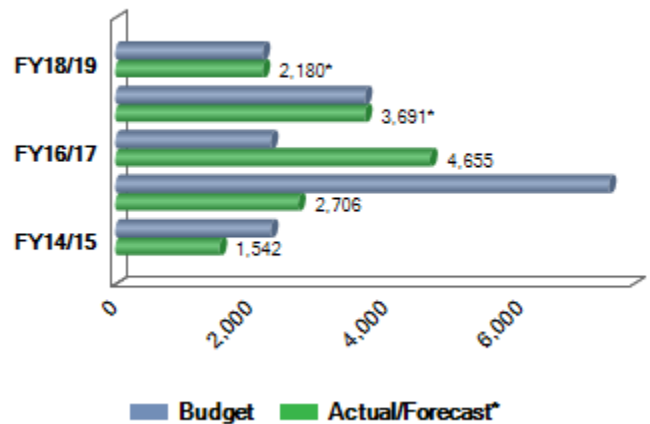
Adopted Budget to Actual/Forecast*



Public Safety – Fire

Public Safety - Fire expenditures include public education support, equipment acquisition, and fire station enhancements. The FY 2018/19 adopted budget is \$2,180.

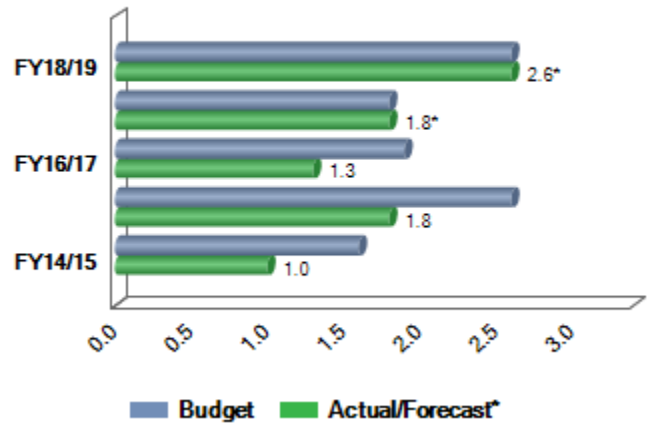
Adopted Budget to Actual/Forecast*



Public Safety – Police

Public Safety - Police expenditure budget for FY 2018/19 is \$2.6 million and includes the following specific uses: 1) law enforcement enhancements through the use of Racketeering Influenced Corrupt Organization (RICO) funds; 2) expenses incurred by the city for Crime Laboratory Services provided to surrounding communities. The city recovers the full cost of the crime laboratory service through Forensic Services Intergovernmental Agreements (IGAs); 3) crime laboratory analysis as outlined in drug conviction assessments; 4) veterinary costs, specific training, education and supplies as specified by the donor for the Mounted Unit, Canine Unit, School Resource Education and Family Advocacy Center; 5) administrative costs including transportation, associated with administering the 30-Day Tow Program that enforces ARS §28-3511; 6) equipment that enhances officer's safety while on duty; and 7) cost recovery for administration and enforcement of City Ordinance No.3966 (Second Hand and Pawn Transaction Fees).

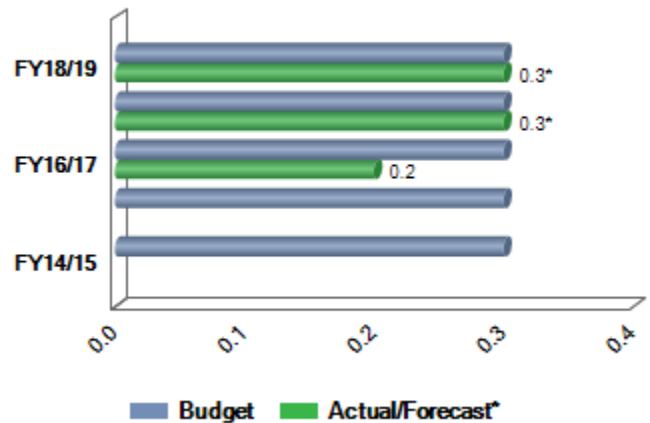
Adopted Budget to Actual/Forecast* (in millions)



Public Works

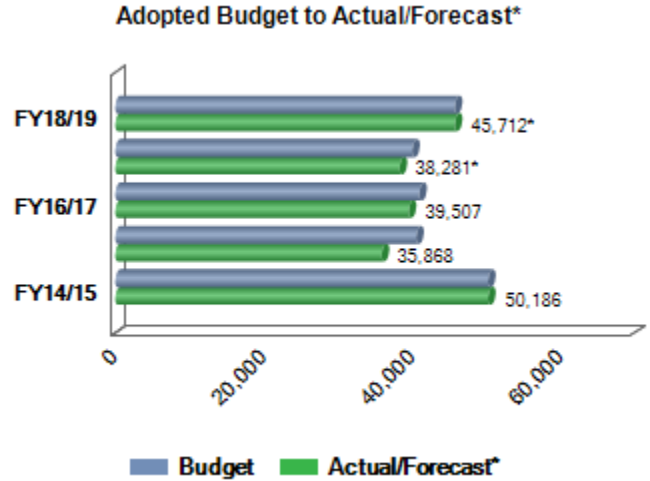
The city receives annual payments from Southwest Gas Corporation for a Gas Franchise Agreement allowing for the use of city right-of-ways. These payments are used to offset costs associated with maintaining various city right-of-ways. The FY 2018/19 budget is \$0.3 million.

Adopted Budget to Actual/Forecast* (in millions)



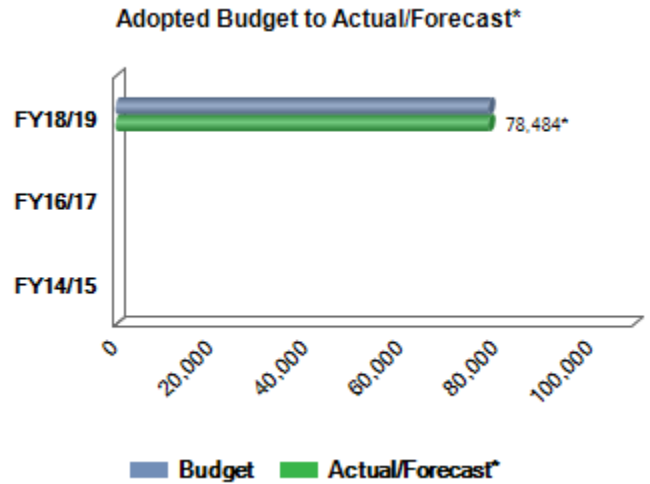
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totals \$45,712 for FY 2018/19. Additionally, the FY 2017/18 year-end forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



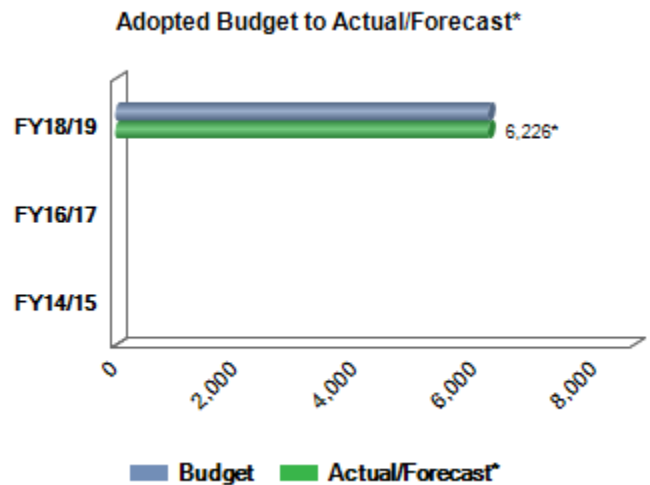
Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Special Programs Fund adopted budget includes \$6,226 for the vacation trade program.



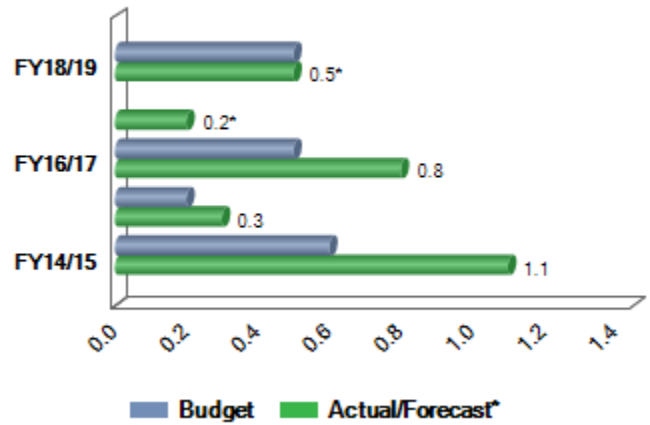
Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects.

CIP

CIP are the authorized movement of cash or other resources to fund capital projects. The FY 2018/19 budget for transfers out of \$0.5 million consists of \$0.4 million to the Capital Improvement Fund for City Court and \$0.1 million for various other citywide capital expenses.

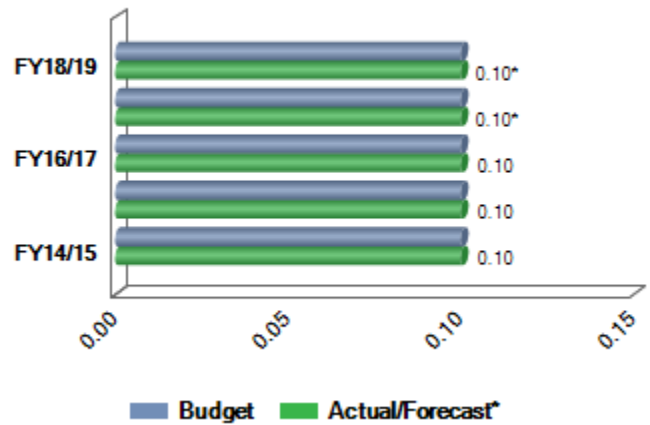
Adopted Budget to Actual/Forecast* (in millions)



Debt Service MPC Bonds

The adopted FY 2018/19 budget of \$0.1 million is a transfer out to the Debt Service Fund for the Municipal Property Corporation (MPC) Bonds issued for the McDowell Mountain Golf Course.

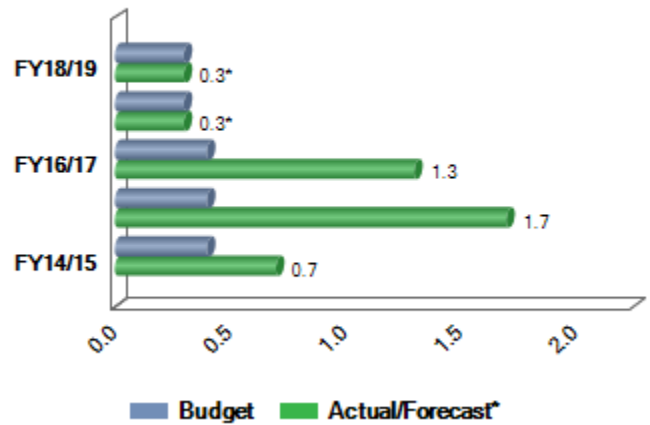
Adopted Budget to Actual/Forecast* (in millions)



Operating

The transfer out of \$0.3 million to the General Fund is related to the 30-Day Tow Program, which reimburses for Police Officer time spent working on the program. The FY 2015/16 and FY 2016/17 actuals represent internal transfers which allowed for better monitoring of the Downtown Cultural Trust and Airpark Cultural Trust. Operating also represent the Southwest Gas franchise agreement that allows funds received in excess of invoiced funds, to be set aside for city usage.

Adopted Budget to Actual/Forecast* (in millions)



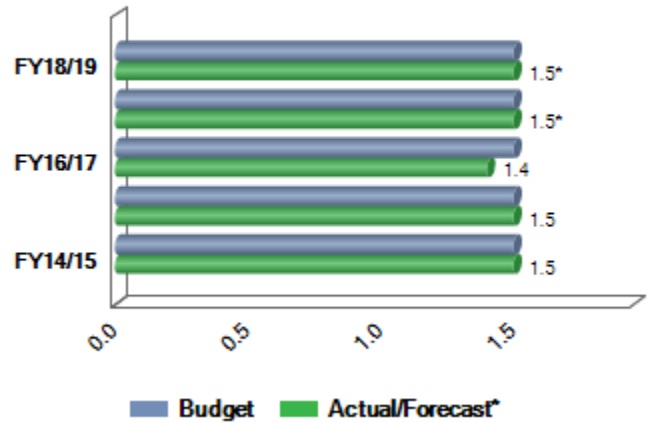
Special Programs Fund Ending Balance

The Special Programs Fund Ending Balance's specific make-up is noted in the following:

Appropriation Contingency

Appropriation Contingency for the Special Program Fund is an unfunded contingency that allows for the expenditure of unanticipated revenues from a dedicated funding source and is not included in the beginning or ending fund balance. Any use of this contingency requires City Council's approval. The adopted Appropriation Contingency for FY 2018/19 is \$1.5 million.

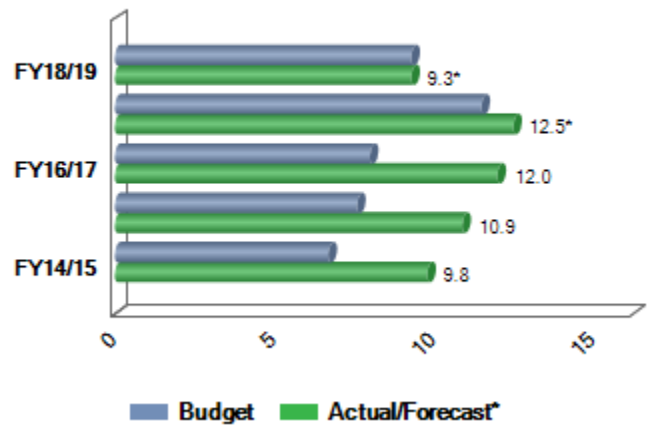
Adopted Budget to Actual/Forecast* (in millions)



Special Programs Fund Ending Balance

Special Programs Fund ending balance of \$9.3 million for FY 2018/19 represents the following individual ending fund balances: \$7.1 million for City Court, \$0.6 million for Community and Economic Development, \$1.2 million for Community Services, \$11,306 for Mayor and City Council, \$9,299 for Public Safety - Fire, \$0.3 million for Public Safety - Police, and \$0.1 million for Public Works.

Adopted Budget to Actual/Forecast* (in millions)



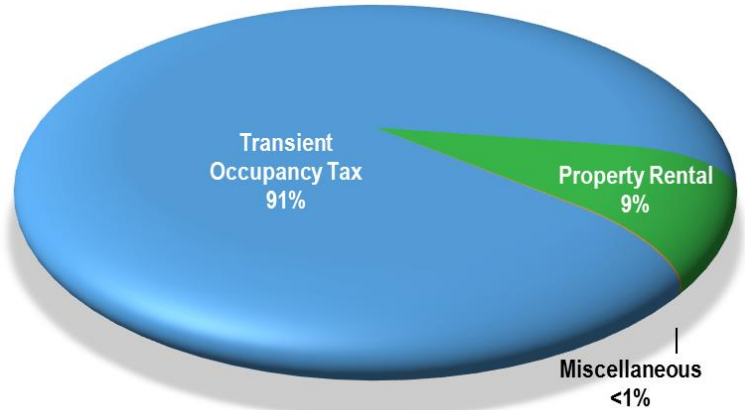
BUDGET BY FUND | Tourism Development Fund Overview

Fund Purpose

The Tourism Development Fund is a special revenue fund created to account for Transient Occupancy Tax revenues, Property Rental from Princess Hotel lease payments, and other related miscellaneous revenues. All Tourism Development Fund revenues must be used for tourism related activities. Ordinance No.4330, approved by Scottsdale City Council in March 2018, identifies the authorized expenditures to be made from this fund.

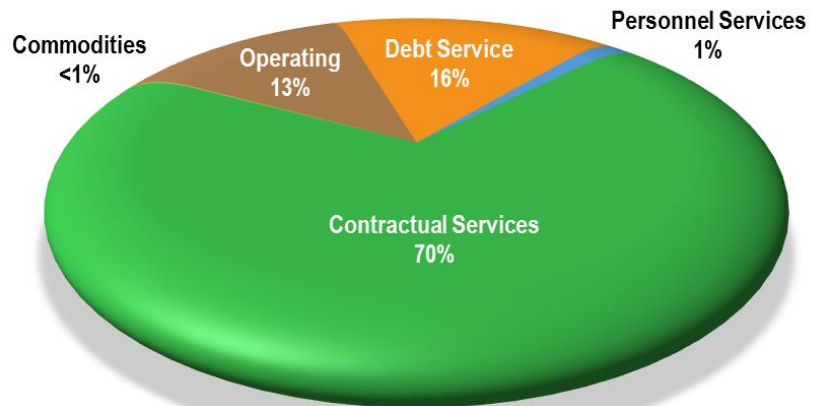
Tourism Development Fund Sources (in \$ millions)

Transient Occupancy Tax	20.4
Property Rental	1.9
Miscellaneous	0.0
Total Sources	22.3



Tourism Development Fund Uses (in \$ millions)

Personnel Services	0.3
Contractual Services	16.1
Commodities	0.0
Total Operating Budget	16.4
Transfers Out	
Operating	2.8
Debt Service	3.6
Total Transfers Out	6.4
Total Uses	22.9
Contingency/Reserves	2.5



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

BUDGET BY FUND | Tourism Development Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19 ^(b)
Beginning Fund Balance				
Operating Contingency	2,500,000	2,500,000	2,500,000	2,016,986
Undesignated, Unreserved Fund Balance	7,943,108	10,171,579	10,349,840	6,345,547
Total Beginning Fund Balance	10,443,108	12,671,579	12,849,840	8,362,533
Revenues				
Transient Occupancy Tax	18,950,951	19,441,159	19,927,188	20,413,217
Property Rental	1,725,212	1,667,227	1,917,227	1,910,000
Miscellaneous	26,208	20,500	20,500	20,500
Subtotal	20,702,371	21,128,886	21,864,915	22,343,717
Total Sources	20,702,371	21,128,886	21,864,915	22,343,717
Expenditures				
Banner Program	10,575	20,500	20,500	20,347
Canal Convergence Events	-	-	890,000	750,000
Destination Marketing Contract	9,357,000	9,720,580	9,963,594	10,206,609
Event Retention and Development	1,138,053	1,200,000	1,200,000	1,837,139
Mayor and Council Support - Bed Tax	75,000	-	-	-
Tourism Dev One Time Commitments	-	500,000	-	-
Administration and Research	471,264	488,336	493,994	783,874
Tourism Development Carryover	1,275,632	1,551,354	1,762,871	2,794,483
Operating Projects	759,381	250,000	250,000	-
Citywide Pay Program	-	8,664	-	11,501
Compensation Other	-	-	-	19,776
Vacation Trade	-	-	-	1,378
Subtotal	13,086,905	13,739,434	14,580,959	16,425,107
TOTAL OPERATING BUDGET	13,086,905	13,739,434	14,580,959	16,425,107
Transfers Out				
CIP	119,372	-	6,279,500	-
Debt Svc MPC Bonds	3,589,363	3,591,763	3,591,763	3,592,963
Operating ^(a)	1,500,000	1,900,000	1,900,000	2,849,586
Subtotal	5,208,735	5,491,763	11,771,263	6,442,549
Total Uses	18,295,640	19,231,197	26,352,222	22,867,656
Sources Over/(Under) Uses	2,406,732	1,897,689	(4,487,307)	(523,939)
Ending Fund Balance				
Operating Contingency	1,255,000	2,500,000	154,486	2,500,000
Undesignated, Unreserved Fund Balance	11,594,840	12,069,268	8,208,047	5,338,594
Total Ending Fund Balance	12,849,840	14,569,268	8,362,533	7,838,594

^(a) Council has authorized \$0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for this program. However, beginning in FY 2017/18, the preference is to transfer from the Tourism Development Fund to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

^(b) Beginning in FY 2018/19, the allocation of revenues was modified from fixed amounts to percentages per Financial Policy 21A.

BUDGET BY FUND | Tourism Development Fund Five-Year Financial Forecast

	Adopted 2018/19 ^(b)	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Contingency	2,016,986	2,500,000	2,500,000	2,500,000	2,500,000
Undesignated, Unreserved Fund Balance	6,345,547	5,338,594	5,145,194	5,081,294	5,148,494
Total Beginning Fund Balance	8,362,533	7,838,594	7,645,194	7,581,294	7,648,494
Revenues					
Transient Occupancy Tax	20,413,217	21,025,600	21,656,400	22,306,100	22,306,000
Property Rental	1,910,000	1,914,800	1,914,800	1,914,800	1,914,800
Miscellaneous	20,500	20,500	20,500	20,500	20,500
Subtotal	22,343,717	22,960,900	23,591,700	24,241,400	24,241,300
Total Sources	22,343,717	22,960,900	23,591,700	24,241,400	24,241,300
Expenditures					
Banner Program	20,347	20,300	20,300	20,300	20,300
Canal Convergence Events	750,000	750,000	750,000	750,000	750,000
Destination Marketing Contract	10,206,609	10,512,800	10,828,200	11,153,000	11,153,000
Event Retention and Development	1,837,139	1,892,300	1,949,100	2,007,500	2,007,500
Mayor and Council Support - Bed Tax	-	-	-	-	-
Tourism Dev One Time Commitments	-	-	-	-	-
Administration and Research	783,874	783,800	782,400	799,300	789,700
Tourism Development Carryover	2,794,483	2,625,600	2,653,500	2,680,500	2,708,900
Operating Projects	-	-	-	-	-
Citywide Pay Program	11,501	23,700	36,700	45,700	55,000
Compensation Other	19,776	32,100	45,600	45,800	46,000
Vacation Trade	1,378	1,400	1,500	1,500	1,600
Subtotal	16,425,107	16,642,000	17,067,300	17,503,600	17,532,000
TOTAL OPERATING BUDGET	16,425,107	16,642,000	17,067,300	17,503,600	17,532,000
Transfers Out					
CIP	-	-	-	-	-
Debt Svc MPC Bonds	3,592,963	3,589,200	3,589,500	3,593,900	3,591,900
Operating ^(a)	2,849,586	2,923,100	2,998,800	3,076,700	3,076,700
Subtotal	6,442,549	6,512,300	6,588,300	6,670,600	6,668,600
Total Uses	22,867,656	23,154,300	23,655,600	24,174,200	24,200,600
Sources Over/(Under) Uses	(523,939)	(193,400)	(63,900)	67,200	40,700
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Undesignated, Unreserved Fund Balance	5,338,594	5,145,194	5,081,294	5,148,494	5,189,194
Total Ending Fund Balance	7,838,594	7,645,194	7,581,294	7,648,494	7,689,194

^(a) Council has authorized \$0.3 million of Tourism Development Funds to be dedicated to the downtown trolley. Previously, the Transportation Department was charging the Tourism Development Fund directly for this program. However, beginning in FY 2017/18, the preference is to transfer from the Tourism Development Fund to the Transportation Department, which will allow for better monitoring at the fund level. Effectively, this has no change in funding or amount budgeted.

^(b) Beginning in FY 2018/19, the allocation of revenues was modified from fixed amounts to percentages per Financial Policy 21A.

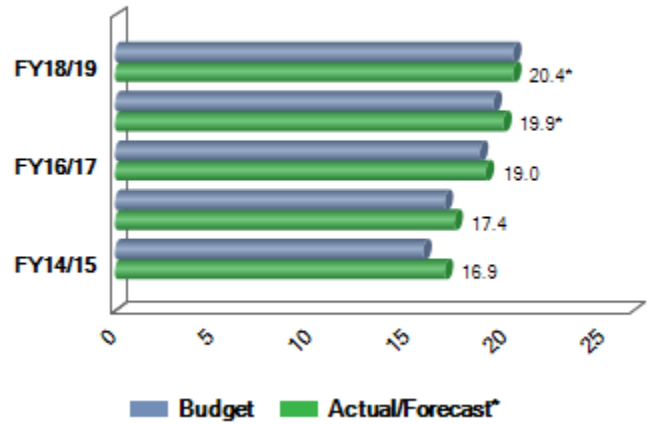
Tourism Development Fund Sources

There are two main sources for the Tourism Development Fund: Transient Occupancy Tax and Property Rental or lease revenue from the Fairmont Scottsdale Princess Hotel. Additionally, there is miscellaneous revenue related to tourism activities. More specific information on these sources is detailed below.

Transient Occupancy Tax

Transient Occupancy Tax reflects a voter approved tax of five percent on hotel and motel room rentals in addition to the sales tax. Beginning January 1, 2017, the Arizona Department of Revenue (ADOR) has taken over administration, collection and reporting of transient occupancy tax. Payments from ADOR are received weekly rather than daily. The FY 2018/19 budget of \$20.4 million is \$0.5 million or two percent higher than the FY 2017/18 year-end forecast.

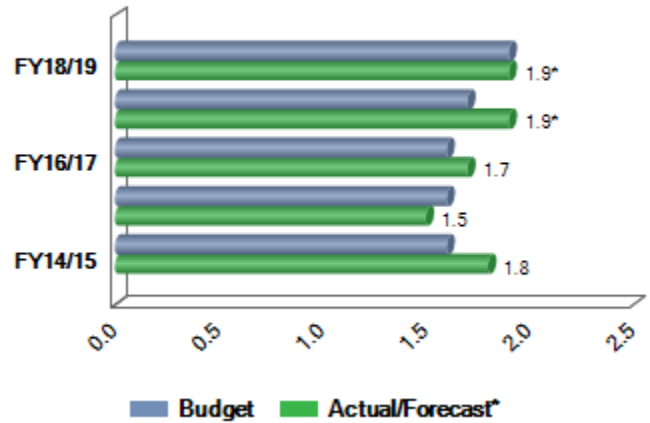
Adopted Budget to Actual/Forecast* (in millions)



Property Rental

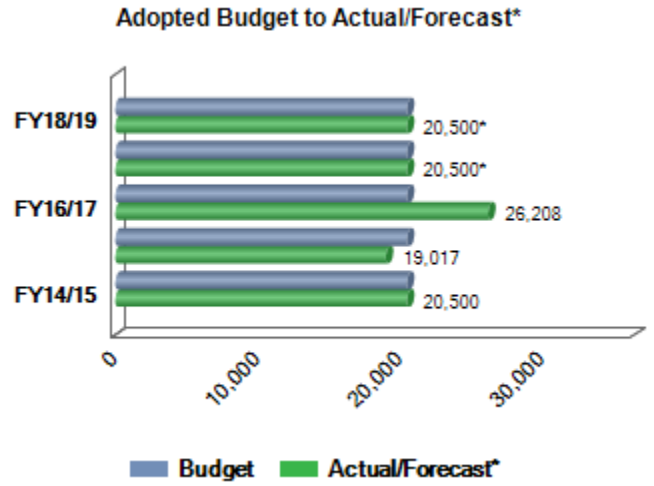
The Fairmont Scottsdale Princess Hotel has a ground lease agreement with the City of Scottsdale. During the current period of the lease, the Fairmont Scottsdale Princess Hotel shall pay a rate of 1.50 percent of the adjusted gross revenue above \$100.0 million in addition to a set amount of \$1.5 million annually. The FY 2018/19 budget for property rental is \$1.9 million, which remains flat when compared to the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous includes the reimbursement for the banner program and other additional sources that are not attributable to one of the specific sources previously noted. The FY 2018/19 adopted budget is \$20,500.

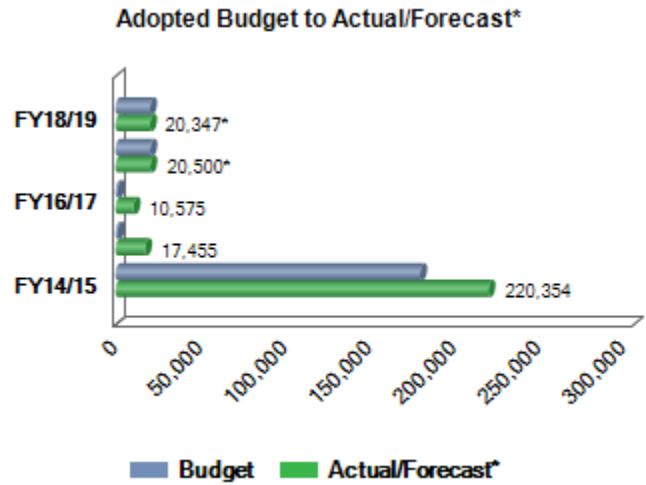


Tourism Development Fund Uses

Tourism Development Fund uses are presented by use of funds according to Financial Policy No.21A, which was updated by Ordinance No.4330 with City Council approval in March 2018, adjusting the allocation of Transient Occupancy Tax from fixed dollar amounts to percentages.

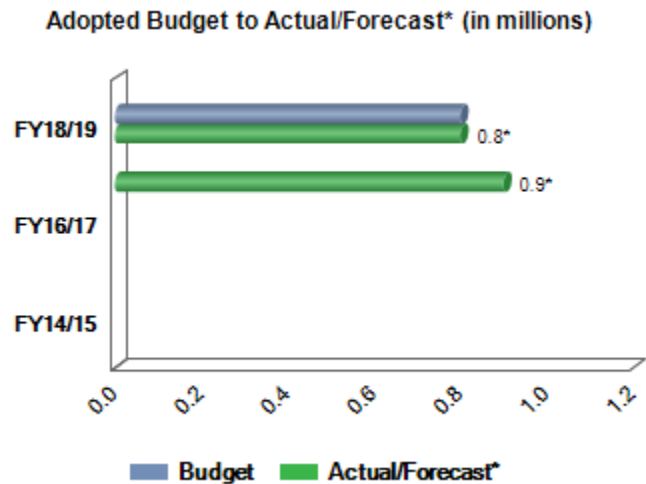
Banner Program

Expenses incurred installing banners on behalf of event producers for their events. These expenses are reimbursed to the city through the Banner Program. The FY 2018/19 adopted budget is \$20,347. FY 2014/15 includes budget and expenses for the Hospitality Trolley route that is no longer in service.



Canal Convergence Events

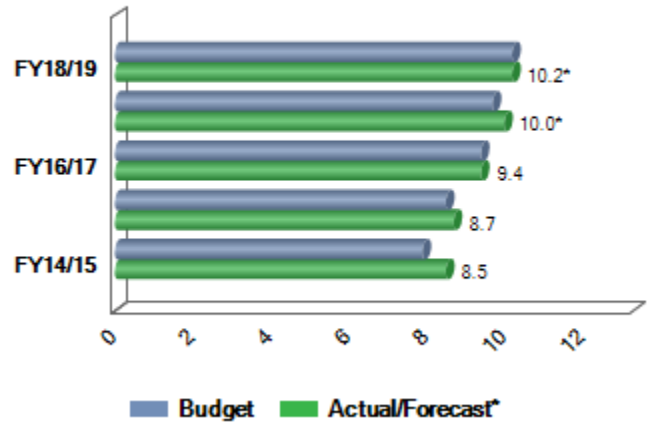
The recently added Canal Convergence Events includes funding to expand from a four-day to a ten-day event that will move from March to November as part of the Tourism Strategic Plan. The FY 2018/19 adopted budget is \$0.8 million. FY 2017/18 year-end forecast includes Council approved funding for the November 2018 Canal Convergence event as well as additional funding to seed international artists for the November 2019 event.



Destination Marketing Contract

Per Financial Policy No.21A, 50 percent of the Transient Occupancy Tax received by the city is used for destination marketing through a contract with Experience Scottsdale. The adopted FY 2018/19 budget for Destination Marketing Contract is \$10.2 million, which is a \$0.2 million increase from the FY 2017/18 year-end forecast.

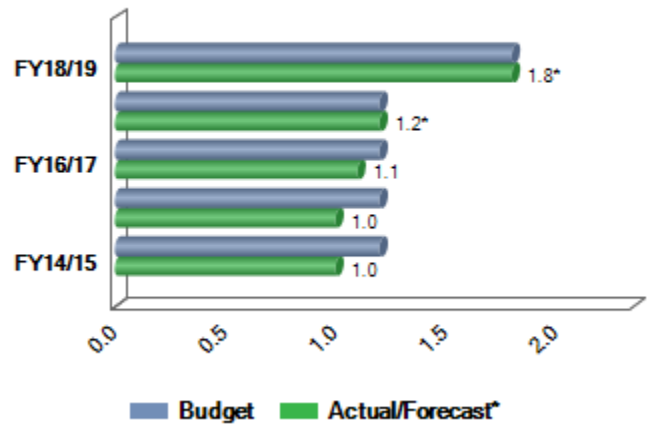
Adopted Budget to Actual/Forecast* (in millions)



Event Retention and Development

Per Financial Policy No.21A, nine percent of the Transient Occupancy Tax received by the city is used for Event Retention and Development. The funds are allocated toward new event development, community events, matching event advertising, event venue fee, and event notification program. The FY 2018/19 adopted budget of \$1.8 million is \$0.6 million higher than the FY 2017/18 year-end forecast due to the Council approved allocation methodology change from set amounts to percentages.

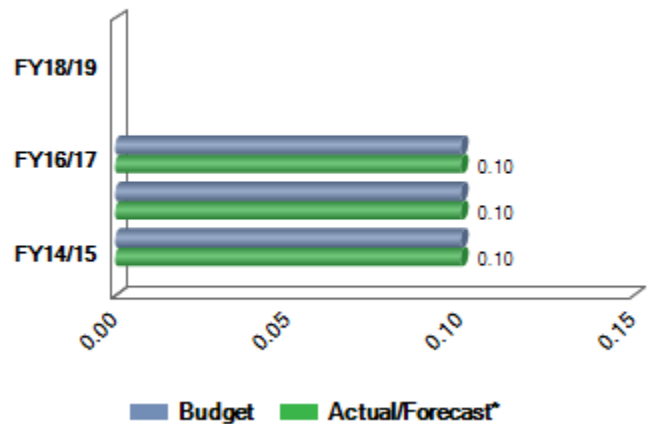
Adopted Budget to Actual/Forecast* (in millions)



Mayor and Council Support - Bed Tax

Beginning FY 2017/18, the payment to the Arizona Council for International Visitors was moved back to the General Fund where it was budgeted prior to FY 2014/15, and also moved to the City Manager division's budget. The funding is used to assist international visitors, provide protocol services and provide office space for the Scottsdale Sister Cities Association.

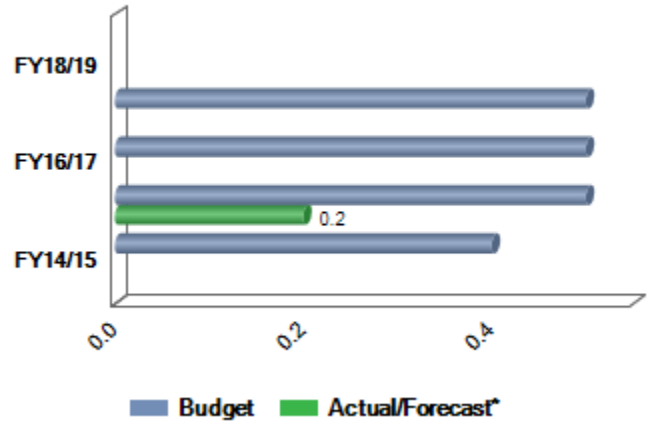
Adopted Budget to Actual/Forecast* (in millions)



Tourism Dev One Time Commitments

Beginning in FY 2018/19, the allocation of \$0.5 million from the Transient Occupancy Tax monies to one-time commitments to capital projects, events and event development, or administration and research was removed per the Council approved update of Financial Policy No.21A.

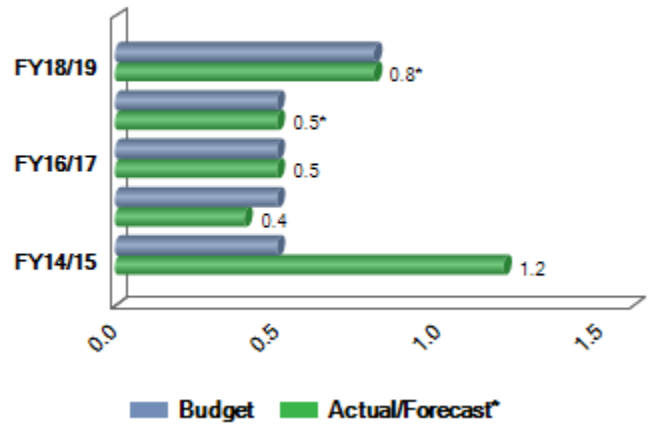
Adopted Budget to Actual/Forecast* (in millions)



Administration and Research

Financial Policy No.21A allows for four percent of the Transient Occupancy Tax revenues to be allocated for tourism-related administration and research expenses. The FY 2018/19 adopted budget of \$0.8 million represents a \$0.3 million increase from the FY 2017/18 year-end forecast due to the Council approved allocation methodology change from set amounts to percentages. The significant actual of \$1.2 million in FY 2014/15 was due to FY 2013/14 and FY 2014/15 invoices related to the Museum of the West matching program totaling \$0.8 million that were recorded in this category instead of in Event Retention and Development.

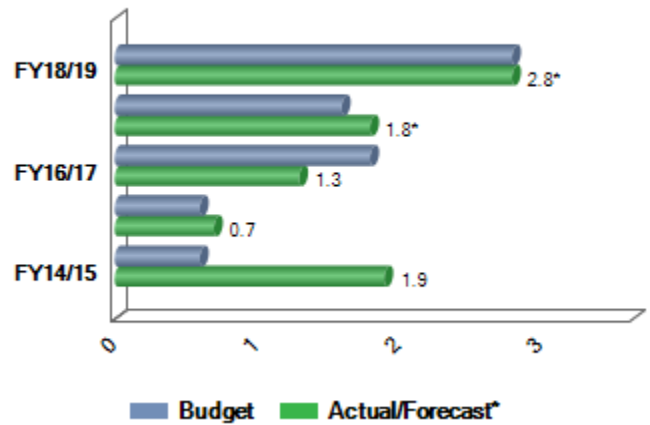
Adopted Budget to Actual/Forecast* (in millions)



Tourism Development Carryover

Financial policy No.21A allows for 25 percent plus the lease payments on the Fairmont Scottsdale Princess Hotel, or the balance of the Transient Occupancy Tax monies to be allocated for tourism-related operating expenses, capital projects and/or operating impacts that are directly associated with tourism-related capital projects in the form of one-time commitments or multi-year annual commitments, not to exceed \$0.6 million per project unless otherwise approved by City Council. The FY 2018/19 budget is \$2.8 million and includes \$1.2 million for advertising and events to promote downtown per Council direction; \$0.4 million of matching payment for the Museum of the West; \$0.3 million of carryover funds from FY 2017/18 to install conduit and electrical outlets within downtown; \$0.3 million for Scottsdazzle's event and promotion; \$0.2 million for marketing of the Museum of the West; and \$0.4 million for other strategic plan related expenditures.

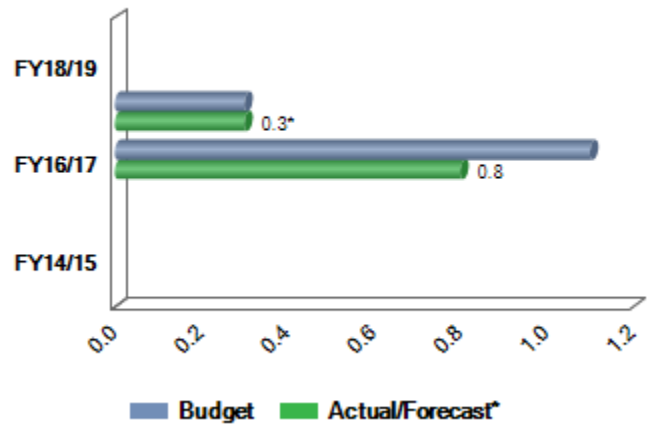
Adopted Budget to Actual/Forecast* (in millions)



Operating Projects

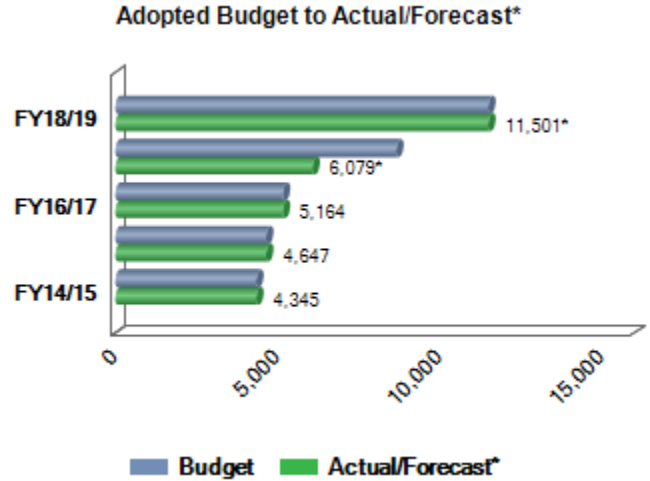
Beginning in FY 2016/17, specific projects authorized by Council are recorded as operating projects to allow better monitoring of these funds. There are no operating projects planned in FY 2018/19.

Adopted Budget to Actual/Forecast* (in millions)



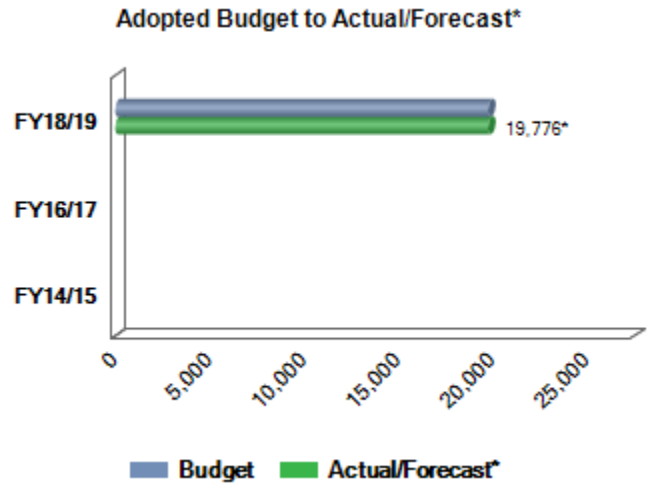
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaling \$11,501 for FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid on actual increases.



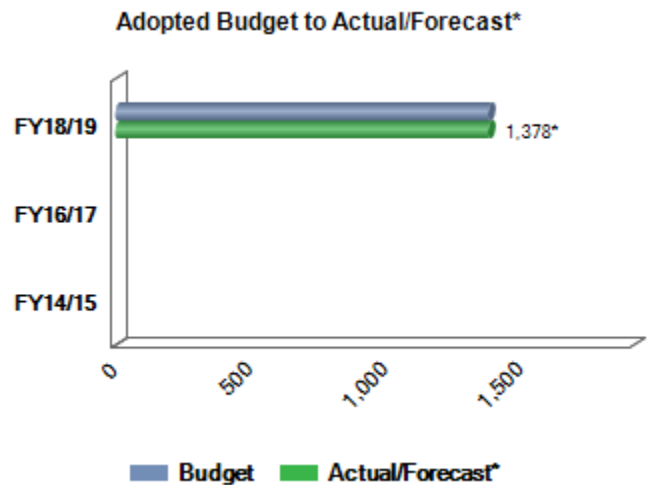
Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Tourism Development Fund adopted budget includes \$1,378 for the vacation trade program.



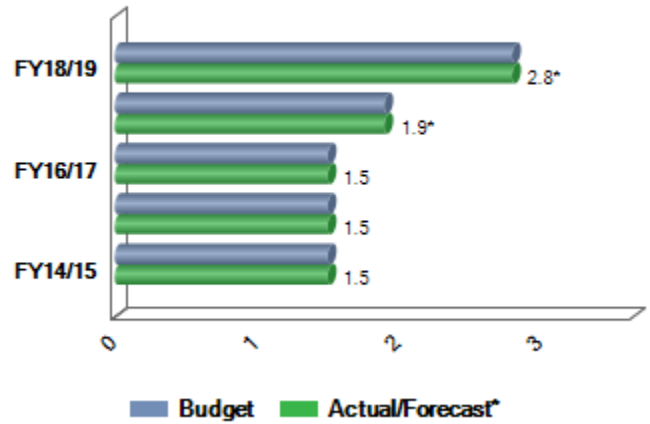
Transfers Out

Transfers Out are the authorized movements of cash or other resources to other funds and/or capital projects. The total amount of Transfers Out for FY 2018/19 is \$6.4 million. More specific information is detailed below.

Operating

The FY 2018/19 budget for Operating transfers out of \$2.8 million includes a transfer of \$2.4 million to the General Fund that represents the 12 percent of Transient Occupancy Tax collections, as mandated per Council approved updated Financial Policy No.21A; \$0.3 million to the Transportation Fund for trolley maintenance expenses; and \$0.1 million to the General Fund for marketing expenses at WestWorld.

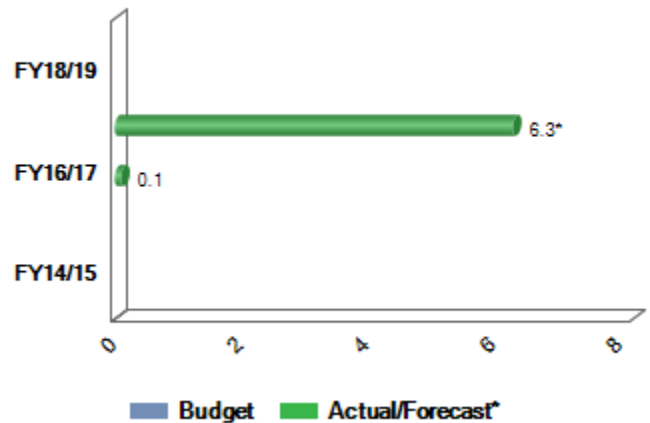
Adopted Budget to Actual/Forecast* (in millions)



CIP

There are no planned transfers in FY 2018/19. The FY 2017/18 year-end forecast includes transfers related to the Scottsdale Stadium Design Build project, WestWorld parking lot improvements projects and the installation of the Thunderbird Memorial at the Scottsdale Airport.

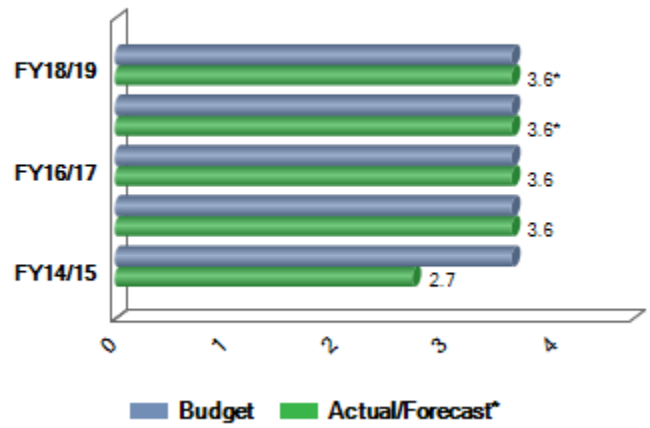
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc MPC Bonds

Debt Svc MPC Bonds is a transfer out to the Debt Service Fund for the debt issued as Municipal Property Corporation (MPC) bonds related to the acquisition of 80 acres of land for WestWorld, the construction of the Tony Nelssen Equestrian Center at WestWorld, and the construction of the Scottsdale Museum of the West. The FY 2018/19 adopted budget is \$3.6 million.

Adopted Budget to Actual/Forecast* (in millions)



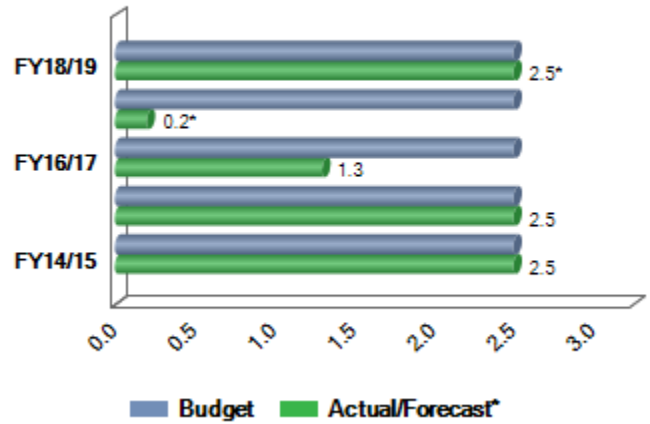
Tourism Development Fund Ending Balance

Fund balance protects the city's financial condition and provides for unexpected economic challenges. The specific make-up of the Tourism Development Fund ending balance is noted below.

Operating Contingency

Operating Contingency includes \$2.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

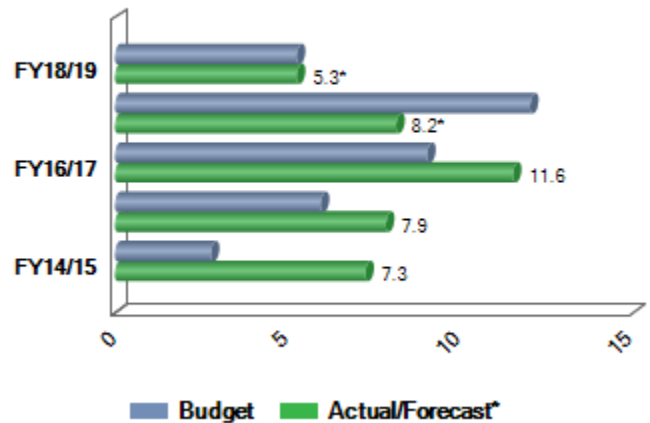
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2018/19 ending undesignated, unreserved fund balance is \$5.3 million, which represents an accumulation of one-time revenues. Under prudent fiscal management practices, this amount should most appropriately be used for one-time expenditures, not to fund new or expanded programs with ongoing operating expenses.

Adopted Budget to Actual/Forecast* (in millions)

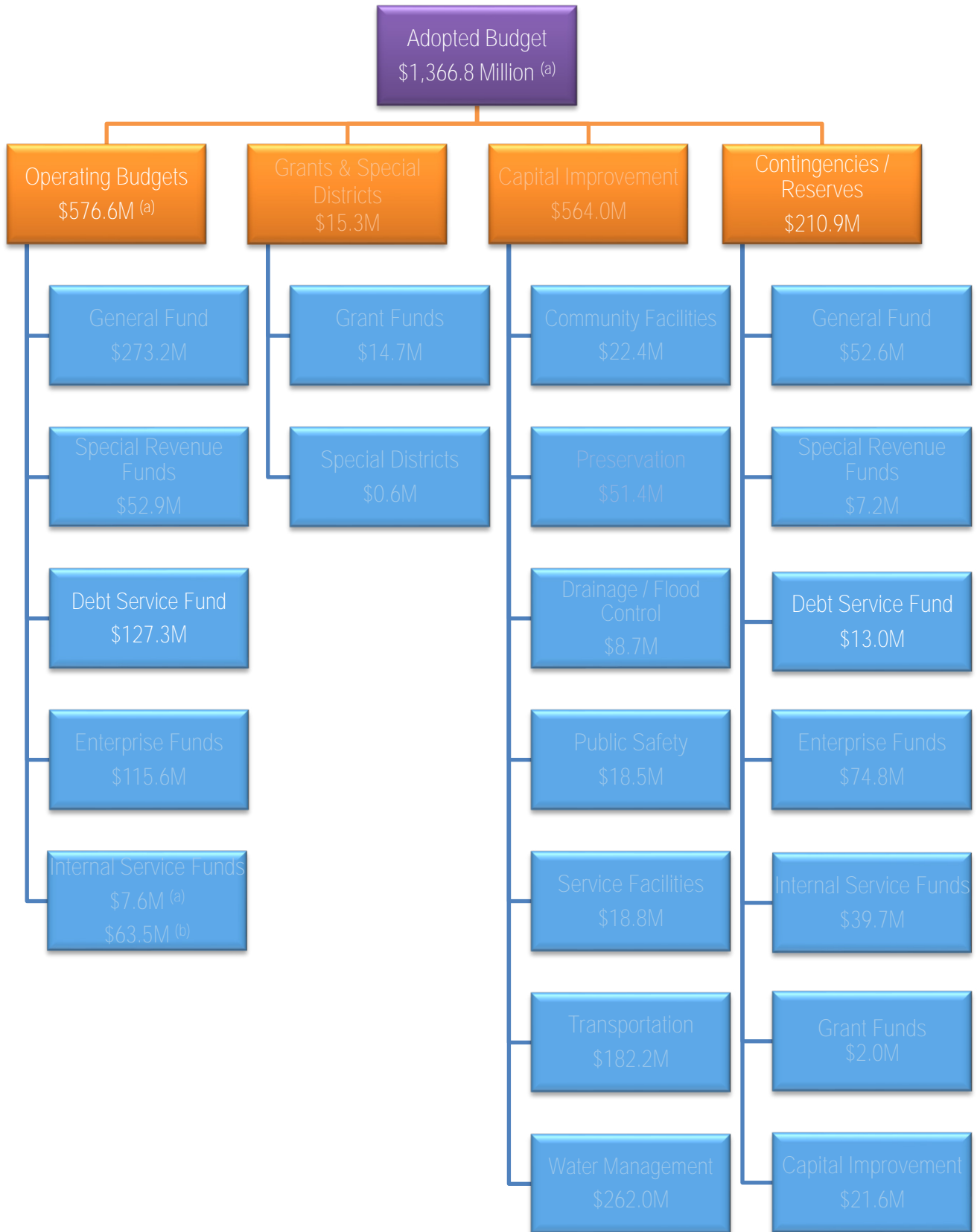




FY 2018/19 Adopted Budget



BUDGET BY FUND | Debt Service Fund Overview



^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

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



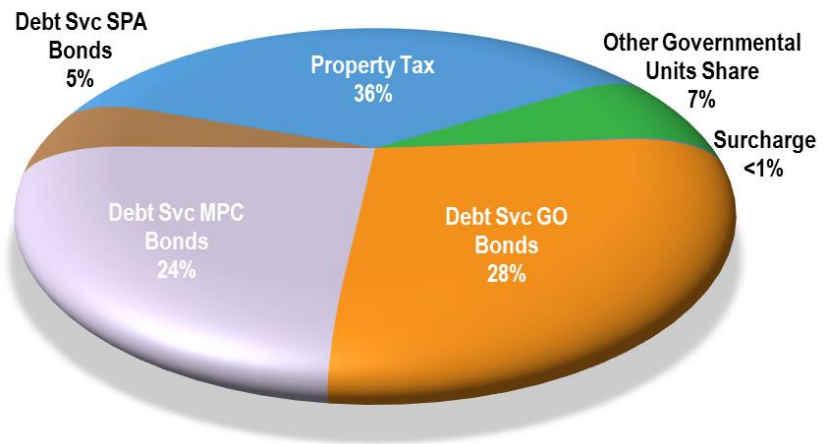
FY 2018/19 Adopted Budget

Fund Purpose

This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest that are not serviced by the General, Enterprise or Special Revenue Funds. Contracts Payable and certificates of participation for contractual debt such as sales tax development agreements, are serviced by the General Fund and will vary based on the actual sales tax collections at each development site. The applicable sources, uses and ending fund balance of the Debt Service Fund are described in further detail in the following sections.

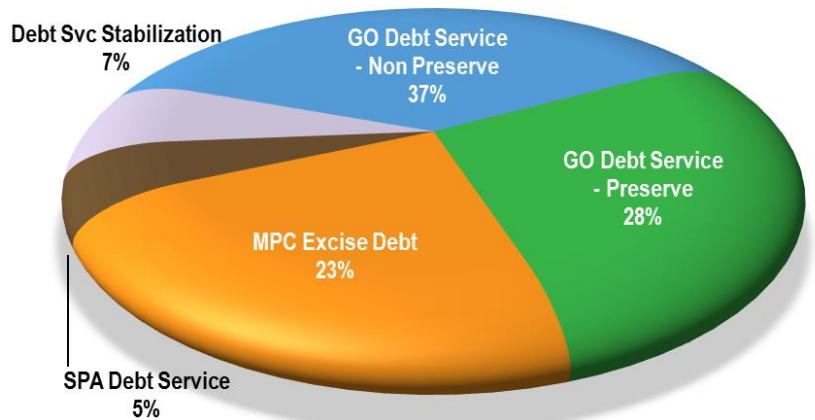
Debt Service Fund Sources (in \$ millions)

Property Tax	34.2
Other Governmental Units Share	7.1
Surcharge	0.2
Total Revenue	41.5
Transfers In	
Debt Svc GO Bonds	26.9
Debt Svc MPC Bonds	22.5
Debt Svc SPA Bonds	5.1
Total Transfers In	54.5
Total Sources	96.0



Debt Service Fund Uses (in \$ millions)

GO Debt Service - Non Preserve	35.2
GO Debt Service - Preserve	26.9
MPC Excise Debt	22.5
SPA Debt Service	5.1
Total Operating Budget	89.7
Transfers Out	
Debt Svc Stabilization	6.6
Total Transfers Out	6.6
Total Uses	96.3



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

BUDGET BY FUND | Debt Service Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Debt Stabilization Reserve	10,718,115	10,541,870	9,897,626	10,550,351
GO Debt Service Reserve - Non Preserve	11,529,233	10,966,293	11,113,681	2,760,986
GO Debt Service Reserve - Preserve	-	-	402,023	-
Total Beginning Fund Balance	22,247,348	21,508,163	21,413,330	13,311,337
Revenues				
Property Tax	33,353,935	33,558,964	33,558,964	34,214,874
Other Governmental Units Share	2,463,607	3,486,400	4,693,262	7,120,422
Surcharge	172,319	145,000	170,000	170,000
Bond Proceeds	68,844,689	-	-	-
Subtotal	104,834,550	37,190,364	38,422,226	41,505,296
Transfers In				
Debt Svc GO Bonds	24,483,377	25,724,510	26,364,556	26,873,185
Debt Svc MPC Bonds	19,159,354	20,019,776	20,019,551	22,535,193
Debt Svc SPA Bonds	5,603,117	6,129,963	5,104,375	5,121,875
Subtotal	49,245,847	51,874,249	51,488,482	54,530,253
Total Sources	154,080,397	89,064,613	89,910,708	96,035,549
Debt Service				
GO Debt Service - Non Preserve	65,444,096 ^(a)	34,158,964	41,939,136	35,164,874
GO Debt Service - Preserve	61,251,398 ^(b)	25,724,510	26,739,102	26,873,185
MPC Excise Debt	19,159,390	20,019,776	20,019,551	22,535,193
SPA Debt Service	5,603,117	6,129,963	5,104,375	5,121,875
Subtotal	151,458,001	86,033,213	93,802,164	89,695,127
TOTAL OPERATING BUDGET	151,458,001	86,033,213	93,802,164	89,695,127
Transfers Out				
Debt Svc Stabilization	3,456,415	4,210,537	4,210,537	6,618,079
Subtotal	3,456,415	4,210,537	4,210,537	6,618,079
Total Uses	154,914,415	90,243,750	98,012,701	96,313,206
Sources Over/(Under) Uses	(834,018)	(1,179,137)	(8,101,993)	(277,657)
Ending Fund Balance				
Debt Stabilization Reserve	9,897,626	9,962,733	10,550,351	11,222,694
GO Debt Service Reserve - Non Preserve	11,113,681	10,366,293	2,760,986	1,810,986
GO Debt Service Reserve - Preserve	402,023	-	-	-
Total Ending Fund Balance	21,413,330	20,329,026	13,311,337	13,033,680

(a) Includes a one-time payment of \$31.1 million to refund Non Preserve GO Bonds.

(b) Includes a one-time payment of \$37.0 million to refund Preserve Acquisition GO Bonds.

BUDGET BY FUND | Debt Service Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Debt Stabilization Reserve	10,550,351	11,222,694	11,962,094	12,313,194	12,483,194
GO Debt Service Reserve - Non Preserve	2,760,986	1,810,986	1,810,986	1,810,986	1,810,986
GO Debt Service Reserve - Preserve	-	-	-	-	-
Total Beginning Fund Balance	13,311,337	13,033,680	13,773,080	14,124,180	14,294,180
Revenues					
Property Tax	34,214,874	33,189,500	31,333,100	27,046,700	27,005,000
Other Governmental Units Share	7,120,422	7,878,800	2,030,900	-	-
Surcharge	170,000	170,000	170,000	170,000	170,000
Bond Proceeds	-	-	-	-	-
Subtotal	41,505,296	41,238,300	33,534,000	27,216,700	27,175,000
Transfers In					
Debt Svc GO Bonds	26,873,185	27,600,400	31,868,200	32,602,900	34,510,900
Debt Svc MPC Bonds	22,535,193	23,334,100	18,002,900	16,296,800	16,396,600
Debt Svc SPA Bonds	5,121,875	5,134,900	1,414,000	1,420,000	-
Subtotal	54,530,253	56,069,400	51,285,100	50,319,700	50,907,500
Total Sources	96,035,549	97,307,700	84,819,100	77,536,400	78,082,500
Debt Service					
GO Debt Service - Non Preserve	35,164,874	33,189,500	31,333,100	27,046,700	27,005,000
GO Debt Service - Preserve	26,873,185	27,600,400	31,868,200	32,602,900	34,510,900
MPC Excise Debt	22,535,193	23,334,100	18,002,900	16,296,800	16,396,600
SPA Debt Service	5,121,875	5,134,900	1,414,000	1,420,000	-
Subtotal	89,695,127	89,258,900	82,618,200	77,366,400	77,912,500
TOTAL OPERATING BUDGET	89,695,127	89,258,900	82,618,200	77,366,400	77,912,500
Transfers Out					
Debt Svc Stabilization	6,618,079	7,309,400	1,849,800	-	-
Subtotal	6,618,079	7,309,400	1,849,800	-	-
Total Uses	96,313,206	96,568,300	84,468,000	77,366,400	77,912,500
Sources Over/(Under) Uses	(277,657)	739,400	351,100	170,000	170,000
Ending Fund Balance					
Debt Stabilization Reserve	11,222,694	11,962,094	12,313,194	12,483,194	12,653,194
GO Debt Service Reserve - Non Preserve	1,810,986	1,810,986	1,810,986	1,810,986	1,810,986
GO Debt Service Reserve - Preserve	-	-	-	-	-
Total Ending Fund Balance	13,033,680	13,773,080	14,124,180	14,294,180	14,464,180

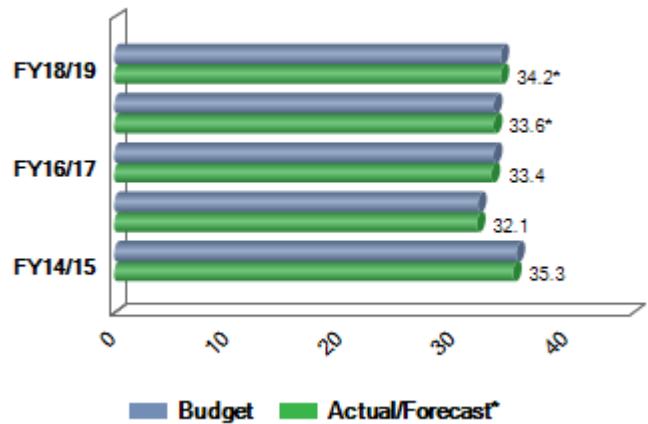
Debt Service Sources

Debt Service Fund sources for FY 2018/19 equal \$96.0 million. They include Property Tax, Other Governmental Units Share, Surcharge and Transfers In.

Property Tax

Property Tax represents the secondary portion of the property tax that is limited and levied to pay debt service. The city's use of this portion of the property tax is restricted by State Statute to solely pay debt service on voter-approved general obligation bonds. The FY 2018/19 levy amount (revenue) of \$34.2 million is \$0.7 million higher when compared to the FY 2017/18 year-end forecast mainly due to an increase in debt service payments.

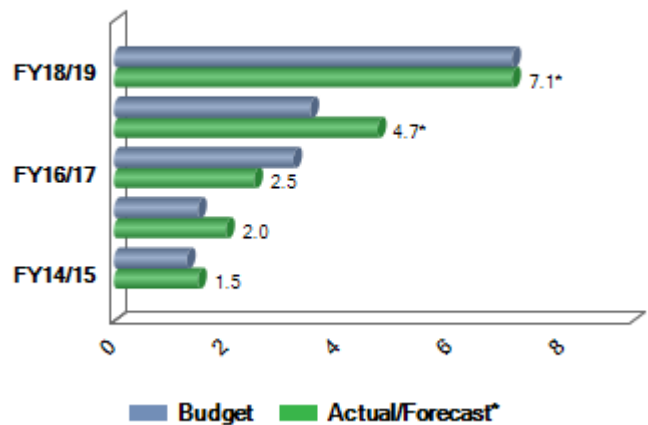
Adopted Budget to Actual/Forecast* (in millions)



Other Governmental Units Share

Other Governmental Units Share consists of revenue received from Maricopa County Stadium District (MCSD) and the Arizona Sports and Tourism Authority (AZSTA) contributions made to the city to pay debt service associated with the Cactus League spring training facilities (San Francisco Giants professional baseball practice facility). MCSD contributions are derived from a \$2.50 surcharge on car rentals in Maricopa County; AZSTA contributions are derived from a 1.0 percent hotel room tax and a 3.25 percent car rental surcharge (net of the \$2.50 MCSD surcharge). The FY 2018/19 Other Governmental Units Share adopted budget is \$7.1 million, which is an increase of \$2.4 million over FY 2017/18, based on AZSTA's 30-Year projected forecast. The debt service for the Cactus League spring training facilities is expected to be paid off by FY 2020/21.

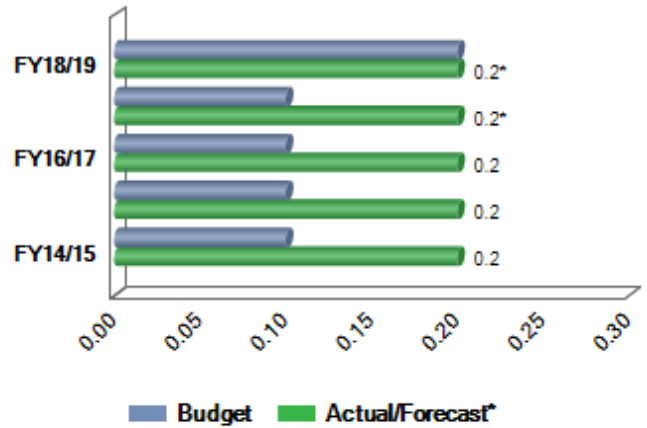
Adopted Budget to Actual/Forecast* (in millions)



Surcharge

Surcharge represents the \$1 ticket surcharge assessed on San Francisco Giants spring training games held in Scottsdale. The FY 2018/19 budgeted revenue is \$0.2 million. The surcharge is used to help pay for capital projects and/or debt service related to professional baseball facilities.

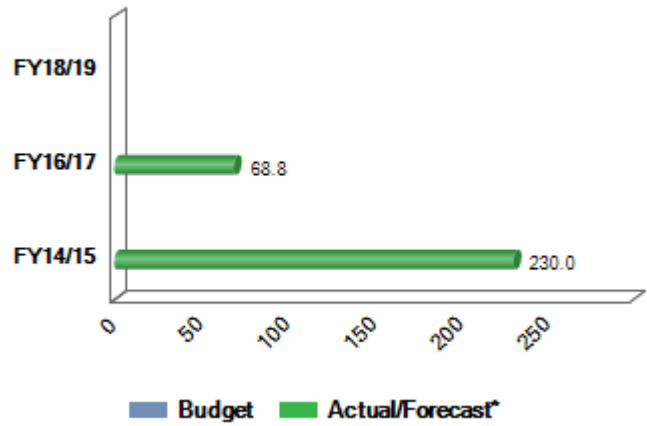
Adopted Budget to Actual/Forecast* (in millions)



Bond Proceeds

Bond Proceeds represents the proceeds generated from the sale of Refunding Bonds. In FY 2016/17 this revenue mostly comes from the sale of General Obligation (GO) Refunding Bonds related to parks development, street maintenance and fire station construction, while in FY 2014/15 it is from the sale of GO Refunding Bonds for street maintenance and public safety and GO Refunding Bonds Preserve associated with buying acreage for the Preserve as well as MPC Refunding Bonds related to the Tournament Players Club and WestWorld.

Adopted Budget to Actual/Forecast* (in millions)



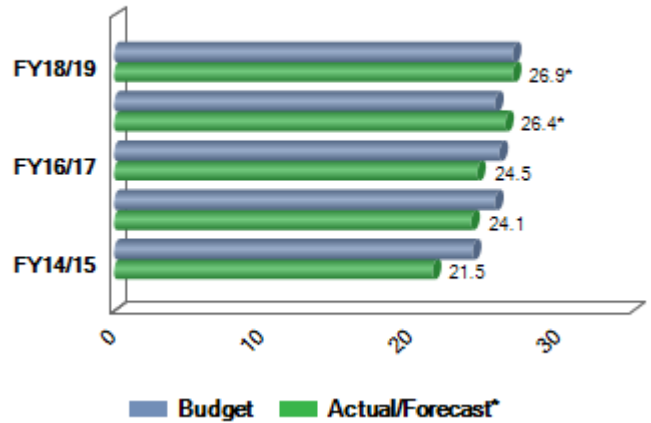
Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. The FY 2018/19 adopted budget includes \$54.5 million in Transfers In. More specific information is detailed below.

Debt Svc GO Bonds

Debt Svc GO Bonds are transfers in from the Preservation Fund to the Debt Service Fund to facilitate the payment of Preserve General Obligation debt service. Total transfers of Debt Svc GO Bonds for FY 2018/19 equal \$26.9 million.

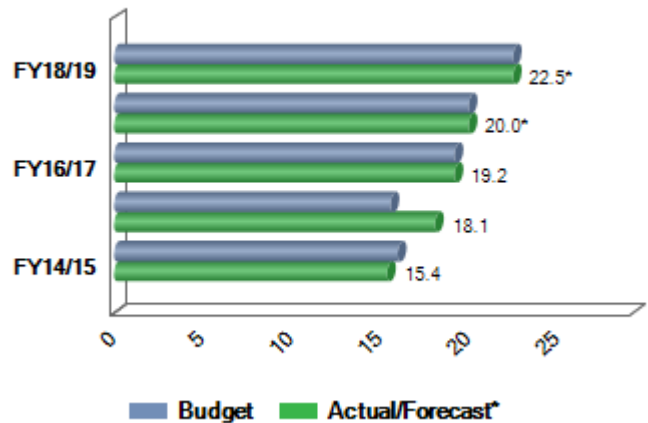
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc MPC Bonds

Debt Svc Municipal Property Corporation (MPC) Bonds includes transfers in from General Fund, Tourism Development Fund and Special Programs Fund to the Debt Service Fund to facilitate the payment of Municipal Property Corporation Bonds debt service. Also included is a transfer to provide funding to cover the difference in the Maricopa County Stadium District (MCSD) and Arizona Sports and Tourism Authority (AZSTA) revenue contribution amounts for Cactus League spring training facilities. This is an internal transfer between two Debt Service Funds; therefore, there is a corresponding Transfer Out of the same amount reflected in Debt Svc Stabilization, having a net \$0 impact. Total transfers of Debt Svc MPC Bonds for FY 2018/19 equal \$22.5 million.

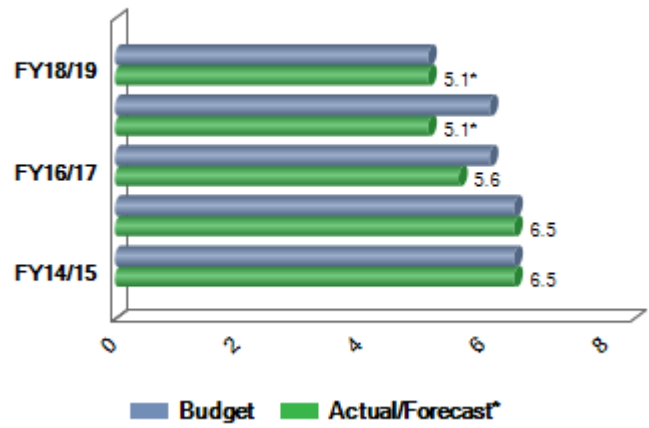
Adopted Budget to Actual/Forecast* (in millions)



Debt Svc SPA Bonds

Debt Svc SPA Bonds, or Scottsdale Preserve Authority Bonds, are transfers in from the Preservation Fund to the Debt Service Fund to facilitate the payment of Scottsdale Preserve Authority debt service. Total transfers for Debt Svc SPA Bonds FY 2018/19 equal \$5.1 million.

Adopted Budget to Actual/Forecast* (in millions)



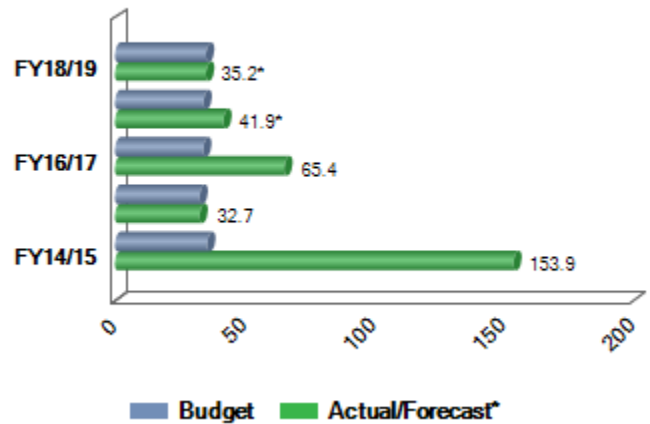
Debt Service Fund Uses by Debt Type

The Debt Service Fund uses include debt service for GO Debt Service – Non-Preserve Bonds and GO Debt Service - Preserve Bonds, MPC Excise Bonds and SPA Bonds as well as Transfers Out for debt service stabilization.

GO Debt Service - Non-Preserve

GO Debt Service - Non-Preserve is voter authorized General Obligation debt issued for capital projects not associated with McDowell Sonoran Preserve. General Obligation debt is repaid by Property Tax (Secondary). Under state law, cities and towns are allowed to levy a Secondary Property Tax for the sole purpose of retiring the principal and interest on General Obligation indebtedness. For FY 2018/19, the General Obligation Bonds debt service is forecasted at \$35.2 million, which is a decrease of \$6.8 million from the FY 2017/18 year-end forecast of \$41.9 million due to the paying off of various purpose GO Bonds and refunding bonds and there being a large one-time payment on the newly issued debt for the Bond 2015 program. This is partially offset by unanticipated bond issuances which occurred in FY 2017/18. General Obligations in FY 2016/17 and FY 2014/15 were higher than normal due to an additional principal payoff for a refunding bond in the amount of \$31.1 million in the former and \$60.8 million in the latter.

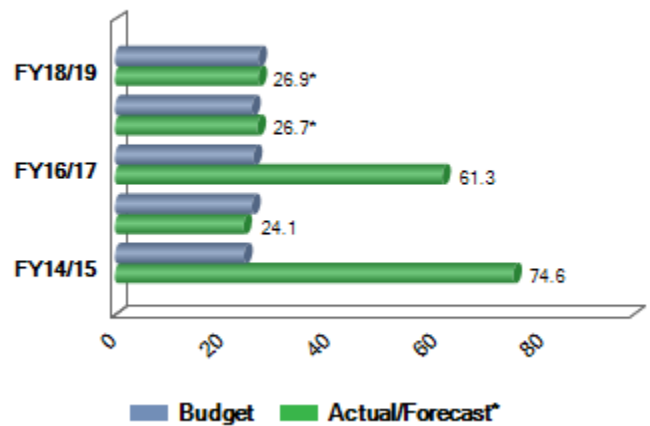
Adopted Budget to Actual/Forecast* (in millions)



GO Debt Service – Preserve

GO Debt Service - Preserve represents General Obligation debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve debt is repaid by a dedicated 0.20 percent sales tax authorized by voters in 1995 and a 0.15 percent sales tax authorized by voters in 2004. GO Debt Service - Preserve is forecasted at \$26.9 million which is an increase of \$0.2 million over the FY 2017/18 year-end forecast. GO Debt Service Preserve in FY 2016/17 and FY 2014/15 were higher than normal due to an additional principal payoff for a refunding bond in the amount of \$37.0 million in the former and \$52.6 million in the latter.

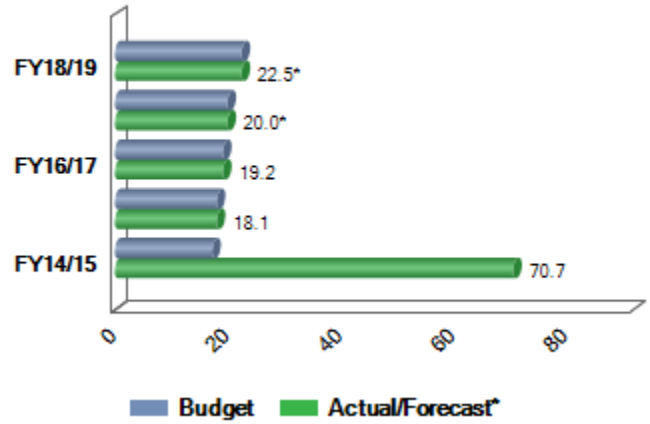
Adopted Budget to Actual/Forecast* (in millions)



MPC Excise Debt

MPC Excise Debt represents Municipal Property Corporation bonds which are non-voter approved and issued by the City of Scottsdale Municipal Property Corporation, a nonprofit corporation created by the city in 1967 for the sole purpose of constructing, acquiring and equipping buildings, structures, or improvements on land owned by the city. The debt incurred by the corporation is a city obligation and the repayment of debt is financed by General Fund sales taxes, Tourism Development Fund bed tax receipts, etc. Per financial policy No.31, non-voter approved debt will be utilized only when a dedicated revenue source can be identified to pay or reimburse the city for paying debt services expenses. Debt Service payments for FY 2018/19 total \$22.5 million, a \$2.5 million increase over the FY 2017/18 year-end forecast. The increase is due to a larger payment towards the 2015 MPC Refunding Spring Training MCDS and AZSTA bond principal than in FY 2017/18 based on AZSTA's adjusted 30-Year projected revenue forecast. FY 2014/15 actuals were higher than normal due to an additional principal payoff for a refunding bond in the amount \$54.6 million.

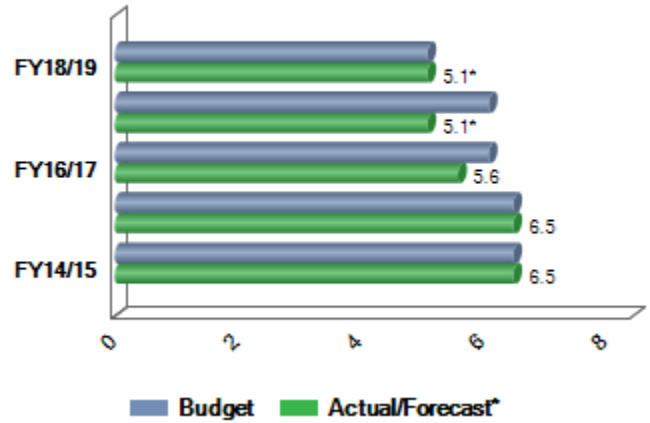
Adopted Budget to Actual/Forecast* (in millions)



SPA Debt Service

SPA Debt Service represents prior Scottsdale Preserve Authority debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Scottsdale Preserve Authority debt is repaid by the Preserve dedicated 0.20 percent sales tax authorized by voters in 1995 and the 0.15 percent sales tax authorized by voters in 2004. Debt Service for FY 2018/19 totals \$5.1 million, which is flat when compared to the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)

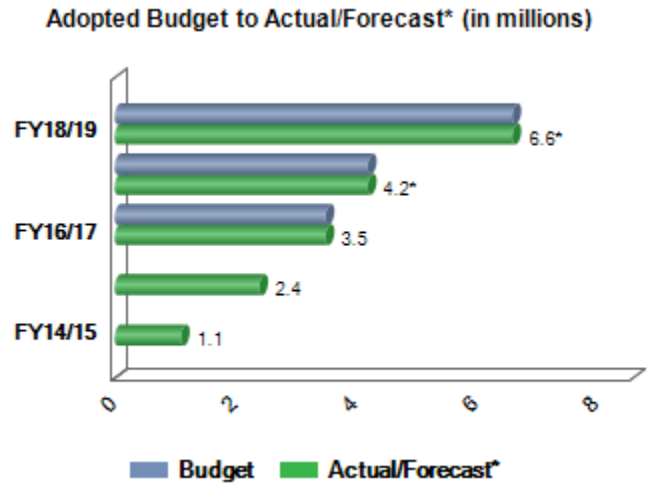


Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The FY 2018/19 adopted budget includes \$6.6 million in Transfers Out. More specific information is detailed below.

Debt Svc Stabilization

Debt Svc Stabilization includes \$6.6 million in transfers between two Debt Service Funds to cover the difference in the Maricopa County Stadium District and Arizona Sports and Tourism Authority revenue contribution amounts for Cactus League spring training facilities and the debt service payment. As noted, this is an internal transfer between two Debt Service Funds; therefore, there is a corresponding Transfer In of the same amount reflected in Transfer In - Debt Svc MPC Bonds. Because this transfer was occurring regularly, a budget was created beginning in FY 2016/17.



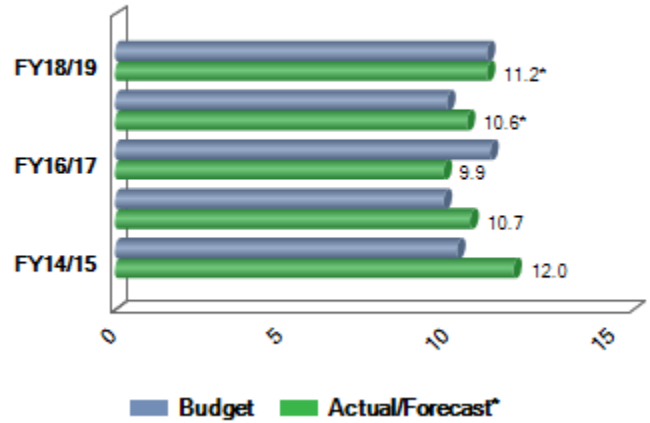
Debt Service Fund Ending Balance

Ending fund balance includes reserves which protect the city's financial condition and provide for unexpected economic challenges. The Debt Service Fund ending balance varies primarily due to the timing of debt issuances and related repayment schedules. Growth of fund balance occurs when sources exceed uses. The specific make-up of the city's Debt Service Fund ending balance is noted in the following:

Debt Stabilization Reserve

Debt Stabilization Reserve of \$11.2 million is projected for FY 2018/19. As with the other reserves, the Debt Stabilization Reserve balance varies primarily due to the timing of debt issuances and related repayment schedules associated with the MPC Excise Debt. While there is no legal requirement to hold this reserve at a certain level, the City Council has indicated that it should be maintained to protect the city from unexpected financial challenges.

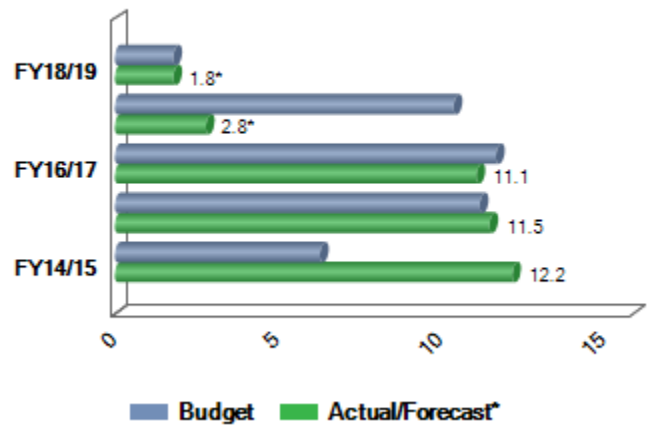
Adopted Budget to Actual/Forecast* (in millions)



GO Debt Service Reserve – Non-Preserve

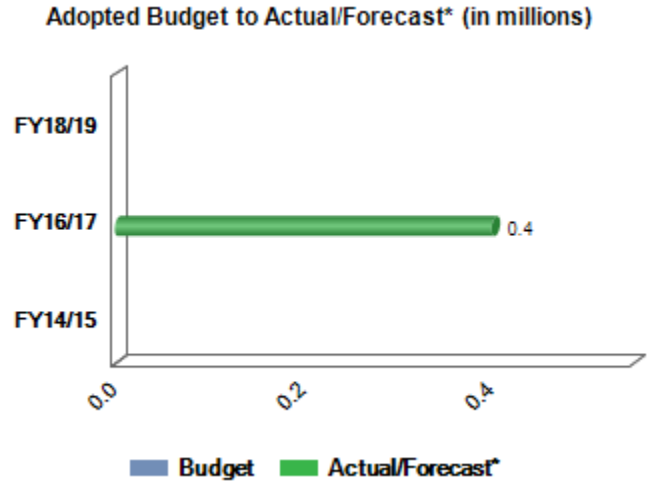
GO Debt Service Reserve – Non-Preserve reserve of \$1.8 million is projected for FY 2018/19. As with the other reserves, the GO Debt Service Reserve – Non-Preserve balance varies primarily due to the timing of debt issuances and related repayment schedules associated with GO Debt Service. FYs 2017/18 and 2018/19 are much lower than in previous fiscal years due to a one-time payment on the newly issued debt for the Bond 2015 program. FY 2014/15 actuals are much higher than adopted due to unexpected proceeds of refunding bonds received during that fiscal year.

Adopted Budget to Actual/Forecast* (in millions)



GO Debt Service Reserve – Preserve

GO Debt Service Reserve - Preserve reserve of \$0.0 million is projected for FY 2018/19. This reserve is almost always \$0.0 as only the exact amount of money needed to pay for the preserve bonds is transferred each fiscal year, leaving nothing to go into the reserve at fiscal year-end. Rarely, as in FY 2016/17, the bond premium will come in higher than expected and this will be reflected in the reserve actuals.



BUDGET BY FUND | Debt Service Expense

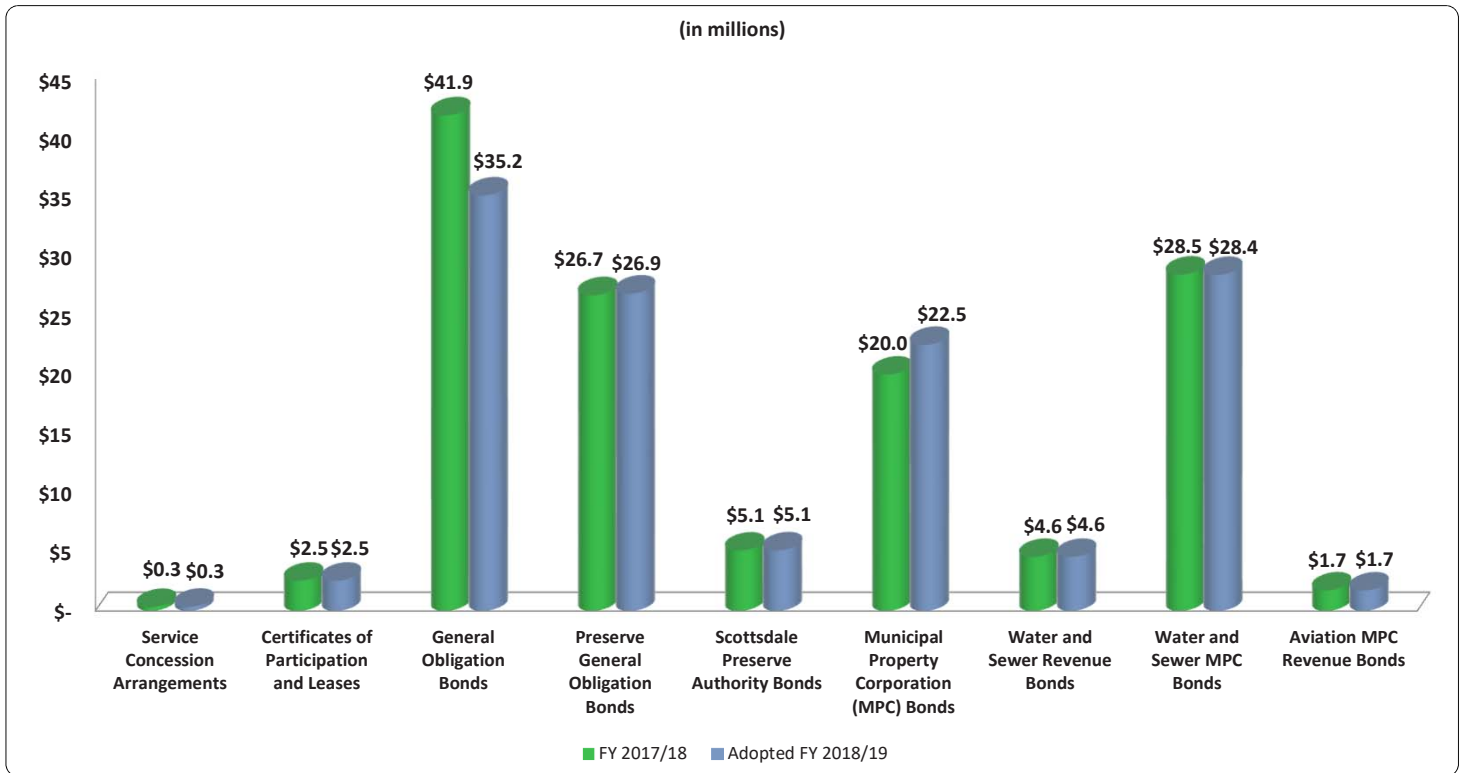
	Budget 2017/18	Forecast 2017/18	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Final Payment Date
General Fund								
Service Concession Arrangements								
BOR Administration/Westworld	162,889	162,889	171,034	179,600	188,600	198,000	207,900	2032
BOR Administration/TPC	162,890	162,890	171,034	179,600	188,600	198,000	207,900	2035
Total Service Concession Arrangements	325,779	325,779	342,068	359,200	377,200	396,000	415,800	
Certificates of Participation and Leases								
Police/Fire Radio Communication	2,548,679	2,548,679	2,548,680	2,548,700	-	-	-	2020
Total Certificates of Participation and Leases	2,548,679	2,548,679	2,548,680	2,548,700	-	-	-	
Total General Fund	2,874,458	2,874,458	2,890,748	2,907,900	377,200	396,000	415,800	
Debt Service Funds								
General Obligation (G.O.) Bonds - Property Tax (Secondary) Supported								
2008A G.O. Various Purpose (\$100.0M Apr 2008)	5,643,000	5,643,000	-	-	-	-	-	2018
2010 G.O. Various Purpose (\$50.8M Apr 2010)	3,506,625	2,376,625	2,450,625	2,589,100	2,721,600	192,000	192,000	2030
2011 G.O. Refunding Bonds (\$8.6M Apr 2011)	1,617,200	1,617,200	-	-	-	-	-	2018
2012 G.O. Refunding Bonds (\$38.5M Jul 2012)	8,191,178	8,191,178	7,972,328	5,667,900	4,440,100	-	-	2021
2014 G.O. Refunding Bonds (\$73.8M May 2014)	12,116,631	12,116,631	11,719,697	11,822,900	11,397,000	10,958,900	11,022,300	2023
2015 G.O. Refunding Bonds (\$86.4M Apr 2015)	3,080,295	3,080,295	9,160,295	9,242,100	8,905,900	9,451,100	9,349,300	2028
2017 G.O. Refunding Bonds (\$26.8M May 2017)	-	1,384,350	1,233,579	1,233,600	1,233,600	3,613,600	3,818,300	2029
2017C G.O. Various Purpose (\$25.5M Dec 2017)	-	7,526,042	2,625,000	2,630,500	2,631,500	2,828,000	2,620,000	2027
Fiscal Agent Fees and Arbitrage Fees	4,035	3,815	3,350	3,400	3,400	3,100	3,100	
Total General Obligation Bonds-Property Tax Supported	34,158,964	41,939,136	35,164,874	33,189,500	31,333,100	27,046,700	27,005,000	
Preserve General Obligation Bonds - Preserve Sales Tax Supported								
2002 G.O. Refunding Bonds Preserve	1,822,193	1,822,193	1,798,313	-	-	-	-	2019
2008B G.O. Bonds Preserve (\$20.0M Apr 2008)	679,250	679,250	-	-	-	-	-	2018
2011 G.O. Bonds Preserve (\$22.5M Feb 2011)	1,661,100	1,006,400	998,200	989,000	983,800	972,400	-	2022
2011 G.O. Refunding Bonds Preserve (\$34.4M Apr 2011)	2,883,250	2,883,250	3,934,050	7,983,800	3,755,500	3,753,500	73,300	2024
2012 G.O. Bonds Preserve (\$50.0M Feb 2012)	3,001,250	3,001,250	1,573,250	3,073,300	3,028,300	1,468,300	1,468,300	2034
2012 G.O. Refunding Bonds Preserve (\$44.5M Jul 2012)	1,581,047	1,581,047	1,581,047	2,294,400	2,977,900	4,833,300	4,457,600	2025
2013 G.O. Bonds Preserve (\$75.0M Feb 2013)	2,365,200	2,365,200	3,365,200	3,825,200	3,765,200	4,205,200	4,625,200	2034
2014 G.O. Bonds Preserve (\$14.0M May 2014)	983,781	983,781	986,831	986,600	983,700	985,400	985,200	2034
2014 G.O. Refunding Bonds Preserve (\$9.4M May 2014)	1,551,419	1,551,419	1,552,303	1,550,000	1,544,900	1,561,800	1,574,600	2023
2015 G.O. Refunding Bonds Preserve (\$74.0M Apr 2015)	8,370,355	8,370,355	8,770,755	4,585,200	9,006,000	8,975,400	12,988,900	2034
2017A G.O. Preserve Bonds (\$17.4M Mar 2017)	820,600	820,600	820,600	820,600	820,600	820,600	820,600	2034
2017B G.O. Preserve Acquisition Refinancing Bonds (\$18.5M May 2017)	-	1,037,775	924,750	924,800	4,434,800	4,459,300	6,048,800	2024
2017 G.O. Refunding Bonds Preserve (\$13.2M May 2017)	-	630,897	562,186	562,200	562,200	562,200	1,463,400	2034
Fiscal Agent Fees	5,065	5,685	5,700	5,300	5,300	5,500	5,000	
Total Preserve General Obligation Bonds - Preserve Sales Tax Supported	25,724,510	26,739,102	26,873,185	27,600,400	31,868,200	32,602,900	34,510,900	
Scottsdale Preserve Authority Bonds - Preserve Sales Tax Supported								
2010 Scottsdale Preserve Revenue Refunding Bonds	4,725,763	3,700,175	3,711,875	3,722,600	-	-	-	2020
2011 Scottsdale Preserve Revenue Refunding Bonds	1,399,200	1,399,200	1,405,000	1,407,300	1,411,500	1,417,500	-	2022
Fiscal Agent Fees	5,000	5,000	5,000	5,000	2,500	2,500	-	
Total Scottsdale Preserve Authority Bonds	6,129,963	5,104,375	5,121,875	5,134,900	1,414,000	1,420,000	-	
Municipal Property Corp. (MPC) Bonds - Excise Tax Supported								
2006 MPC Refunding SkySong	1,438,000	1,438,000	1,438,000	2,813,000	2,814,300	2,817,000	2,821,000	2034
2014 MPC Refunding SkySong (\$2.6M)	1,339,130	1,339,130	1,335,700	-	-	-	-	2019
2015 MPC Refunding Spring Training (MCSD and AZSTA)	4,210,537	4,210,537	6,618,079	7,309,400	1,849,800	-	-	2021
2006 MPC Refunding WW/TPC Land Acquisition 80-acres	2,419,000	2,419,000	2,459,000	2,494,000	2,524,000	2,544,000	2,564,300	2030
2015 MPC Refunding WW/TPC Land Acquisition 80-acres	68,350	68,350	68,349	68,300	68,300	68,400	68,400	2035
2015 MPC Refunding WW/TPC Land Acquisition 80-acres (Tourism Development)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	2035
2014 MPC Refunding TPC (\$4.2M)	524,908	524,908	524,868	514,900	518,700	518,300	518,300	2027
2015 MPC Refunding TPC	96,884	96,884	96,884	96,900	96,900	96,900	96,900	2031
2014 MPC Refunding WW/TPC Land Acq 52- and 17-acres (\$16.0M)	1,930,824	1,930,824	1,951,245	1,933,700	1,948,100	1,988,400	1,986,900	2027
2015 MPC Refunding WW/TPC Land Acq 52- and 17-acres	383,392	383,392	383,392	383,400	383,400	383,400	383,400	2031
2013A MPC SFS Garage Payoff (\$31.0M)	2,260,400	2,260,400	2,327,900	2,398,900	2,472,900	2,544,400	2,623,200	2028
2013B MPC McDowell Golf (\$1.6M) (Special Programs)	106,325	106,325	103,575	105,800	107,800	104,600	106,300	2033
2013C MPC TNEC (\$41.9M)	1,479,375	1,479,375	1,461,375	1,455,900	1,457,100	1,464,600	1,462,900	2033
2013C MPC TNEC (Tourism Development)	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	2033
2015A MPC Revenue Museum (Tourism Development)	891,763	891,763	892,963	889,200	889,500	893,900	891,900	2034
2015A MPC Revenue Taxable TPC (Tourism Development)	900,000	900,000	900,000	900,000	900,000	900,000	900,000	2034
2015A MPC Revenue Taxable TPC Golf Surcharge	161,463	161,463	164,663	161,500	162,900	163,700	163,900	2034
Fiscal Agent Fees	9,425	9,200	9,200	9,200	9,200	9,200	9,200	
Subtotal:								
MPC - General Fund/Sales Tax	12,111,151	12,110,926	12,220,576	12,329,700	12,455,800	12,598,300	12,698,400	
MPC - Tourism Development Fund	3,591,763	3,591,763	3,592,963	3,589,200	3,589,500	3,593,900	3,591,900	
MPC - Special Programs Fund (McDowell Golf)	106,325	106,325	103,575	105,800	107,800	104,600	106,300	
MPC - MCSD and AZSTA	4,210,537	4,210,537	6,618,079	7,309,400	1,849,800	-	-	
Total Municipal Property Corp. Bonds	20,019,776	20,019,551	22,535,193	23,334,100	18,002,900	16,296,800	16,396,600	
Total Debt Service Funds	86,033,213	93,802,164	89,695,127	89,258,900	82,618,200	77,366,400	77,912,500	

BUDGET BY FUND | Debt Service Expense

	Budget 2017/18	Forecast 2017/18	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Final Payment Date
Water and Sewer Funds								
Water Sewer Revenue Bonds								
2008 Water Sewer Revenue Refunding Bonds	4,564,688	4,564,688	4,566,188	4,574,200	4,583,600	4,592,300	4,604,700	2023
Fiscal Agent Fees	400	400	400	400	400	400	400	
Total Water Sewer Revenue Bonds	4,565,088	4,565,088	4,566,588	4,574,600	4,584,000	4,592,700	4,605,100	
Municipal Property Corp. (MPC) Bonds								
2006 MPC Refunding Bonds-Water	11,282,106	11,282,106	11,235,419	11,186,900	11,136,000	11,086,400	11,041,700	2030
2006 MPC Refunding Bonds-Sewer	1,344,394	1,344,394	1,338,831	1,333,100	1,327,000	1,321,100	1,315,800	2030
2008A MPC Bonds-Water	3,920,609	2,986,772	-	-	-	-	-	2018
2008A MPC Bonds- Sewer	1,213,516	924,478	-	-	-	-	-	2018
2010 MPC Bonds-Water	986,213	397,450	430,549	466,500	505,000	543,700	79,300	2030
2010 MPC Bonds-Sewer	3,364,087	1,355,750	1,468,651	1,591,100	1,722,600	1,854,700	270,300	2030
2015A MPC-Sewer	1,348,963	1,348,963	1,348,113	1,352,400	1,349,600	1,350,900	1,350,200	2034
2015 MPC Refunding Bonds-Water	1,787,358	1,787,358	4,680,366	4,699,200	4,642,400	4,600,600	4,597,600	2028
2015 MPC Refunding Bonds-Sewer	553,229	553,228	1,448,680	1,454,500	1,436,900	1,424,000	1,423,100	2028
2017 MPC Refunding Bonds-Water	-	1,475,460	1,475,460	1,475,500	1,475,500	1,475,500	2,287,900	2036
2017 MPC Refunding Bonds-Sewer	-	2,183,915	2,183,915	2,183,900	2,183,900	2,183,900	3,386,500	2036
2017A MPC Bonds-Water (Rate-Funded)	-	2,087,462	2,089,971	2,090,000	2,087,600	2,086,500	2,090,200	2037
2017A MPC Bonds-Sewer (Developer-Fee-Funded)	-	737,250	738,136	738,100	737,300	736,900	738,200	2037
Fiscal Agent Fees	11,825	13,300	10,800	10,800	11,800	11,800	11,800	
Future Revenue Bonds - Sewer	656,250	-	-	-	-	-	-	
Future Revenue Bonds - Water	3,666,644	-	-	-	940,900	2,099,900	2,087,100	2040
Total MPC Bonds - Water and Sewer Supported	30,135,194	28,477,886	28,448,891	28,582,000	29,556,500	30,775,900	30,679,700	
Total Water and Sewer Funds	34,700,282	33,042,974	33,015,479	33,156,600	34,140,500	35,368,600	35,284,800	
Aviation Fund								
2017B MPC Bonds-Aviation	1,820,000	1,722,683	1,719,994	1,721,200	1,720,500	1,722,700	1,717,700	2037
Fiscal Agent Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Total Aviation Funds	1,821,000	1,723,683	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700	
GRAND TOTAL DEBT SERVICE	125,428,953	131,443,279	127,322,348	127,045,600	118,857,400	114,854,700	115,331,800	

Debt Service Expense FY 2017/18 vs. FY 2018/19

Type of Bond	FY 2017/18	Adopted FY 2018/19
Service Concession Arrangements	325,779	342,068
Certificates of Participation and Leases	2,548,679	2,548,680
General Obligation Bonds	41,939,136	35,164,874
Preserve General Obligation Bonds	26,739,102	26,873,185
Scottsdale Preserve Authority Bonds	5,104,375	5,121,875
Municipal Property Corporation (MPC) Bonds	20,019,551	22,535,193
Water and Sewer Revenue Bonds	4,565,088	4,566,588
Water and Sewer MPC Bonds	28,477,886	28,448,891
Aviation MPC Revenue Bonds	1,723,683	1,720,994
Total	131,443,279	127,322,348



BUDGET BY FUND | Long-Term Debt Outstanding

Long-Term Debt Outstanding - All Funds As of 6/30/18 through 6/30/22						
	Balance at 6/30/18	Balance at 6/30/19	Balance at 6/30/20	Balance at 6/30/21	Balance at 6/30/22	Final Payment Date
General Fund						
<u>Service Concession Arrangements</u>						
BOR Administration/Westworld	1,119,445	1,039,484	959,524	879,564	799,603	2032
BOR Administration/TPC	1,255,926	1,182,048	1,108,170	1,034,292	960,414	2035
Total Service Concession Arrangements	2,375,371	2,221,532	2,067,694	1,913,856	1,760,017	
<u>Certificates of Participation and Leases</u>						
Police/Fire Radio Communication	4,913,857	2,493,145	-	-	-	2020
Total Certificates of Participation and Leases	4,913,857	2,493,145	-	-	-	
Total General Fund	7,289,228	4,714,677	2,067,694	1,913,856	1,760,017	
Debt Service Funds						
<u>General Obligation (G.O.) Bonds - Property Tax (Secondary) Supported</u>						
2010 G.O. Various Purpose Bonds	11,550,000	9,500,000	7,250,000	4,800,000	4,800,000	2030
2012 G.O. Refunding Bonds	16,779,994	9,484,994	4,238,329	-	-	2021
2014 G.O. Refunding Bonds	50,681,535	40,987,116	30,898,620	20,832,541	10,701,250	2023
2015 G.O. Refunding Bonds	86,400,000	80,320,000	73,915,000	67,590,000	60,530,000	2028
2017 G.O. Refunding Bonds	26,826,110	26,826,110	26,826,110	26,826,110	24,446,110	2029
2017C G.O. Various Purpose Bonds	18,700,000	17,010,000	15,230,000	13,360,000	11,200,000	2027
Total General Obligation Bonds - Property Tax Supported	210,937,639	184,128,220	158,358,059	133,408,651	111,677,360	
<u>Preserve General Obligation Bonds - Preserve Sales Tax Supported</u>						
2002 G.O. Refunding Bonds-Preserve	1,725,000	-	-	-	-	2019
2011 G.O. Bonds-Preserve	3,580,000	2,725,000	1,845,000	935,000	-	2022
2011 G.O. Refunding Bonds-Preserve	18,685,000	15,575,000	8,310,000	4,970,000	1,465,000	2024
2012 G.O. Bonds-Preserve	48,600,000	48,600,000	47,100,000	45,600,000	45,600,000	2034
2012 G.O. Refunding Bonds-Preserve	44,020,006	44,020,006	43,306,671	41,880,000	38,530,000	2025
2013 G.O. Bonds-Preserve	74,000,000	73,000,000	71,500,000	70,000,000	68,000,000	2034
2014 G.O. Bonds-Preserve	11,870,000	11,285,000	10,690,000	10,080,000	9,450,000	2034
2014 G.O. Refunding Bonds-Preserve	6,918,465	5,642,884	4,331,380	2,972,459	1,528,750	2023
2015 G.O. Refunding Bonds-Preserve	56,065,000	49,175,000	46,195,000	38,675,000	30,960,000	2034
2017A G.O. Bonds-Preserve	17,410,000	17,410,000	17,410,000	17,410,000	17,410,000	2034
2017B G.O. Preserve Acquisition Refinancing Bonds	18,495,000	18,495,000	18,495,000	14,985,000	11,275,000	2024
2017 G.O. Refunding Bonds-Preserve	13,158,890	13,158,890	13,158,890	13,158,890	13,158,890	2034
Total Preserve General Obligation Bonds - Preserve Sales Tax Supported	314,527,361	299,086,780	282,341,941	260,666,349	237,377,640	
<u>Scottsdale Preserve Authority Bonds - Preserve Sales Tax Supported</u>						
2010 Scottsdale Preserve Revenue Refunding Bonds	6,950,000	3,565,000	-	-	-	2020
2011 Scottsdale Preserve Revenue Refunding Bonds	5,000,000	3,845,000	2,630,000	1,350,000	-	2022
Total Scottsdale Preserve Authority Bonds	11,950,000	7,410,000	2,630,000	1,350,000	-	
<u>Municipal Property Corp. (MPC) Bonds - Sales Tax Supported</u>						
2006 MPC Refunding SkySong	28,760,000	28,760,000	27,385,000	25,940,000	24,420,000	2034
2014 MPC Refunding SkySong	1,312,727	-	-	-	-	2019
2015 MPC Refunding Spring Training	14,530,748	8,639,208	1,761,720	-	-	2021
2006 MPC Refunding WW/TPC 80-acres	23,180,000	21,880,000	20,480,000	18,980,000	17,385,000	2030
2015 MPC Refunding WW/TPC 80-acres	14,457,510	14,457,510	14,457,510	14,457,510	14,457,510	2035
2014 MPC Refunding TPC	3,825,853	3,455,723	3,089,038	2,707,643	2,307,521	2027
2015 MPC Refunding TPC	2,162,411	2,162,411	2,162,411	2,162,411	2,162,411	2031
2014 MPC Refunding WW/TPC 52- and 17-acres	14,661,420	13,304,277	11,940,962	10,522,357	8,992,479	2027
2015 MPC Refunding WW/TPC 52- and 17-acres	8,557,600	8,557,600	8,557,600	8,557,600	8,557,600	2031
2013A MPC Garage	21,155,000	19,775,000	18,255,000	16,585,000	14,760,000	2028
2013B MPC McDowell Mnt	1,190,000	1,135,000	1,075,000	1,010,000	945,000	2033
2013C MPC TNEC	30,855,000	29,445,000	27,970,000	26,420,000	24,785,000	2033
2015A MPC Museum	10,670,000	10,195,000	9,700,000	9,180,000	8,640,000	2034
2015A Taxable TPC	12,600,000	11,995,000	11,375,000	10,735,000	10,075,000	2034
Total Municipal Property Corp. Bonds	187,918,269	173,761,729	158,209,241	147,257,521	137,487,521	
Total Debt Service Funds	725,333,269	664,386,729	601,539,241	542,682,521	486,542,521	

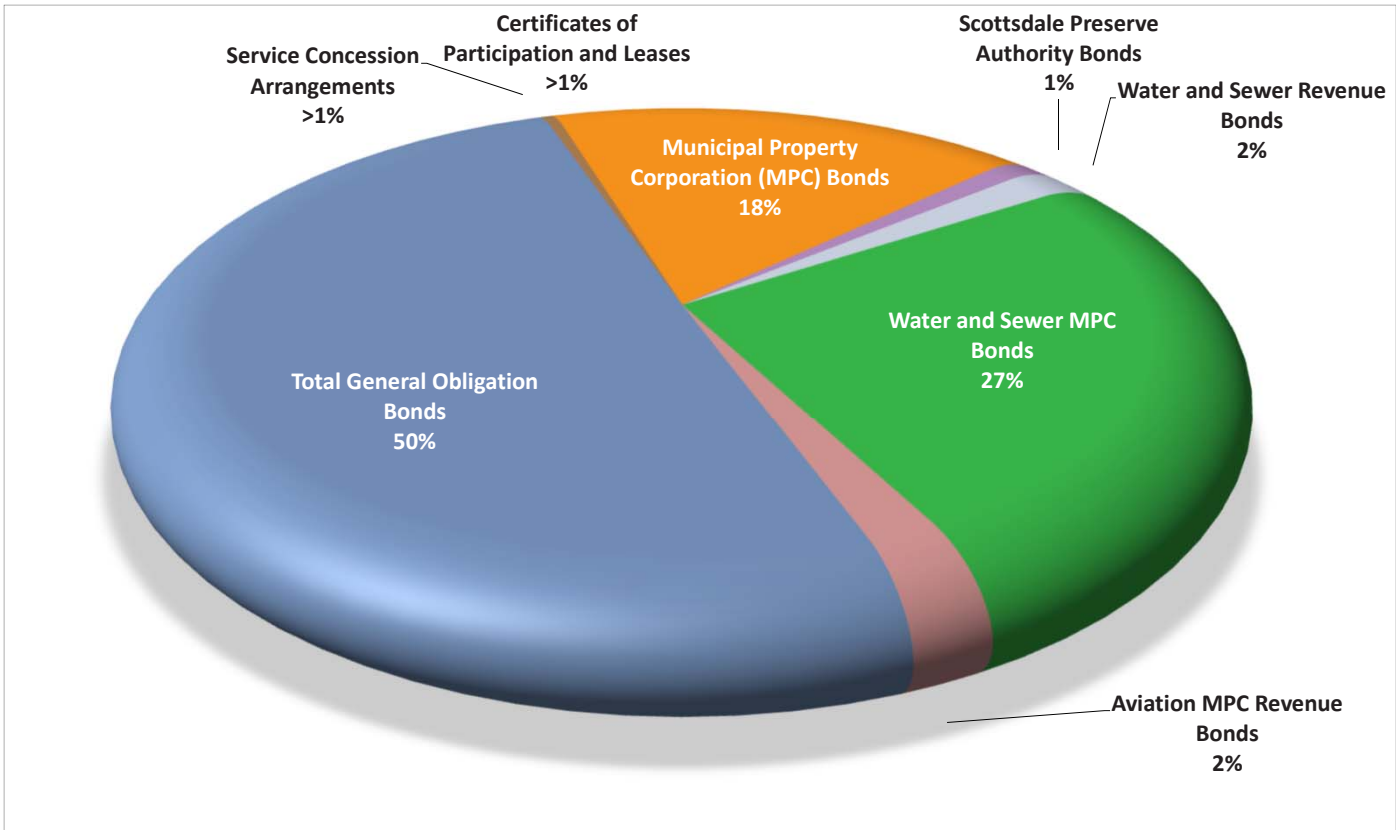
BUDGET BY FUND | Long-Term Debt Outstanding

Long-Term Debt Outstanding - All Funds As of 6/30/18 through 6/30/22						
	Balance at 6/30/18	Balance at 6/30/19	Balance at 6/30/20	Balance at 6/30/21	Balance at 6/30/22	Final Payment Date
Water and Sewer Funds						
<u>Water Sewer Revenue Bonds</u>						
2008 Water Sewer Revenue Refunding Bonds	19,715,000	16,175,000	12,450,000	8,520,000	4,375,000	2023
Total Water Sewer Revenue Bonds	<u>19,715,000</u>	<u>16,175,000</u>	<u>12,450,000</u>	<u>8,520,000</u>	<u>4,375,000</u>	
<u>Municipal Property Corp. Bonds - Water and Sewer Supported</u>						
2006 MPC Refunding Water/Sewer MPC Bonds	87,785,000	79,600,000	71,060,000	62,150,000	52,850,000	2030
2010 Water & Sewer MPC Bonds	15,230,000	13,940,000	12,440,000	10,710,000	8,740,000	2030
2015A Water & Sewer MPC Bonds	16,165,000	15,450,000	14,695,000	13,905,000	13,090,000	2034
2015 Refunding Water & Sewer MPC Bonds	46,811,731	43,023,271	39,020,759	34,892,479	30,612,479	2028
2017 Refunding Water & Sewer MPC Bonds	79,970,000	79,970,000	79,970,000	79,970,000	79,970,000	2036
2017A Water & Sewer MPC Bonds	37,985,000	36,685,000	35,320,000	33,890,000	32,390,000	2037
Future MPC Bonds	-	-	-	24,579,918	23,709,016	2040
Total MPC Bonds - Water and Sewer Supported	<u>283,946,731</u>	<u>268,668,271</u>	<u>252,505,759</u>	<u>260,097,397</u>	<u>241,361,495</u>	
Total Water and Sewer Funds	<u><u>303,661,731</u></u>	<u><u>284,843,271</u></u>	<u><u>264,955,759</u></u>	<u><u>268,617,397</u></u>	<u><u>245,736,495</u></u>	
Aviation Fund						
<u>Municipal Property Corp. Bonds - Aviation Supported</u>						
Future MPC Bonds						
2017 MPC Bonds - Aviation Supported	22,875,000	22,100,000	21,285,000	20,430,000	19,530,000	2037
Total Aviation Fund	<u>22,875,000</u>	<u>22,100,000</u>	<u>21,285,000</u>	<u>20,430,000</u>	<u>19,530,000</u>	
GRAND TOTAL LONG-TERM DEBT OUTSTANDING	<u><u>1,059,159,228</u></u>	<u><u>976,044,677</u></u>	<u><u>889,847,694</u></u>	<u><u>833,643,774</u></u>	<u><u>753,569,033</u></u>	

Outstanding Bonds By Type
Forecast at June 30, 2018

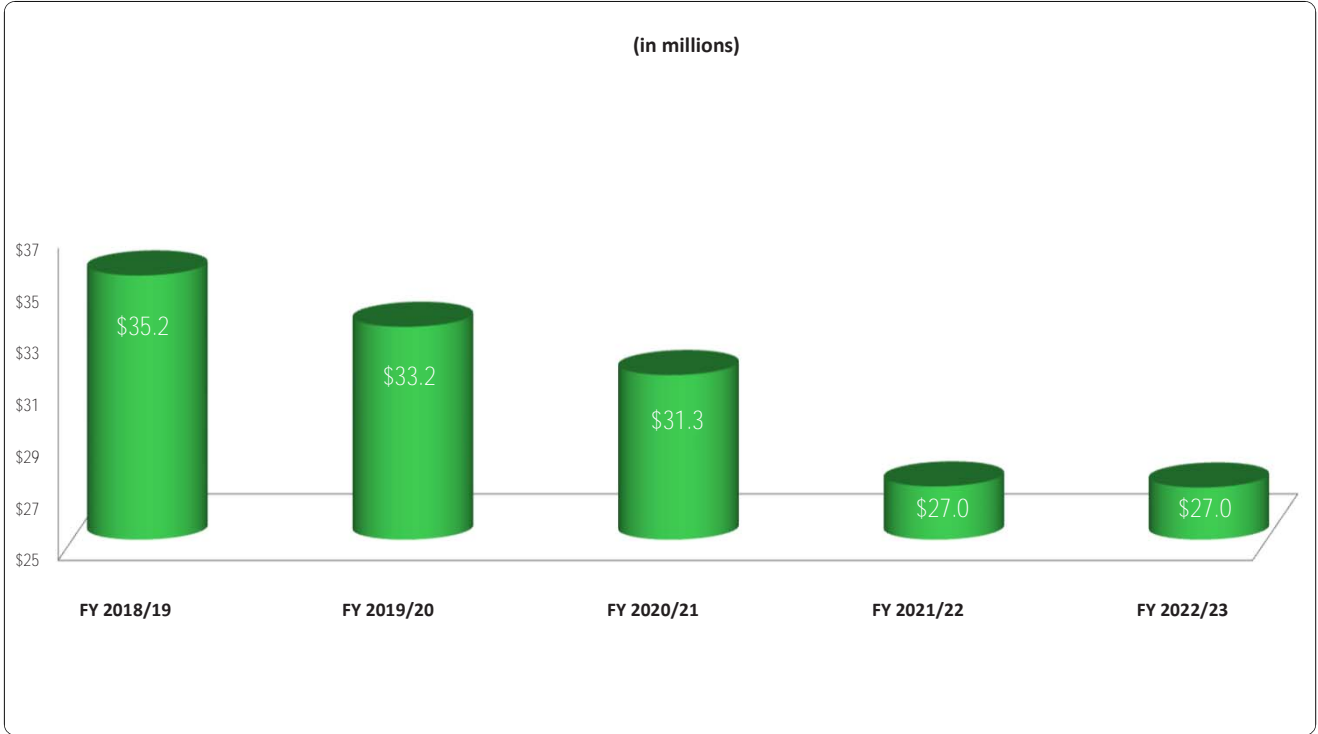
Type of Issuance	Principal Bond Amount	% Total
General Obligation Bonds (Combined)		
6% Capacity	14,418,837	3%
20% Capacity	522,577,163 ^(a)	97%
Total General Obligation Bonds	536,996,000 ^(a)	50%
Service Concession Arrangements	2,375,371	0%
Certificates of Participation and Leases	4,913,857	0%
Municipal Property Corporation (MPC) Bonds	187,918,269	18%
Scottsdale Preserve Authority Bonds	11,950,000	1%
Water and Sewer Revenue Bonds	19,715,000	2%
Water and Sewer MPC Bonds	283,946,731	27%
Aviation MPC Revenue Bonds	22,875,000	2%
Total	1,070,690,228	100%

(a) Amount includes \$11,531,000 of excess premium which counts against the 20% threshold but is not considered GO Bond Debt.



General Obligation Bonds Property Tax (Secondary) Supported

<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>	<u>FY 2022/23</u>
35,164,874	33,189,500	31,333,100	27,046,700	27,005,000



COMPUTATION OF LEGAL DEBT MARGINS
Forecast June 30, 2018

Net Assessed Valuation Forecasted as of June 30, 2018	\$ 5,698,737,970
Debt Limit Equal to 20% of Assessed Valuation	1,139,747,594
General Obligation Bonded Debt Subject to 20% Debt Limit (net of amounts available in Debt Service Funds forecasted for payment on July 1, 2018):	
2002 GO Preserve Refunding Bonds	1,725,000
2010 GO Various Purpose Bonds	5,550,000
2011 GO Preserve Bonds	3,580,000
2011 GO Preserve/Non-Preserve Refunding Bonds	18,685,000
2012 GO Preserve/Non-Preserve Bonds	48,600,000
2012 GO Preserve/Non-Preserve Refunding Bonds	60,800,000
2013 GO Preserve Bonds	74,000,000
2014 GO Preserve/Non-Preserve Bonds	11,870,000
2014 GO Preserve/Non-Preserve Refunding Bonds	49,181,163
2015 GO Preserve/Non-Preserve Refunding Bonds	142,465,000
2017A GO Preserve Bonds	17,410,000
2017B GO Preserve Bonds	18,495,000
2017 GO Refunding Bonds	39,985,000
2017C GO Various Purpose Bonds	<u>18,700,000</u>
Net Outstanding Forecasted Bonded Debt Subject to 20% Limit	511,046,163
Net Outstanding Forecasted Excess Premium Subject to 20% Limit	11,531,000
	<u>522,577,163</u> (A)
Forecasted Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 617,170,431</u> (C)
Debt Limit Equal to 6% of Assessed Valuation	\$ 341,924,278
General Obligation Bonded Debt Subject to 6% Debt Limit (net of amounts available in Debt Service Funds forecasted for payment on July 1, 2018):	
2010 GO Various Purpose Bonds	6,000,000
2014 GO Preserve/Non-Preserve Refunding Bonds	<u>8,418,837</u>
Net Outstanding Forecasted Bonded Debt Subject to 6% Limit	<u>14,418,837</u> (B)
Forecasted Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 327,505,441</u> (D)

State Regulation

The Arizona Constitution (Article 9, Section 8), provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed 6% of the assessed valuation of the taxable property in that city. In addition to the 6% limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20% of the assessed valuation for supplying such city with water, artificial light, or sewers, for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

City of Scottsdale Compliance with State Regulation

This schedule indicates the assessed valuation of property tax within the City of Scottsdale allows a maximum legal bonding capacity of \$1,139,747,594.00 for projects subject to the 20% limitation and \$341,924,278.00 for projects subject to the 6% limitation.

Legal Debt Capacity Used

Based on the city's current outstanding general obligation debt, it is forecasted as of June 30, 2018, the city has used (borrowed) the following legal debt capacity, including excess premium, by percentage limitation:

- 20% limitation (A) \$522,577,163.00 or 46%
- 6% limitation (B) \$14,418,837.00 or 4%

Legal Capacity Available

Based on the city's current outstanding general obligation debt, it is forecasted as of June 30, 2018, the city has available (for borrowing) the following legal debt capacity by percentage limitation:

- 20% limitation (C) \$617,170,431.00 or 54%
- 6% limitation (D) \$327,505,441.00 or 96%

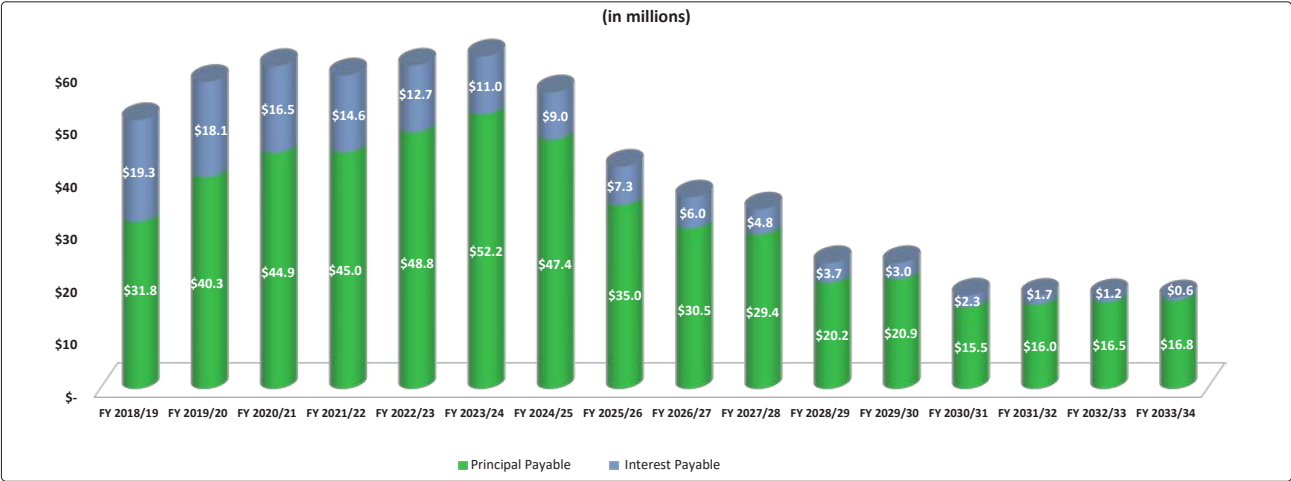
General Obligation Bond Capacity Available as of June 30, 2018

Under Arizona Constitution Article IX, section 8 (amended by Proposition 104 in 2006), cities may issue General Obligation Bonds for streets and transportation facilities, public safety, law enforcement, fire and emergency services facilities, water, water reclamation, artificial light, acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities up to an amount not exceeding 20 percent of secondary assessed value. Cities may also issue General Obligation Bonds for all other general purposes not included in the 20 percent debt margin category up to an amount not exceeding six percent of the secondary assessed value.

Outstanding General Obligation Bonds Subject to 20% Limit

Maturity Date	Principal Payable	Interest Payable	Fiscal Total
FY 2018/19	31,781,163	19,342,194	51,123,356
FY 2019/20	40,265,000	18,143,259	58,408,259
FY 2020/21	44,925,000	16,512,259	61,437,259
FY 2021/22	45,020,000	14,620,834	59,640,834
FY 2022/23	48,780,000	12,727,784	61,507,784
FY 2023/24	52,235,000	11,013,109	63,248,109
FY 2024/25	47,375,000	9,046,159	56,421,159
FY 2025/26	34,950,000	7,333,334	42,283,334
FY 2026/27	30,465,000	5,963,984	36,428,984
FY 2027/28	29,355,000	4,773,884	34,128,884
FY 2028/29	20,195,000	3,699,784	23,894,784
FY 2029/30	20,895,000	2,997,134	23,892,134
FY 2030/31	15,515,000	2,256,565	17,771,565
FY 2031/32	15,990,000	1,725,965	17,715,965
FY 2032/33	16,470,000	1,178,165	17,648,165
FY 2033/34	16,830,000	598,520	17,428,520
Total	511,046,163 ^(a)	131,932,930	642,979,093

(a) Amount does not include \$11,531,000 of excess premium which counts against the 20% threshold but is not considered GO Bond Debt.

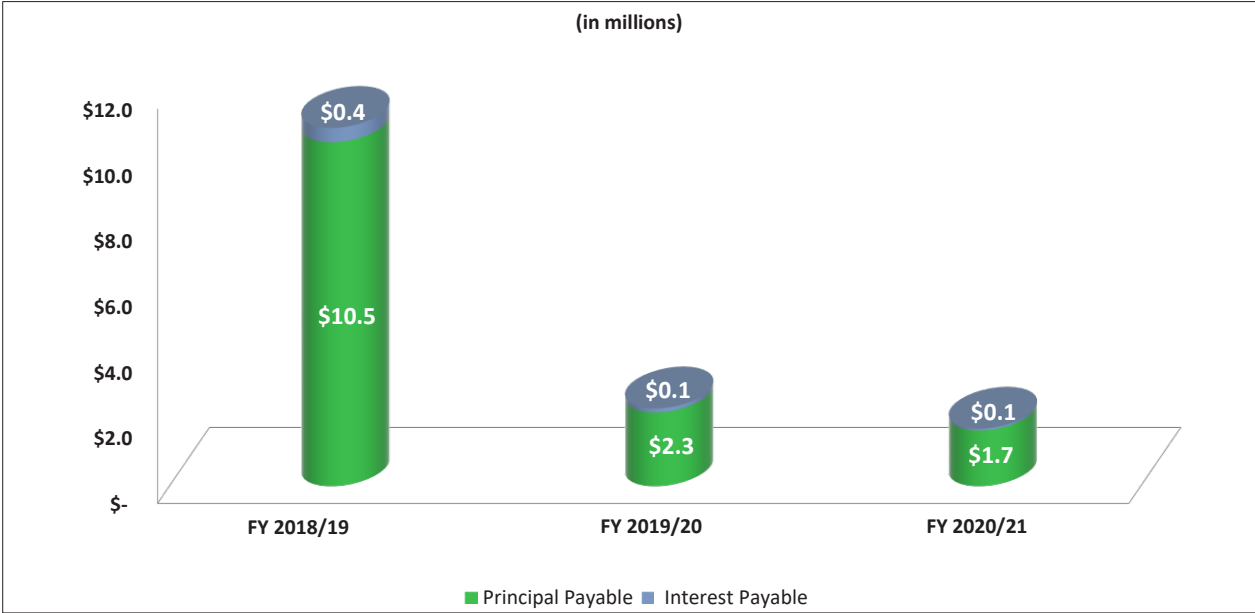


Bonded Debt \$522,577,163
 Available Borrowing Capacity \$617,170,431

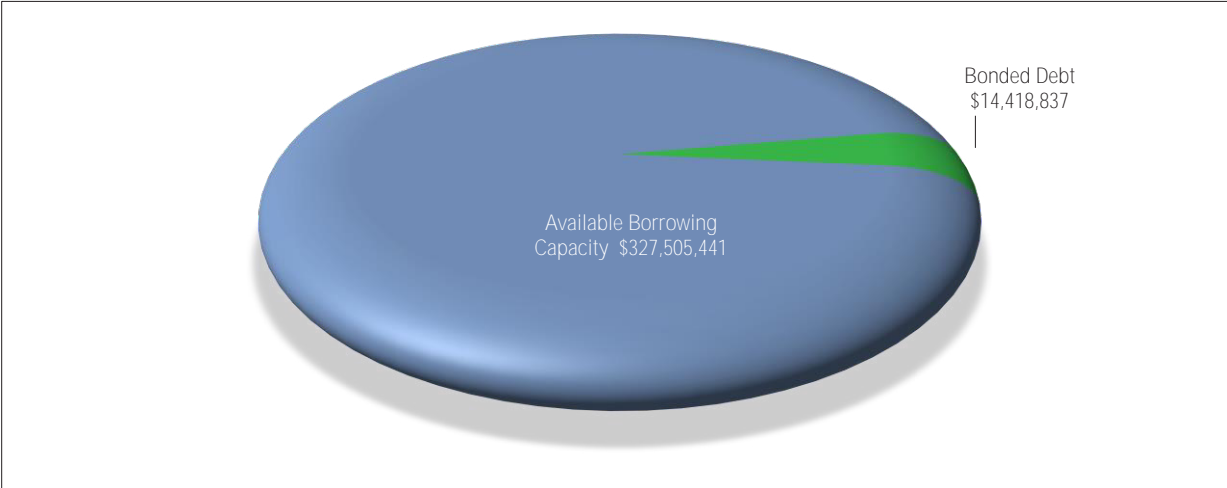


Outstanding General Obligation Bonds Subject to 6% Limit as of June 30, 2018

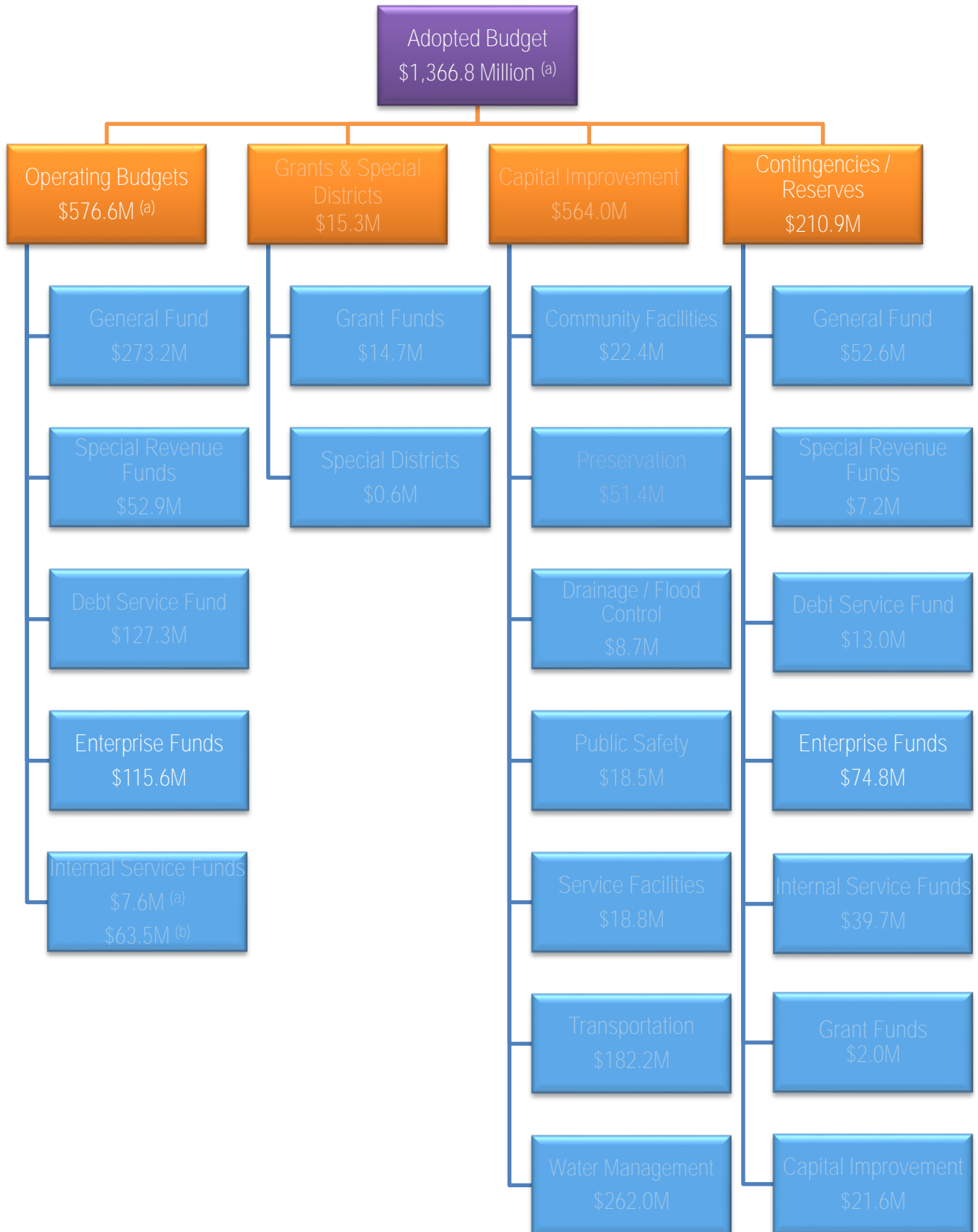
Maturity Date	Principal Payable	Interest Payable	Fiscal Total
FY 2018/19	10,468,837	436,815	10,905,652
FY 2019/20	2,250,000	122,750	2,372,750
FY 2020/21	1,700,000	55,250	1,755,250
Total	14,418,837	614,815	15,033,652



Bonded Debt	Available Borrowing Capacity
\$14,418,837	\$327,505,441







^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

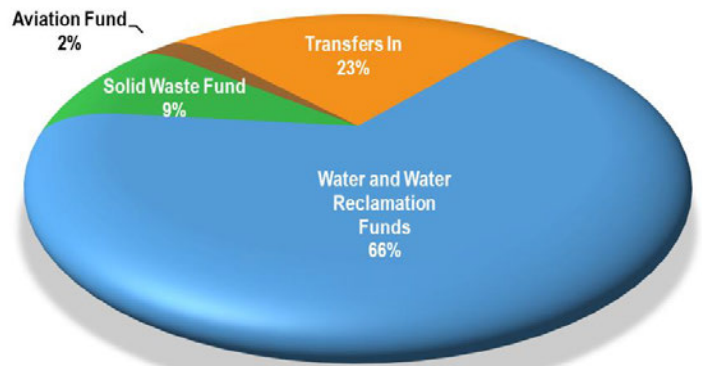
Note: Amounts are rounded in millions; therefore, differences may occur.

Enterprise Funds Description

Scottsdale uses separate Enterprise Funds to account for the activity of the proprietary funds. The individual funds are Water and Water Reclamation, Solid Waste, and Aviation. In aggregate, the Enterprise Funds are the city's second largest source of revenues, which are derived from user fees and charges. User fees and charges are established to promote efficiency by shifting costs to specific users of services and avoiding general taxation. The applicable revenues of the individual funds, along with each fund's purpose, are described in the sections that follow.

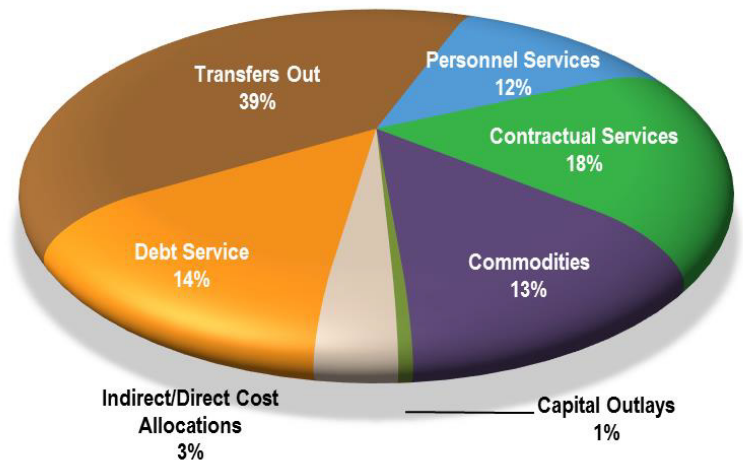
Enterprise Funds Sources (in millions)

Water and Water Reclamation Funds	154.5
Solid Waste Fund	21.5
Aviation Fund	5.2
Total Revenue	181.2
Transfers In	54.2
Total Sources	235.4



Enterprise Funds Uses (in millions)

Personnel Services	30.9
Contractual Services	44.0
Commodities	31.5
Capital Outlays	1.4
Indirect/Direct Cost Allocations	7.8
Debt Service	34.7
Total Operating Budget	150.4
Transfers Out	96.7
Total Uses	247.11
Contingency /Reserves	74.8



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

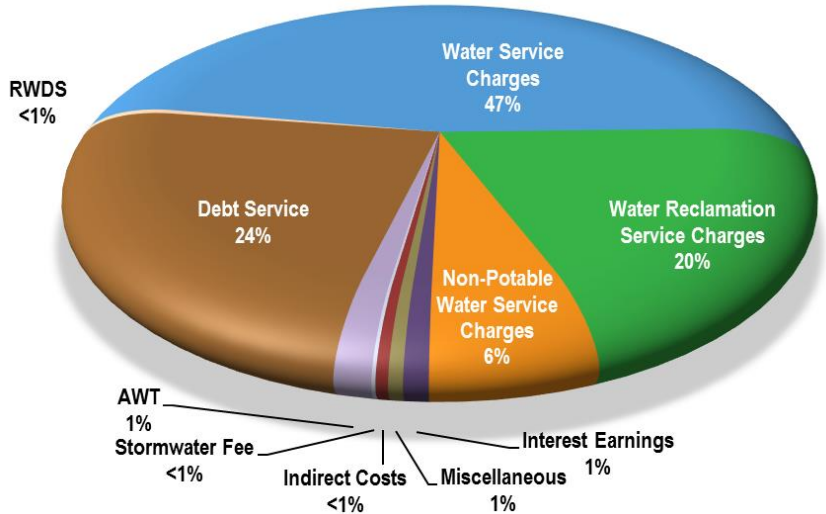
BUDGET BY FUND | Water and Water Reclamation Funds Overview

Fund Purpose

These funds account for the transactions related to the city's water and water reclamation business activities, including operating sources, uses and debt service payments. Capital uses are accounted for in various Capital Improvement Plan funds.

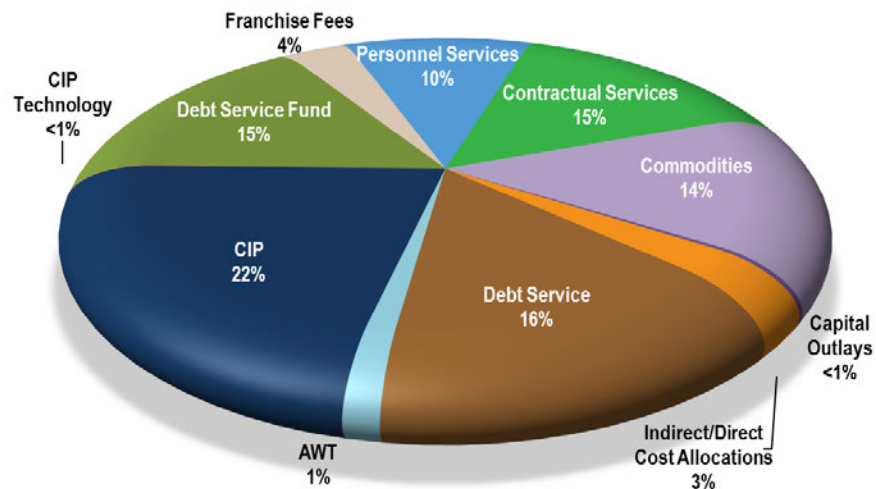
Water and Water Reclamation Funds Sources (in millions)

Water Service Charges	96.9
Water Reclamation Service Charges	40.5
Non-Potable Water Service Charges	12.8
Interest Earnings	1.9
Miscellaneous	1.1
Indirect Costs	0.9
Stormwater Fee	0.3
Total Revenue	154.5
Transfers In	
AWT	2.9
Debt Service	48.7
RWDS	0.9
Total Transfers In	52.5
Total Sources	207.0



Water and Water Reclamation Funds Uses (in millions)

Personnel Services	22.0
Contractual Services	31.3
Commodities	30.8
Capital Outlays	0.6
Indirect/Direct Cost Allocations	5.7
Debt Service	33.0
Total Operating Budget	123.4
Transfers Out	
AWT	2.9
CIP	46.4
CIP Technology	0.3
Debt Service Fund	33.0
Franchise Fees	7.4
Total Transfers Out	90.1
Total Uses	213.5
Contingency/Reserves	65.9



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

BUDGET BY FUND | Water and Water Reclamation Funds Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Reserve	14,933,121	16,320,824	16,320,824	18,954,337
Repair/Replacement Reserve	38,244,900	38,244,900	38,244,900	41,302,123
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	5,149,276	5,063,991	4,973,232	822,929
Water Drought Reserve	-	-	-	-
Undesignated, Unreserved Fund Balance	2,709,998	3,692,111	4,992,683	6,677,642
Total Beginning Fund Balance	65,641,983	67,926,514	69,136,327	72,361,719
Revenues				
Water Service Charges	92,904,785	91,774,100	95,774,100	96,931,020
Water Reclamation Service Charges	39,480,409	39,894,800	39,894,800	40,516,000
Non-Potable Water Service Charges	14,792,073	16,217,900	16,217,900	12,840,140
Interest Earnings	927,635	1,065,365	1,065,365	1,886,612
Miscellaneous	979,755	1,264,500	1,272,449	1,097,640
Indirect Costs	778,843	804,500	804,500	929,000
Stormwater Fee	281,244	268,500	268,500	300,000
Subtotal	150,144,743	151,289,665	155,297,614	154,500,412
Transfers In				
AWT	2,898,966	2,960,000	2,960,000	2,860,288
Debt Service ^(a)	17,706,687	50,420,429	50,420,429	48,732,979
RWDS	900,000	900,000	900,000	900,000
Subtotal	21,505,653	54,280,429	54,280,429	52,493,267
Total Sources	171,650,396	205,570,094	209,578,043	206,993,679
Expenditures				
City Treasurer	2,043,066	2,136,143	2,121,822	2,284,377
Water Resources	59,968,720	63,918,663	63,971,378	65,510,753
Citywide Indirect Cost Allocation	4,836,310	5,069,106	5,069,106	4,800,678
Department Indirect Cost	778,843	804,500	804,500	929,000
Citywide Pay Program	-	443,056	-	508,007
Compensation Other	-	-	-	737,955
Vacation Trade	-	-	-	69,402
Leave Accrual Payments	-	466,001	340,186	466,001
Savings from Vacant Positions	-	(1,152,600)	(642,837)	(1,152,600)
Utilities	14,260,986	16,329,312	16,329,312	16,270,200
Subtotal	81,887,925	88,014,181	87,993,467	90,423,773
Debt Service				
MPC Bonds Debt Service-Sewer	7,654,024	8,484,992	7,716,387	7,793,257
MPC Bonds Debt Service-Water	18,284,911	21,650,202	20,761,500	20,655,634
Sewer Revenue Bonds	4,549,838	4,565,088	4,565,088	4,566,588
Subtotal	30,488,773	34,700,282	33,042,975	33,015,479
TOTAL OPERATING BUDGET	112,376,698	122,714,463	121,036,442	123,439,252
Transfers Out				
AWT	2,898,966	2,960,000	2,960,000	2,860,288
CIP	43,061,166	41,822,695	41,822,695	46,426,383
CIP Technology	108,010	76,100	76,100	341,700
Debt Service Fund	2,076,387	34,700,282 ^(b)	33,042,974	33,015,479
Franchise Fees	7,634,826	7,214,440	7,414,440	7,417,865
Subtotal	55,779,355	86,773,517	85,316,209	90,061,715
Total Uses	168,156,053	209,487,980	206,352,651	213,500,967
Sources Over/(Under) Uses	3,494,344	(3,917,886)	3,225,392	(6,507,288)
Ending Fund Balance				
Operating Reserve	16,320,824	17,278,888	18,954,337	17,602,285
Repair/Replacement Reserve	38,244,900	41,302,123	41,302,123	41,302,123
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	4,973,232	822,929	822,929	845,335
Water Drought Reserve	-	-	-	1,500,000
Undesignated, Unreserved Fund Balance	4,992,683	-	6,677,642	-
Total Ending Fund Balance	69,136,327	64,008,628	72,361,719	65,854,431

(a) Development fee revenues are received in the Capital Fund and paid by developers when new construction developments are permitted. A portion of these revenues is then transferred to the operating budget to pay for debt service costs associated with providing additional infrastructure to serve new development areas.

(b) Beginning in FY 2017/18, a procedural change was enacted which moved water and sewer debt service bonds into the Water and Water Reclamation Funds from where they formerly resided, the Debt Service Fund. This was done to allow for better tracking, and has no impact on the cost of debt service.

BUDGET BY FUND | Water and Water Reclamation Funds Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Reserve	18,954,337	17,602,285	18,058,528	18,520,244	19,169,041
Repair/Replacement Reserve	41,302,123	41,302,123	42,831,471	43,895,164	44,592,167
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	822,929	845,335	856,944	868,835	868,835
Water Drought Reserve	-	1,500,000	1,500,000	1,500,000	1,500,000
Undesignated, Unreserved Fund Balance	6,677,642	-	-	-	-
Total Beginning Fund Balance	72,361,719	65,854,431	67,851,631	69,388,931	70,734,731
Revenues					
Water Service Charges	96,931,020	99,804,900	102,764,800	105,813,100	108,952,600
Water Reclamation Service Charges	40,516,000	41,680,800	42,880,000	44,114,800	45,386,200
Non-Potable Water Service Charges	12,840,140	13,097,000	13,358,800	13,626,200	13,898,400
Interest Earnings	1,886,612	2,119,400	2,382,100	2,426,200	2,443,800
Miscellaneous	1,097,640	1,121,100	1,144,800	1,169,500	1,194,300
Indirect Costs	929,000	947,500	966,600	985,900	1,005,700
Stormwater Fee	300,000	303,000	306,000	309,100	312,200
Subtotal	154,500,412	159,073,700	163,803,100	168,444,800	173,193,200
Transfers In					
AWT	2,860,288	2,888,900	2,917,800	2,947,000	2,976,400
Debt Service ^(a)	48,732,979	48,997,400	50,013,700	51,293,700	51,316,500
RWDS	900,000	900,000	900,000	900,000	900,000
Subtotal	52,493,267	52,786,300	53,831,500	55,140,700	55,192,900
Total Sources	206,993,679	211,860,000	217,634,600	223,585,500	228,386,100
Expenditures					
City Treasurer	2,284,377	2,315,300	2,357,500	2,399,900	2,444,200
Water Resources	65,510,753	68,278,300	70,410,500	73,091,100	75,096,400
Citywide Indirect Cost Allocation	4,800,678	5,040,800	5,292,700	5,557,400	5,835,400
Department Indirect Cost	929,000	947,500	966,600	985,900	1,005,700
Citywide Pay Program	508,007	945,400	1,353,100	1,738,100	2,080,400
Compensation Other	737,955	1,300,800	1,825,400	1,830,000	1,833,900
Vacation Trade	69,402	71,500	73,600	75,800	78,100
Leave Accrual Payments	466,001	478,300	489,300	500,100	511,400
Savings from Vacant Positions	(1,152,600)	(1,183,100)	(1,210,400)	(1,236,800)	(1,265,000)
Utilities	16,270,200	16,756,800	17,257,000	17,770,800	18,647,000
Subtotal	90,423,773	94,951,600	98,815,300	102,712,300	106,267,500
Debt Service					
MPC Bonds Debt Service-Sewer	7,793,257	7,920,200	8,025,200	8,139,700	7,751,000
MPC Bonds Debt Service-Water	20,655,634	20,661,900	21,531,400	22,636,300	22,928,500
Sewer Revenue Bonds	4,566,588	4,574,600	4,584,000	4,592,700	4,605,100
Subtotal	33,015,479	33,156,700	34,140,600	35,368,700	35,284,600
TOTAL OPERATING BUDGET	123,439,252	128,108,300	132,955,900	138,081,000	141,552,100
Transfers Out					
AWT	2,860,288	2,888,900	2,917,800	2,947,000	2,976,400
CIP	46,426,383	37,953,800	33,184,100	37,581,200	38,607,400
CIP Technology	341,700	124,400	5,049,200	186,600	242,600
Debt Service Fund	33,015,479	33,156,700	34,140,600	35,368,700	35,284,600
Franchise Fees	7,417,865	7,630,700	7,849,700	8,075,200	8,307,400
Subtotal	90,061,715	81,754,500	83,141,400	84,158,700	85,418,400
Total Uses	213,500,967	209,862,800	216,097,300	222,239,700	226,970,500
Sources Over/(Under) Uses	(6,507,288)	1,997,200	1,537,300	1,345,800	1,415,600
Ending Fund Balance					
Operating Reserve	17,602,285	18,058,528	18,520,244	19,169,041	19,993,614
Repair/Replacement Reserve	41,302,123	42,831,471	43,895,164	44,592,167	45,171,029
Revenue Bond Debt Service Reserve	4,604,688	4,604,688	4,604,688	4,604,688	4,604,688
Special Contractual Fund Balance	845,335	856,944	868,835	868,835	881,000
Water Drought Reserve	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Undesignated, Unreserved Fund Balance	-	-	-	-	-
Total Ending Fund Balance	65,854,431	67,851,631	69,388,931	70,734,731	72,150,331

(a) Development fee revenues are receipted in the Capital Fund and paid by developers when new construction developments are permitted. A portion of these revenues is then transferred to the operating budget to pay for debt service costs associated with providing additional infrastructure to serve new development areas.

BUDGET BY FUND | Water and Water Reclamation Funds Sources

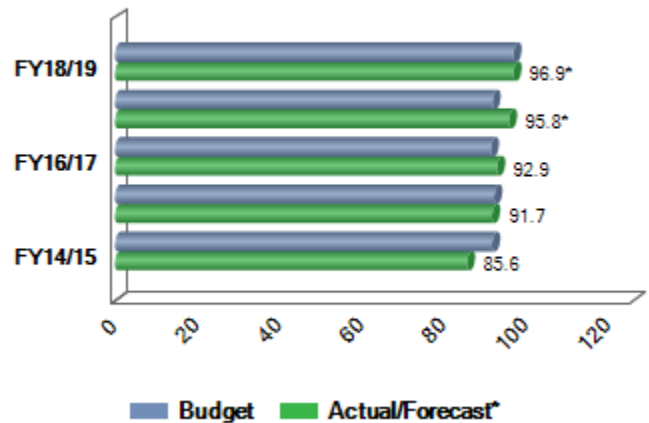
Water and Water Reclamation Funds Sources

Water and Water Reclamation Funds Sources for FY 2018/19 equal \$207.0 million which is a decrease of \$2.6 million from the FY 2017/18 year-end forecast mainly due to lower Debt Service transferred in than what was budgeted for the FY 2018/19 fiscal year and lower than expected Non-Potable Water Service Charges revenue. The sources include Water Service Charges, Water Reclamation Service Charges, Non-Potable Water Service Charges, Interest Earnings, Miscellaneous, Indirect Costs, Stormwater Fee and Transfers In.

Water Service Charges

Water Service Charges revenue for FY 2018/19 totals \$96.9 million, a \$1.2 million increase from the FY 2017/18 year-end forecast mainly due to rate and fee increases that are effective November 1, 2018. Increases for FY 2018/19 are to the base fees, residential commodity rates in the higher tiers, commercial, landscaping commodity rate in tiers three and four and a miscellaneous water charge to meet cost recovery requirements for services provided to specific customers. Monthly water billings consist of a base charge according to meter size and a monthly quantity usage charge based on the amount of water consumed. Rates and fees are reviewed annually to determine if they cover the costs of the services provided.

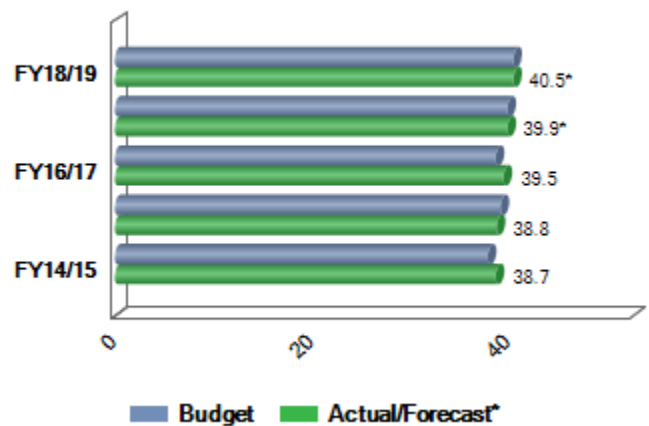
Adopted Budget to Actual/Forecast* (in millions)



Water Reclamation Service Charges

Water Reclamation Service Charges revenue adopted for FY 2018/19 totals \$40.5 million, a \$0.6 million increase compared to the FY 2017/18 year-end forecast. The Water Reclamation Service Charges revenue is greater than last year due to rate and fee charges. Effective July 1, 2018, increases will occur to base fees and volumetric changes for residential and commercial customers. Monthly water reclamation billings consist of a base fee and a flow charge for capital costs and operation and maintenance expenses that vary by customer classification determined by relative wastewater loadings. Rates and fees are reviewed annually to determine if they cover the costs of the services provided.

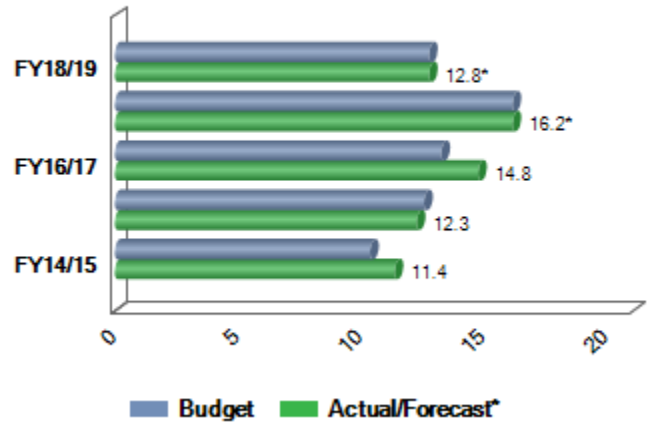
Adopted Budget to Actual/Forecast* (in millions)



Non-Potable Water Service Charges

Non-Potable Water Service Charges revenue includes advanced water treatment and effluent sales related to water treated to irrigation standards at the city's Water Reclamation Plant for 23 golf courses in north Scottsdale that are part of the RWDS, and the city's Gainey Water Reclamation Plant for irrigation use at the Gainey Ranch Golf Club. Other non-potable water sales include three golf courses in north Scottsdale that are part of the Irrigation Water Distribution System (IWDS), the McDowell Mountain golf course and three city recreation facilities. The costs related to contractual obligations to provide water for irrigation are recovered through rates charged for their use. Non-Potable Water Service Charges revenue adopted for FY 2018/19 totals \$12.8 million, reflecting a \$3.4 million decrease from the FY 2017/18 year-end forecast. This is due to an anticipated volume decrease in non-potable Reclaimed Water Distribution Sales (RWDS) related to a more normalized projected rain pattern for FY 2018/19 when compared to FY 2017/18. In addition, there is lower anticipated overall water resale revenue expected to come in during FY 2018/19 due to a per unit rate decrease. This results from a ratio shift in the treated Advanced Water Treatment Reverse Osmosis (AWT RO) and treated effluent water blend that Water Reclamation sells to golf courses

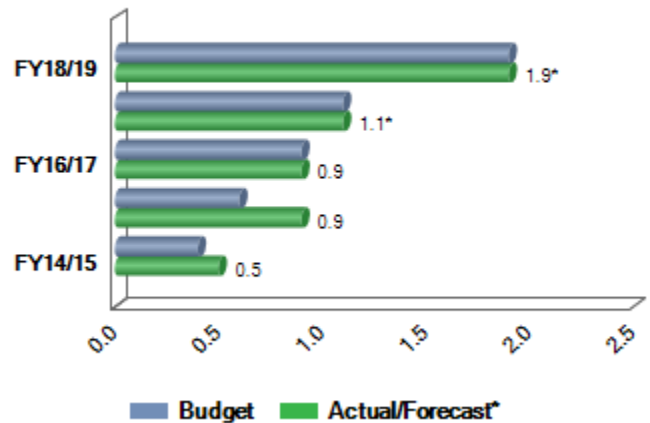
Adopted Budget to Actual/Forecast* (in millions)



Interest Earnings

Interest Earnings revenue adopted for FY 2018/19 totals \$1.9 million, a \$0.8 million increase from the FY 2017/18 year-end forecast. The increase is due to a higher expected return on investment than last fiscal year due to strong market conditions as well as higher than expected returns associated with the shifting of a larger portion of the city's investment funds to a new Asset Management consultant. Interest earnings are generated on Water and Water Reclamation Funds cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield, and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool.

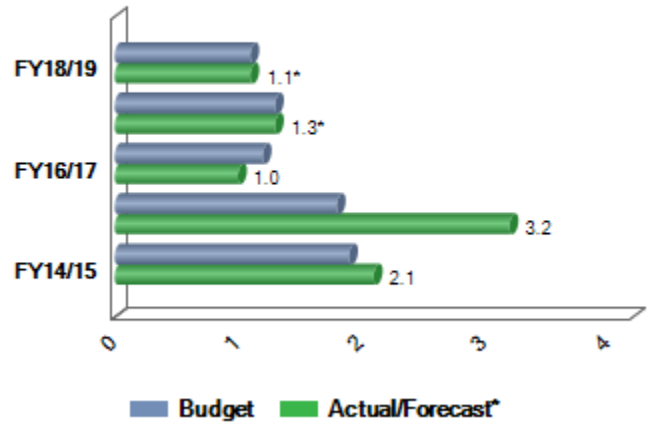
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous revenue adopted for FY 2018/19 totals \$1.1 million, reflecting a \$0.2 million decrease from the FY 2017/18 year-end forecast. Miscellaneous revenue includes the sale of excess property no longer in use, rental income, recovery of various line extension agreements and recovery of expenses from outside parties. Miscellaneous revenues were abnormally high in FYs 2014/15 and 2015/16. In FY 2014/15 this was mainly related to the receipt of a Salt River Project (SRP) recharge incentive and a Central Arizona Project (CAP) rate differential payment. In FY 2015/16 this was due to revenue associated with a CAP settlement. Finally, in both years there were refunds from the state on amounts paid in taxes on chemicals that were not taxable.

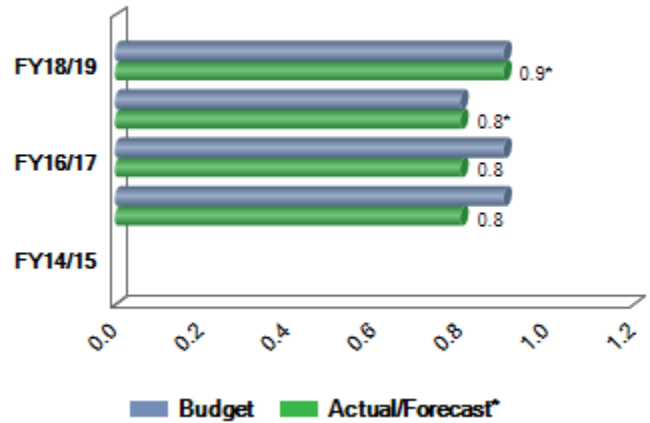
Adopted Budget to Actual/Forecast* (in millions)



Indirect Costs

The FY 2018/19 adopted budget for Indirect Costs is \$0.9 million, which is \$0.1 million more than the FY 2017/18 year-end forecast. The Indirect Costs represent internal charges to the RWDS Fund, Inlet Silverado Golf Course Fund, Irrigation Water Distribution System (IWDS) Fund, McDowell Mountain Golf Recharge Fund, Gainey Ranch Fund, and PCX/NGTF Fund for central operations under the Water and Water Reclamation Funds. Prior to FY 2015/16, Indirect Costs were budgeted as Transfers In, but due to a change in accounting methodology, are now budgeted as a source.

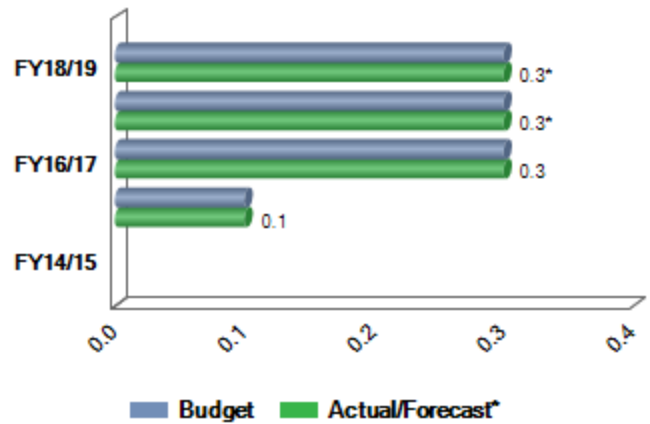
Adopted Budget to Actual/Forecast* (in millions)



Stormwater Fee

Stormwater Fee revenue for FY 2018/19 totals \$0.3 million. This is flat when compared to the FY 2017/18 year-end forecast. This revenue is collected to support capital improvements and permit compliance costs supported by the Water Reclamation Fund. Beginning November 1, 2015, the city's Stormwater Fee increased from \$0.85 on all water accounts (collected in the General Fund) to \$0.95. The \$0.10 increase is collected in the Water Reclamation Fund. On July 1, 2016 the fee increased to \$1.10 with \$0.25 now collected in the Water Reclamation Fund.

Adopted Budget to Actual/Forecast* (in millions)



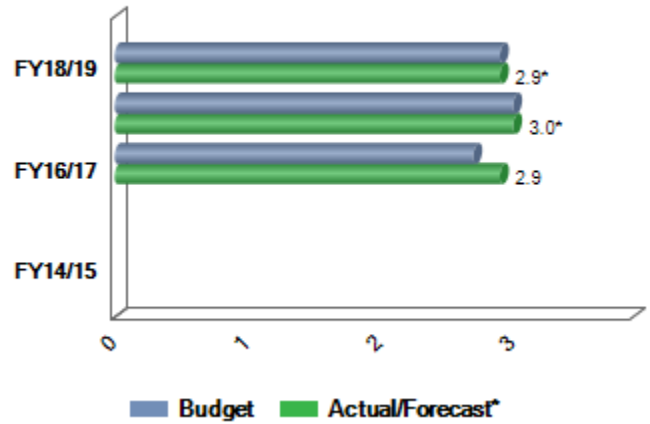
Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. The total amount of Transfers In for FY 2018/19 is \$52.5 million across three separate transfers. More specific information is detailed below.

AWT

AWT or, Advanced Water Treatment, for FY 2018/19 is budgeted at \$2.9 million, a decrease of \$0.1 million from FY 2017/18. AWT is an internal transfer between Water and Water Reclamation Funds reimbursing the Water Reclamation Fund for operating and maintenance costs at the Advanced Water Treatment Plant.

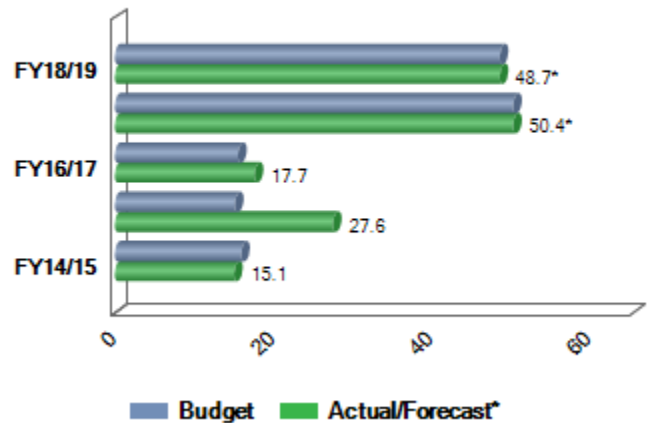
Adopted Budget to Actual/Forecast* (in millions)



Debt Service

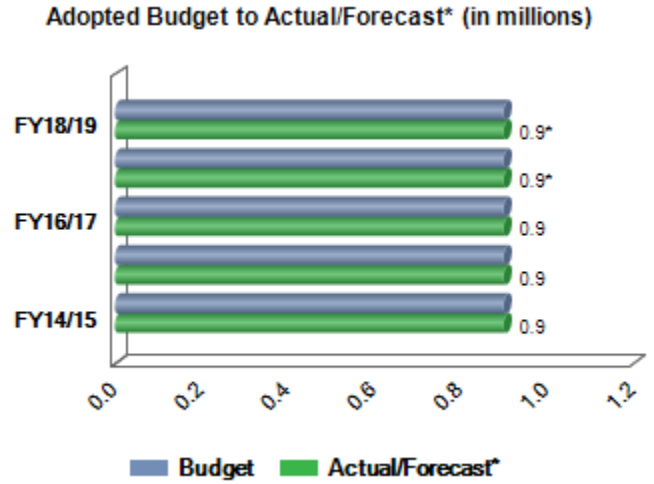
Debt Service adopted budget of \$48.7 million includes transfers between the Capital Improvement Plan (CIP) Fund and the Water and Water Reclamation Funds for Development Fee revenue. This is a decrease of \$1.7 million from what was forecasted in FY 2017/18 due to the elimination of budget for future revenue bonds that was no longer needed. These revenues are receipted in the CIP Fund and paid by developers when new construction developments are permitted. A portion of these revenues is then transferred to the operating budget to pay for debt service costs associated with providing additional infrastructure to serve new development areas. Starting in FY 2017/18, it also includes transfers between the Water and Water Reclamation Funds and the water and water reclamation debt service funds to better account for debt service payments related to water and water reclamation capital projects.

Adopted Budget to Actual/Forecast* (in millions)



RWDS

RWDS, or Reclaimed Water Distribution System, which is budgeted for \$0.9 million, is a transfer from the CIP Fund to the Water and Water Reclamation Funds for debt service payments related to the RWDS system.



BUDGET BY FUND | Water and Water Reclamation Funds Uses

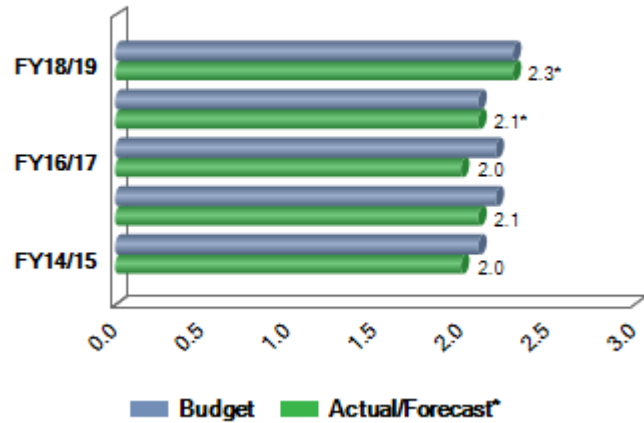
Water and Water Reclamation Funds Uses

The Water and Water Reclamation Funds uses are presented by the following Divisions or major groupings: City Treasurer, Water Resources, Citywide Indirect Cost Allocation, Department Indirect Cost, Citywide Pay Program, Compensation Other, Vacation Trade, Leave Accrual Payments, Savings from Vacant Positions, and Utilities. Additionally, there are debt service payments and Transfers Out to other funds.

City Treasurer

The adopted FY 2018/19 budget of \$2.3 million is about \$0.2 million more than in FY 2017/18. City Treasurer uses are for utility billing services, remittance payments, revenue recovery and other water and water reclamation related payments that are handled by City Treasurer staff. The staff who perform these services have a set percentage of their salary paid out of the Water and Water Reclamation Funds based on the time they are expected to work on water and water reclamation related tasks. These percentages are as follows: those involved with Utility Billing: 100 percent, Remittance Processing: 50 percent, Revenue Recovery: 60 percent and Tax and License: 30 percent. In addition, executive and management staff who oversee employees who perform water and water reclamation functions have a portion of their salaries charged to those funds as well. Finally, any non-personnel services related charges (including contractual services, commodities and capital outlay) incurred by these employees will be charged similarly to the Water and Water Reclamation Funds.

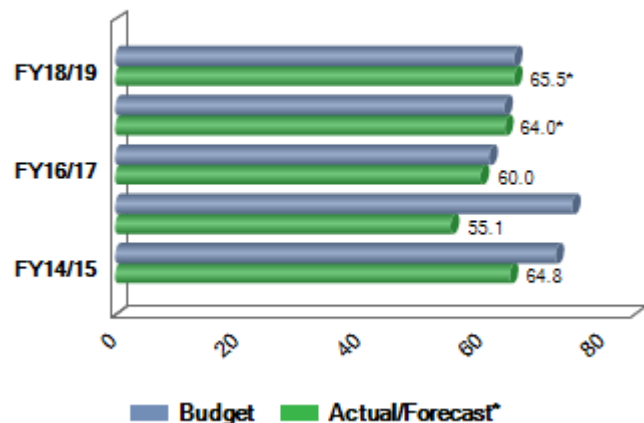
Adopted Budget to Actual/Forecast* (in millions)



Water Resources

The adopted FY 2018/19 Water Resources budget of \$65.5 million reflects an increase of \$1.5 million over the FY 2017/18 year-end forecast. The increase is mainly due to higher contract servicing, fuel and software costs, transitional expenses related to the Hoover Dam power agreement, sewer assessment costs, increased funding for hard to fill vacant positions and the creation and provisioning of 1.40 new FTE positions. The Water Resources division is where water and water reclamation functions are performed. Water functions include the production and management of drinking water, the storing and upkeep of drinking water sources and the maintaining of drinking water quality for Scottsdale's customers. Water reclamation functions include the efficient processing and treatment of sewage, recharging of effluent, the upkeep and maintenance of sewage treatment facilities and the compliance with regulatory and environmental requirements.

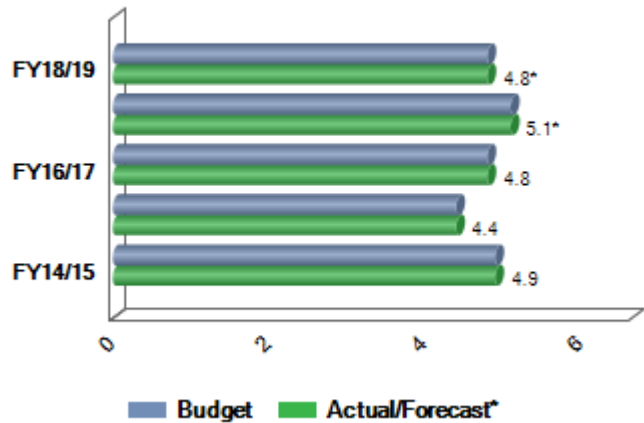
Adopted Budget to Actual/Forecast* (in millions)



Citywide Indirect Cost Allocation

In FY 2018/19, the Citywide Indirect Cost Allocation budget is \$4.8 million which reflects a \$0.3 million decrease from the FY 2017/18 year-end forecast. This is due to lower Indirect Cost Rates associated with the year over year decreased cost of providing services to Water Resources. The Citywide Indirect Cost Allocation rate decreased from 10.4% to 9.85%. Citywide Indirect Cost Allocation represents Enterprise Funds charges for specific General Fund central administrative functions which benefit the Enterprise operations (e.g., City Manager, Information Technology, Human Resources, Legal, etc.). The city's indirect costs are allocated to the Enterprise Funds based upon a combination of relative benefits received and the proportion of the overall operating budgets for direct service providers.

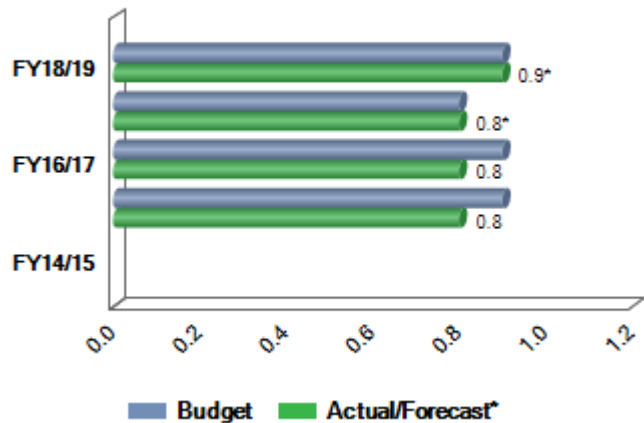
Adopted Budget to Actual/Forecast* (in millions)



Department Indirect Cost

The FY 2018/19 adopted budget for Department Indirect Cost is \$0.9 million, which is \$0.1 million more than the FY 2017/18 year-end forecast. This mirrors the budget and actuals from the Indirect Costs source detailed in the Sources section. The Department Indirect Cost represents internal charges from the RWDS Fund, Inlet Silverado Golf Course Fund, IWDS Fund, McDowell Mountain Golf Recharge Fund, Gainey Ranch Fund, and PCX/NGTF Fund for central operations under the Water and Water Reclamation Funds. Prior to FY 2015/16, Department Indirect Cost was budgeted as Transfers Out, but due to a change in accounting methodology, is now budgeted as a use.

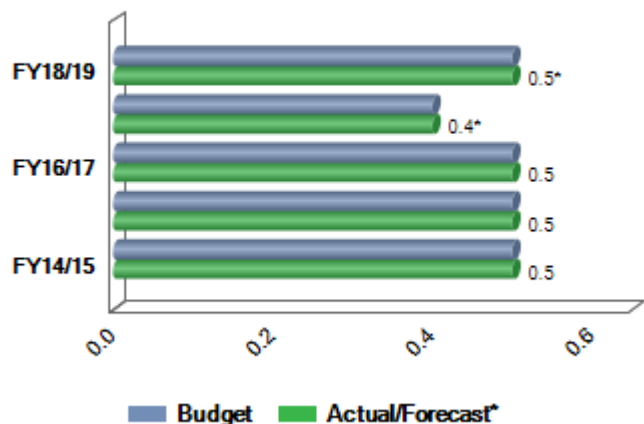
Adopted Budget to Actual/Forecast* (in millions)



Citywide Pay Program

Water and wastewater funds portion of a citywide pay program, through which employees may receive increases within their established salary ranges based on performance, totaled \$0.5 million for FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.

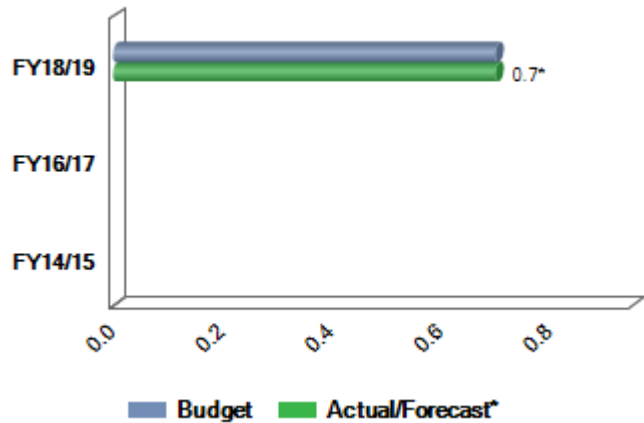
Adopted Budget to Actual/Forecast* (in millions)



Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.

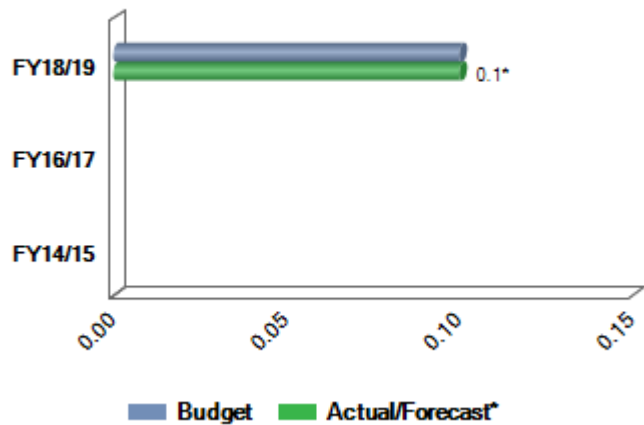
Adopted Budget to Actual/Forecast* (in millions)



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Water and Wastewater Fund adopted budget includes \$0.1 million for the vacation trade program.

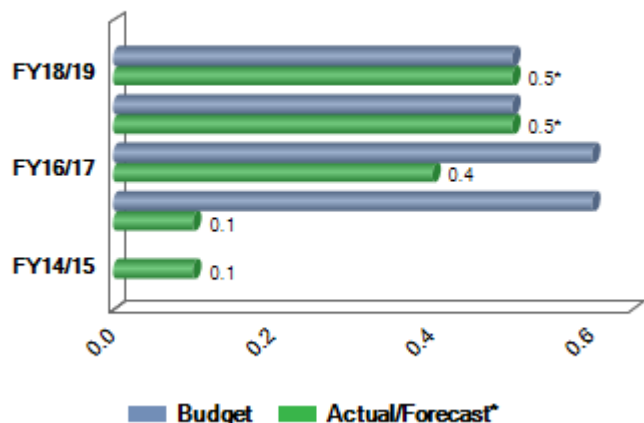
Adopted Budget to Actual/Forecast* (in millions)



Leave Accrual Payments

Leave Accrual Payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2018/19 leave accrual payments of \$0.5 million include \$0.3 million budgeted for medical leave accrual payouts and \$0.2 million budgeted for vacation leave accrual payouts. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. Leave Accrual Payments were first budgeted in the Water and Water Reclamation Funds in FY 2015/16. In FYs 2014/15 and 2015/16, actuals were lower because fewer people were paid out for medical and vacation leave than were expected.

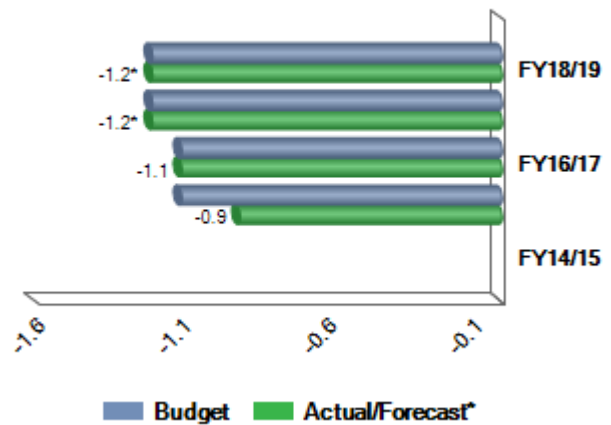
Adopted Budget to Actual/Forecast* (in millions)



Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings resulted from vacant positions. The FY 2018/19 Water and Water Reclamation Funds estimate for vacancy savings is (\$1.2) million. The FY 2017/18 forecast and FY 2014/15 - FY 2015/16 actuals displayed are recorded and reported as part of the division expenditures. Savings from Vacant Positions was first budgeted in the Water and Water Reclamation Funds in FY 2015/16.

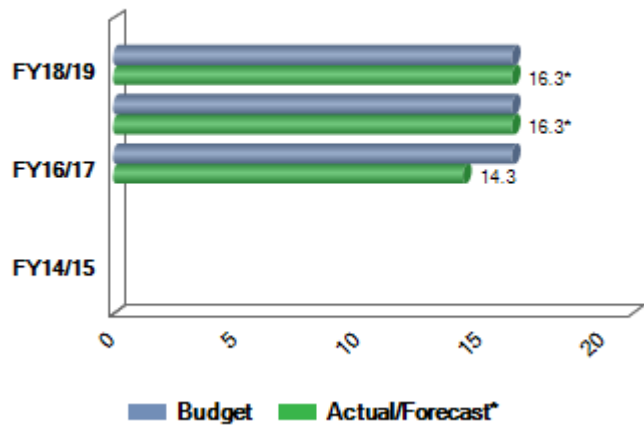
Adopted Budget to Actual/Forecast* (in millions)



Utilities

The adopted FY 2018/19 Utilities budget of \$16.3 million is flat when compared to the FY 2017/18 year-end forecast. Beginning in FY 2016/17 the Water and Water Reclamation Funds utilities budget (water, electric, sewer, gas, solid waste and recycling services) began being reported separately to allow for better transparency and accountability. Prior to FY 2016/17, utilities were reported in Contractual Services within individual departments which limited oversight of utilities spending.

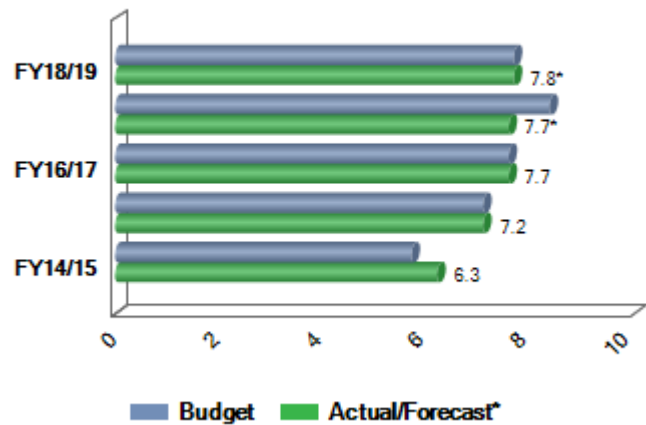
Adopted Budget to Actual/Forecast* (in millions)



MPC Bonds Debt Service-Sewer

MPC Bonds Debt Service-Sewer represents the repayment of Municipal Property Corporation bonds and fiscal agent fees associated with water reclamation capital projects. The funding is derived from revenue generated from water reclamation rates and fees paid by Scottsdale residents and businesses to the City of Scottsdale Municipal Property Corporation, a non-profit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvement projects. MPC Bonds Debt Service-Sewer is budgeted at \$7.8 million in FY 2018/19, a \$0.1 million increase over the FY 2017/18 year-end forecast.

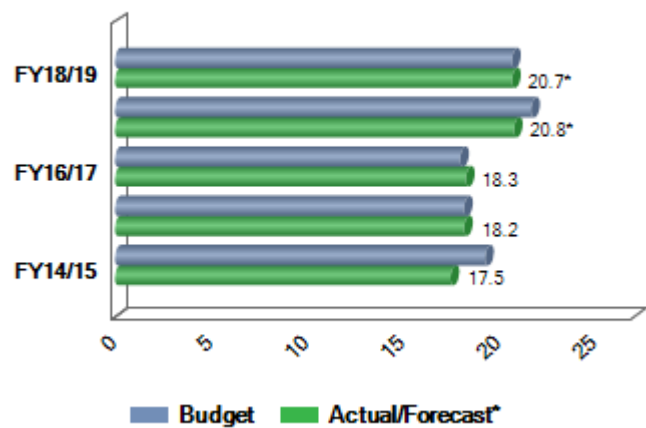
Adopted Budget to Actual/Forecast* (in millions)



MPC Bonds Debt Service-Water

MPC Bonds Debt Service-Water represents the repayment of Municipal Property Corporation bonds and fiscal agent fees associated with water capital projects. The funding is derived from revenue generated from water rates and fees paid by Scottsdale residents and businesses to the City of Scottsdale Municipal Property Corporation, a non-profit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvement projects. MPC Bonds Debt Service-Water is budgeted at \$20.7 million a \$0.1 million decrease over the FY 2017/18 year-end forecast.

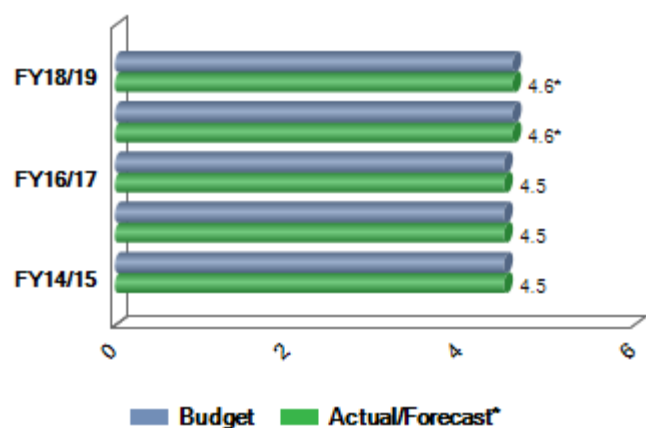
Adopted Budget to Actual/Forecast* (in millions)



Sewer Revenue Bonds

The adopted FY 2018/19 Sewer Revenue Bonds budget is \$4.6 million which is flat when compared to the FY 2017/18 year-end forecast. Sewer Revenue Bonds represents the repayment of bonds and fiscal agent fees associated with water reclamation capital projects. The funding is derived from a public vote authorizing the use of revenue generated from water reclamation rates and fees paid by Scottsdale residents and businesses for capital projects.

Adopted Budget to Actual/Forecast* (in millions)



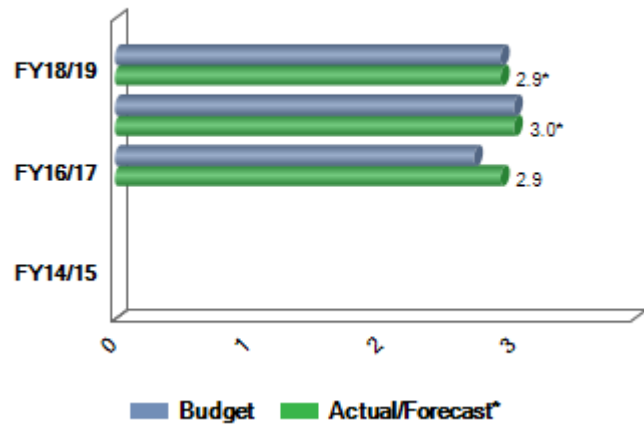
Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The total amount of Transfers Out for FY 2018/19 is \$90.1 million across five separate transfers. More specific information is detailed below.

AWT

AWT or, Advanced Water Treatment, for FY 2018/19 is budgeted at \$2.9 million, a decrease of \$0.1 million from FY 2017/18. AWT is an internal transfer between Water and Water Reclamation Funds reimbursing the Water Reclamation Fund for operating and maintenance costs at the Advanced Water Treatment Plant.

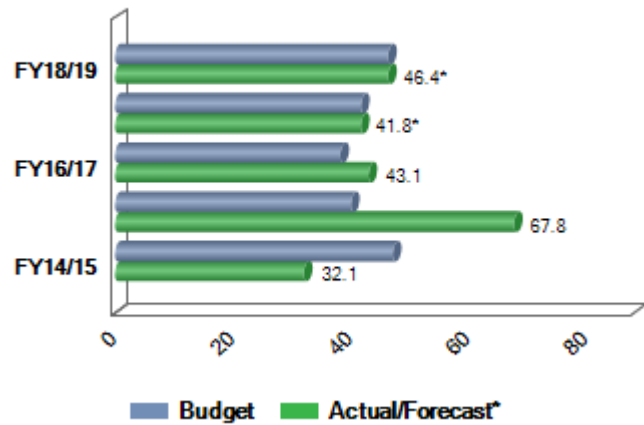
Adopted Budget to Actual/Forecast* (in millions)



CIP

CIP has an adopted budget of \$46.4 million in authorized transfers to the CIP Fund to pay for general water and water reclamation capital projects. Examples of projects include the modification and improvement of the Multi-City Sub-Regional Operating Group (SROG) transmission line, water distribution and treatment system improvements and the recharging of regional recharge basins.

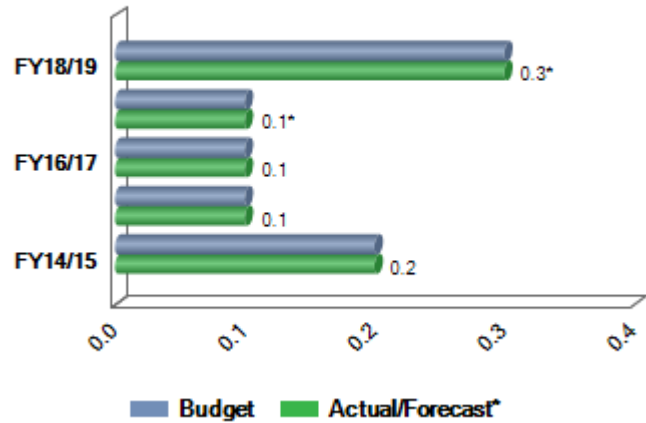
Adopted Budget to Actual/Forecast* (in millions)



CIP Technology

CIP Technology has an adopted budget of \$0.3 million in authorized transfers to the CIP Fund to pay for general water and water reclamation technology projects. This is an increase of \$0.2 million over FY 2017/18. The increase is mainly due to the addition of a new server interface project and a postage inserter unit replacement.

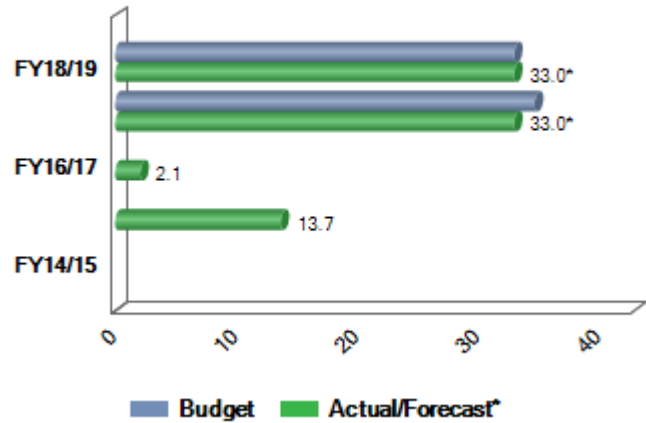
Adopted Budget to Actual/Forecast* (in millions)



Debt Service Fund

Debt Service Fund is an internal transfer of MPC Bonds between water and water reclamation debt service funds to the Water and Water Reclamation Funds to better account for debt service payments related to water and water reclamation capital projects. The adopted budget for FY 2018/19 is \$33.0 million. Prior to FY 2017/18, water and water reclamation debt service was budgeted in the Debt Service Fund. Actuals began being transferred to the Water and Water Reclamation Funds starting in FY 2015/16.

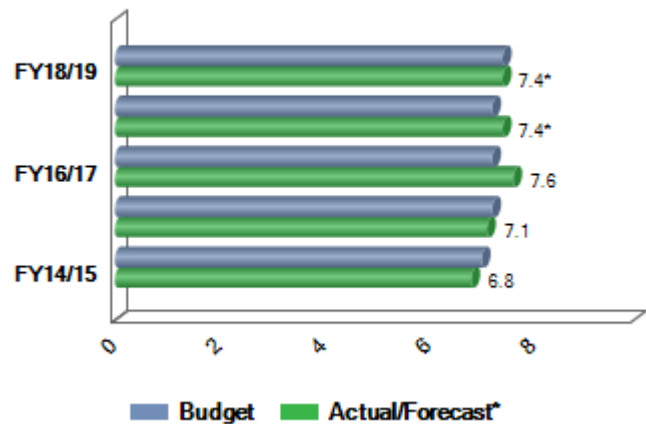
Adopted Budget to Actual/Forecast* (in millions)



Franchise Fees

Franchise Fees is a transfer of \$7.4 million from the Water and Water Reclamation Funds to the General Fund for Enterprise Franchise Fees for use of the city's right-of-ways and medians. Water Resources is treated as any other utility would be in this regard. The annual charge is five percent of Water Service and Water Reclamation Charges revenue.

Adopted Budget to Actual/Forecast* (in millions)



BUDGET BY FUND | Water and Water Reclamation Funds Ending Balance

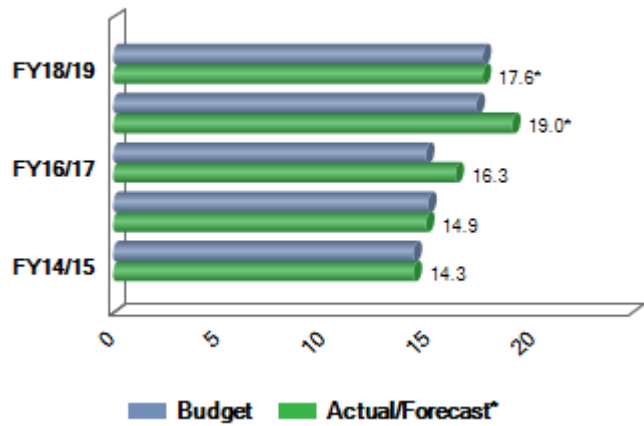
Water and Water Reclamation Funds Ending Balance

The Water and Water Reclamation Funds ending balance includes reserves, which protects the city's financial condition and provide for unexpected economic challenges. Growth of ending fund balance occurs when sources exceed uses. Ending fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) uses. Once fund balances are spent, they are only replenished by future year sources in excess of uses. The city's budget planning, bond indenture and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before allocated or spent as budgeted uses. The specific make-up of the city's Water and Water Reclamation Funds balance is as follows:

Operating Reserve

Operating Reserve of \$17.6 million is projected for the end of FY 2018/19. This reserve is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days as detailed in Financial Policy No. 40. Operating reserves shall be maintained to provide contingency funding and use flexibility in the event of unexpected declines in revenue or increases in costs.

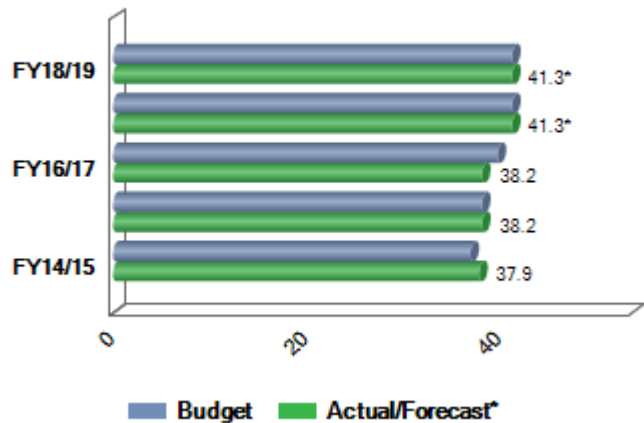
Adopted Budget to Actual/Forecast* (in millions)



Repair/Replacement Reserve

Repair/Replacement Reserve of \$41.3 million is projected for the end of FY 2018/19. This reserve is required per the term of the revenue bond indenture to ensure that funds are set aside to preserve the assets, which in turn, are the collateral for the Sewer Revenue Bonds. There shall be deposited an amount equal to at least two percent of the revenues received during the year into the reserve until such time as the reserve equals two percent of the value of total tangible assets. The reserve may be used in times of unusual circumstances for replacement or extension of the assets.

Adopted Budget to Actual/Forecast* (in millions)

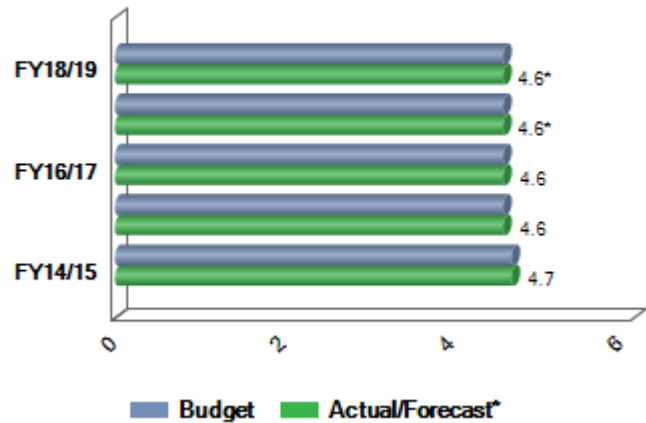


BUDGET BY FUND | Water and Water Reclamation Funds Ending Balance

Revenue Bond Debt Service Reserve

Revenue Bond Debt Service Reserve of \$4.6 million is projected for the end of FY 2018/19. This reserve is required per the term of the revenue bond indenture to ensure that funds are set aside as collateral for the Sewer Revenue Bonds debt service payments.

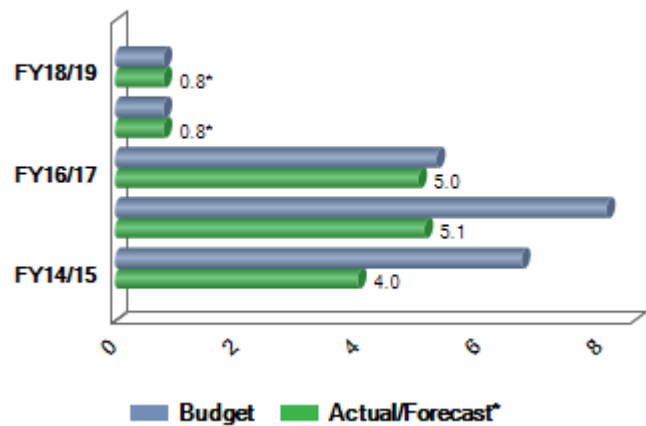
Adopted Budget to Actual/Forecast* (in millions)



Special Contractual Fund Balance

Special Contractual Fund Balance of \$0.8 million is projected for the end of FY 2018/19. This balance reflects reserves established in accordance with various contractual agreements for delivery of non-potable water by the Water Resources Division. This reserve has decreased substantially after FY 2016/17 because project costs related to RWDS and IWDS that previously resided in Water and Water Reclamation Funds were deemed to more appropriately be housed in the CIP Fund.

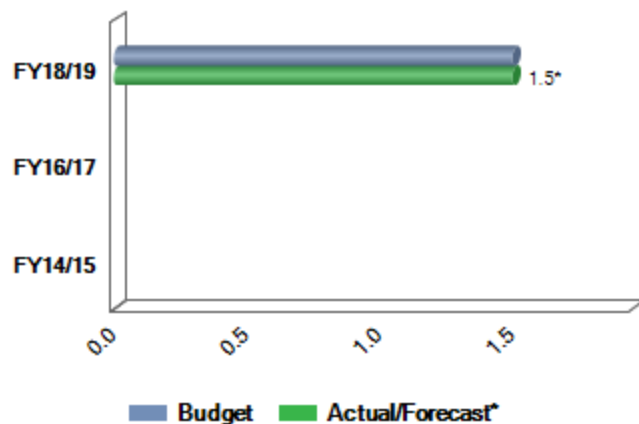
Adopted Budget to Actual/Forecast* (in millions)



Water Drought Reserve

The Water Drought Reserve ending fund balance is \$1.5 million for FY 2018/19. Due to below average rainfall and snowpack for the last 18 years in the Colorado River Watershed, the Bureau of Reclamation (BOR) has been considering declaring an official drought. If a drought is declared, the Central Arizona Water Conservation District, will enact drought plan rates that will significantly increase costs of water to the City of Scottsdale. Based on this information Scottsdale Water is proposing a Water Drought Reserve equal to 20 percent of an estimated funding shortfall, or \$1.5 million. These funds would be used to offset the initial rate increase if drought plan rates are enacted. The Water Drought Reserve will not offset the entire impacts, and only be available for the first year of drought plan rate impacts.

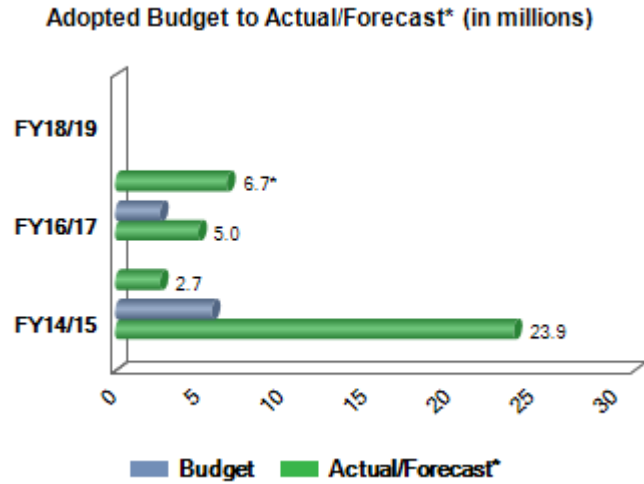
Adopted Budget to Actual/Forecast* (in millions)



BUDGET BY FUND | Water and Water Reclamation Funds Ending Balance

Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved fund balance is \$0.0 million for FY 2018/19. While there is no balance in FY 2018/19, it historically represents the cumulative Water and Water Reclamation Funds sources not designated for a specific purpose. This balance represents an accumulation of one-time sources and it is most appropriately used for one-time uses. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating uses.

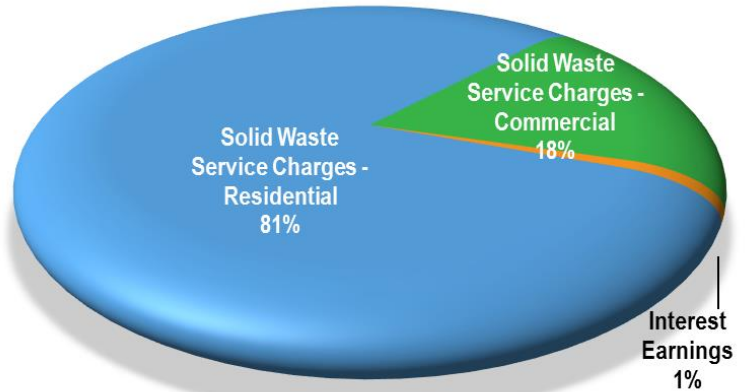


Fund Purpose

This fund accounts for the transactions related to the city's commercial and residential refuse, recycling and brush and bulk collections business activities. The operating sources and uses are accounted for in this fund while the capital expenditures are accounted for in a separate Solid Waste Capital Fund. The operating sources, uses and ending fund balance of the Solid Waste Fund are described in the following sections.

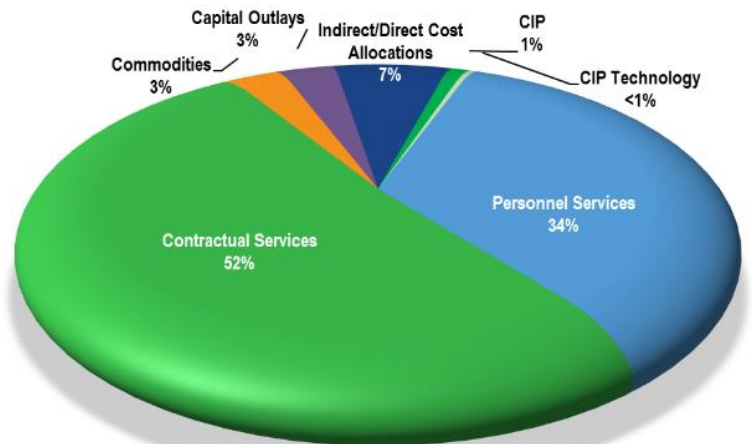
Solid Waste Sources (in millions)

Solid Waste Service Charges - Residential	17.5
Solid Waste Service Charges - Commercial	3.8
Interest Earnings	0.2
Total Sources	21.5



Solid Waste Uses (in millions)

Personnel Services	7.6
Contractual Services	11.6
Commodities	0.7
Capital Outlays	0.7
Indirect/Direct Cost Allocations	1.5
Total Operating Budget	22.1
Transfers Out	
CIP	0.2
CIP Technology	0.1
Total Transfers Out	0.3
Total Uses	22.4
Contingency/Reserve	5.5



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

BUDGET BY FUND | Solid Waste Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Reserve	5,785,316	5,322,000	5,104,383	5,093,901
Undesignated, Unreserved Fund Balance	4,055,861	4,108,318	4,372,161	3,658,351
Total Beginning Fund Balance	9,841,177	9,430,318	9,476,544	8,752,252
Revenues				
Solid Waste Service Charges - Residential	16,767,669	16,540,000	16,540,000	17,493,127
Solid Waste Service Charges - Commercial	3,501,255	3,513,480	3,313,480	3,779,732
Interest Earnings	82,750	91,327	91,327	210,919
Miscellaneous	423	-	-	-
Subtotal	20,352,097	20,144,807	19,944,807	21,483,778
Total Sources	20,352,097	20,144,807	19,944,807	21,483,778
Expenditures				
Public Works	18,175,852	18,184,191	18,054,227	19,588,076
City Treasurer	863,524	918,465	909,089	976,258
Citywide Direct Cost Allocation	578,949	557,773	557,773	424,355
Citywide Indirect Cost Allocation	1,082,786	1,262,042	1,262,042	1,084,703
Citywide Pay Program	-	149,038	-	161,787
Compensation Other	-	-	-	241,201
Leave Accrual Payments	-	50,000	8,559	88,844
Savings from Vacant Positions	-	(118,463)	(146,254)	(482,808)
Vacation Trade	-	-	-	22,941
Utilities	-	29,500	13,163	28,333
Subtotal	20,701,111	21,032,546	20,658,599	22,133,690
TOTAL OPERATING BUDGET	20,701,111	21,032,546	20,658,599	22,133,690
Transfers Out				
CIP	-	-	-	228,800
CIP Technology	15,619	10,500	10,500	83,500
Subtotal	15,619	10,500	10,500	312,300
Total Uses	20,716,730	21,043,046	20,669,099	22,445,990
Sources Over/(Under) Uses	(364,633)	(898,239)	(724,292)	(962,212)
Ending Fund Balance				
Operating Reserve	5,104,383	5,188,696	5,093,901	5,457,622
Undesignated, Unreserved Fund Balance	4,372,161	3,343,383	3,658,351	2,332,418
Total Ending Fund Balance	9,476,544	8,532,079	8,752,252	7,790,040

BUDGET BY FUND | Solid Waste Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Reserve	5,093,901	5,457,622	5,469,953	5,658,288	5,804,038
Undesignated, Unreserved Fund Balance	3,658,351	2,332,418	2,208,387	1,658,252	1,378,802
Total Beginning Fund Balance	8,752,252	7,790,040	7,678,340	7,316,540	7,182,840
Revenues					
Solid Waste Service Charges - Residential	17,493,127	17,974,000	18,533,600	19,074,200	19,641,000
Solid Waste Service Charges - Commercial	3,779,732	3,878,200	3,980,000	4,085,400	4,193,900
Interest Earnings	210,919	237,300	266,100	271,300	273,700
Miscellaneous	-	-	-	-	-
Subtotal	21,483,778	22,089,500	22,779,700	23,430,900	24,108,600
Total Sources	21,483,778	22,089,500	22,779,700	23,430,900	24,108,600
Expenditures					
Public Works	19,588,076	19,234,400	19,604,500	19,971,200	20,360,000
City Treasurer	976,258	994,700	1,012,300	1,030,200	1,049,600
Citywide Direct Cost Allocation	424,355	432,700	440,100	447,900	455,800
Citywide Indirect Cost Allocation	1,084,703	1,138,900	1,195,900	1,255,700	1,318,500
Citywide Pay Program	161,787	318,800	467,500	611,400	744,400
Compensation Other	241,201	414,200	584,200	586,600	588,300
Leave Accrual Payments	88,844	91,400	94,600	97,300	99,900
Savings from Vacant Positions	(482,808)	(493,600)	(504,800)	(516,000)	(527,700)
Vacation Trade	22,941	23,600	24,300	25,100	25,800
Utilities	28,333	28,600	28,900	29,200	29,500
Subtotal	22,133,690	22,183,700	22,947,500	23,538,600	24,144,100
TOTAL OPERATING BUDGET	22,133,690	22,183,700	22,947,500	23,538,600	24,144,100
Transfers Out					
CIP	228,800	-	-	-	-
CIP Technology	83,500	17,500	194,000	26,000	30,100
Subtotal	312,300	17,500	194,000	26,000	30,100
Total Uses	22,445,990	22,201,200	23,141,500	23,564,600	24,174,200
Sources Over/(Under) Uses	(962,212)	(111,700)	(361,800)	(133,700)	(65,600)
Ending Fund Balance					
Operating Reserve	5,457,622	5,469,953	5,658,288	5,804,038	5,953,340
Undesignated, Unreserved Fund Balance	2,332,418	2,208,387	1,658,252	1,378,802	1,163,900
Total Ending Fund Balance	7,790,040	7,678,340	7,316,540	7,182,840	7,117,240

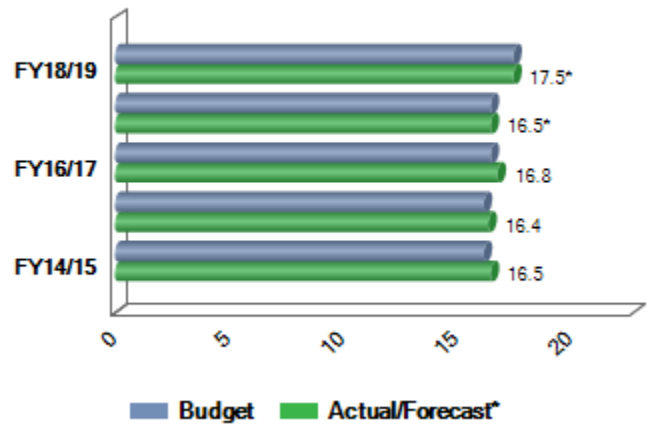
Solid Waste Fund Sources

Solid Waste Fund sources for FY 2018/19 equal \$21.5 million which is an increase of \$1.5 million from the FY 2017/18 year-end forecast. The sources include Solid Waste Service Charges for both residential and commercial customers as well as Interest Earnings.

Solid Waste Service Charges – Residential

Solid Waste Service Charges – Residential includes solid waste service charges and recycled material fees for residential customers. Residential customers are billed a flat fee per month and the fees are reviewed annually to determine if they cover the costs of the services provided. Other Solid Waste Service Charges - Residential includes residential refuse and recycle container charges, initiation charges, and late charges. The FY 2018/19 adopted budget is \$17.5 million, an increase of \$1.0 million from the FY 2017/18 year-end forecast.

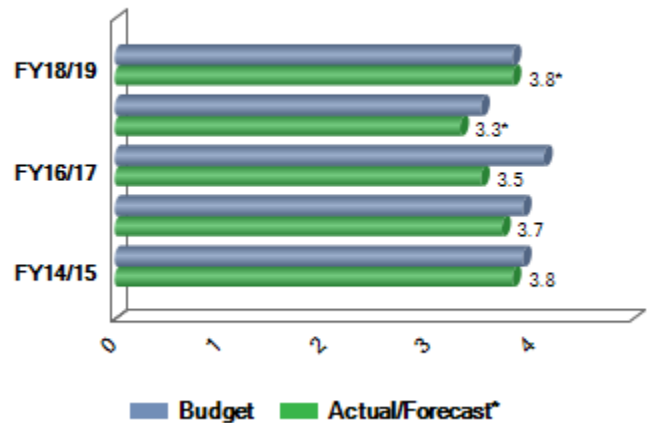
Adopted Budget to Actual/Forecast* (in millions)



Solid Waste Service Charges – Commercial

Solid Waste Service Charges – Commercial include solid waste service charges for commercial customers. Commercial customers are charged based upon the size of the container and the number of pickups per month. Other Solid Waste Service Charges - Commercial includes commercial roll-off charges, initiation charges, late charges and commercial recycled materials fees. Fees and charges are reviewed annually to determine if they cover the costs of the services provided. The FY 2018/19 adopted budget is \$3.8 million, increasing \$0.5 million from the FY 2017/18 year-end forecast.

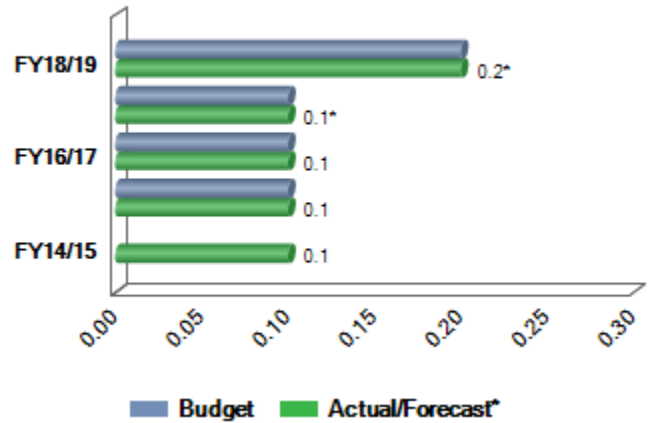
Adopted Budget to Actual/Forecast* (in millions)



Interest Earnings

Interest Earnings revenue adopted for FY 2018/19 is \$0.2 million, increasing \$0.1 million from the FY 2017/18 year-end forecast. Interest earnings are generated on the Solid Waste Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield.

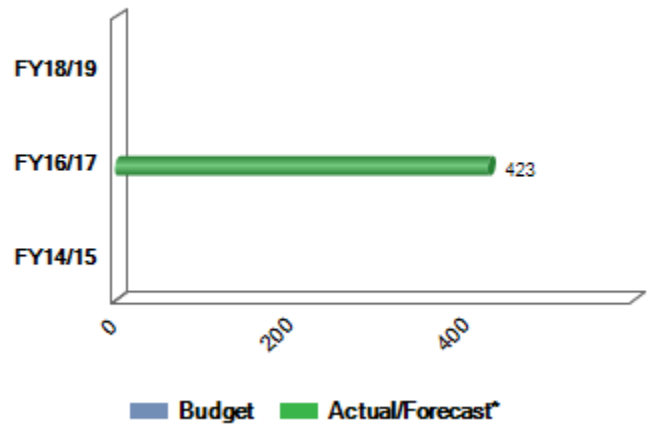
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous revenue is generated from the liquidation of equipment, which does not happen frequently. The FY 2018/19 budget is \$0.0 million, which is even with the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast*



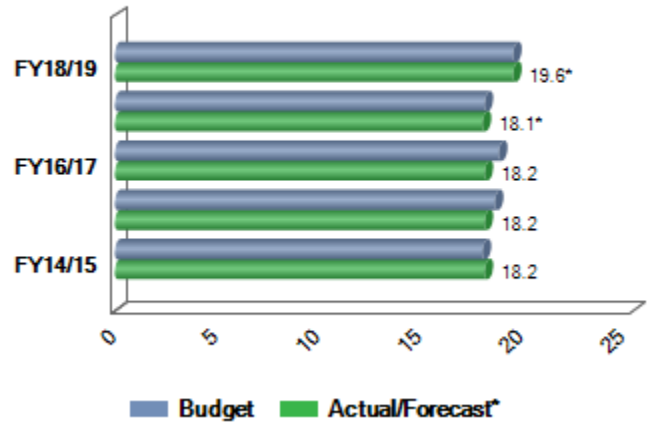
Solid Waste Fund Uses

The Solid Waste Fund uses are presented by division (Public Works and City Treasurer), Citywide Direct and Indirect Cost Allocations, Citywide Pay Program, Compensation Other, Leave Accrual Payments, Savings from Vacant Positions, Vacation Trade and Utilities. Additionally, there are Transfers Out to the Capital Improvement Plan (CIP).

Public Works

Public Works provides solid waste collection, transportation, disposal, compliance and education. The goal is to provide these services at the lowest practical rate with the highest possible customer satisfaction. The adopted FY 2018/19 budget of \$19.6 million is \$1.5 million more than the FY 2017/18 year-end forecast due to the Council approved two additional brush crews and equipment.

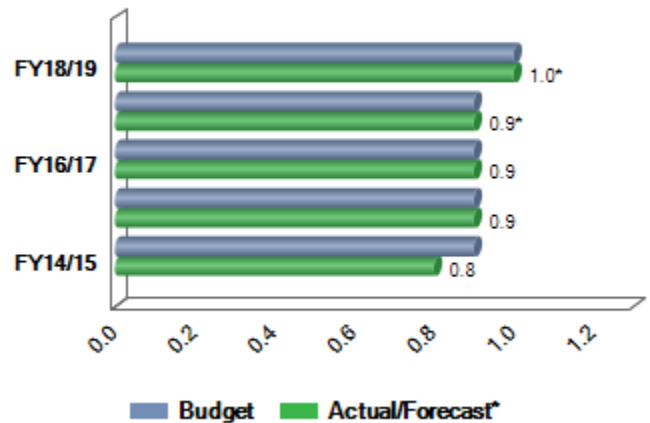
Adopted Budget to Actual/Forecast* (in millions)



City Treasurer

Expenses for utility billing services, remittance payment, revenue recovery and solid waste related payments that are handled by the City Treasurer. The staff who perform these services have a set percentage of their personnel services and the related expenses needed to perform their jobs paid out of the Solid Waste Fund based on the time they are expected to work on solid waste related tasks. The adopted FY 2018/19 budget is \$1.0 million, increasing \$0.1 million from the FY 2017/18 year-end forecast.

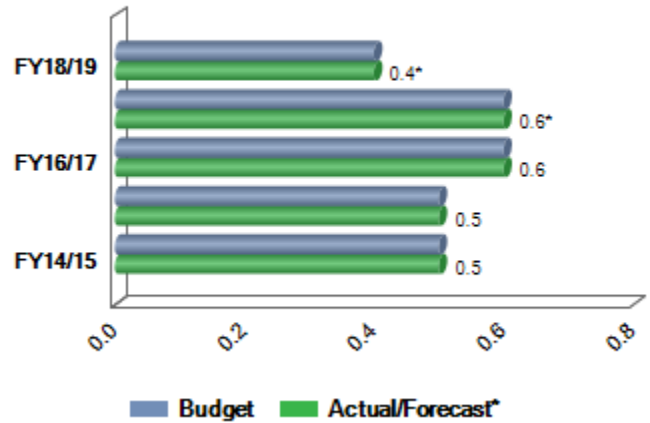
Adopted Budget to Actual/Forecast* (in millions)



Citywide Direct Cost Allocation

The Citywide Direct Cost Allocation represents charges for the direct cost of alley maintenance performed by the Street Operations Department for the benefit of the Solid Waste operations. The alley maintenance expenses are budgeted in the Transportation Fund, which then receives 100 percent cost recovery from the Solid Waste Fund for this function. The budget for this allocation for FY 2018/19 is \$0.4 million which is a decrease of \$0.2 million from the FY 2017/18 year-end forecast. The decrease is the result of modifying the allocation calculation to be more reflective of actual street operation costs.

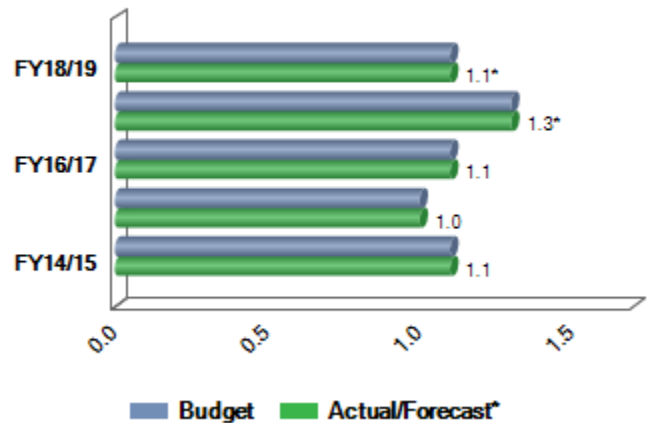
Adopted Budget to Actual/Forecast* (in millions)



Citywide Indirect Cost Allocation

Reimbursement to the General Fund for centralized services provided to the Solid Waste Fund for payroll, accounts payable, human resources, information technology, city administration, etc. The citywide indirect cost allocation methodology includes factors such as Full-Time Equivalents (FTE) for human resources overhead, Information Technology (IT) equipment counts for the IT overhead calculations and square footage calculation to determine the building maintenance costs. The FY 2018/19 adopted budget is \$1.1 million, which is a decrease of about \$0.2 million from the FY 2017/18 year-end forecast. The decrease is primarily the result of FY 2017/18 including large one-time facilities projects, which is used in the allocation calculation being removed for FY 2018/19.

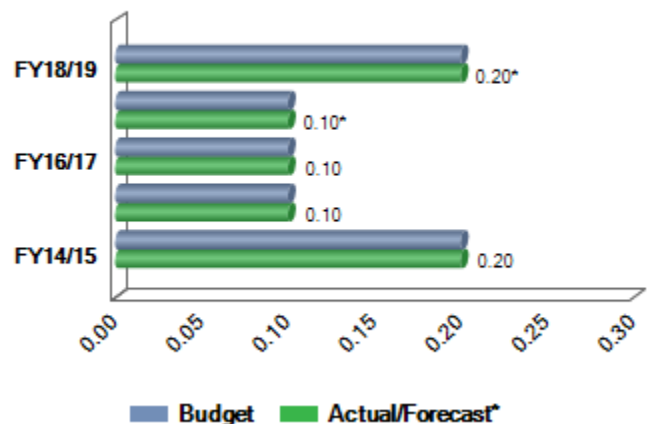
Adopted Budget to Actual/Forecast* (in millions)



Citywide Pay Program

A citywide pay program, through which employees may receive increases within their established salary ranges based on performance. The FY 2018/19 adopted budget total is \$0.2 million. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases within the divisions. The actual amount spent each year was at or below the adopted budget.

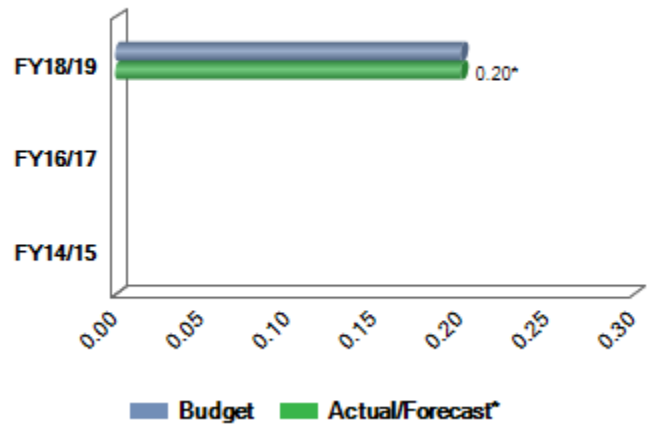
Adopted Budget to Actual/Forecast* (in millions)



Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.

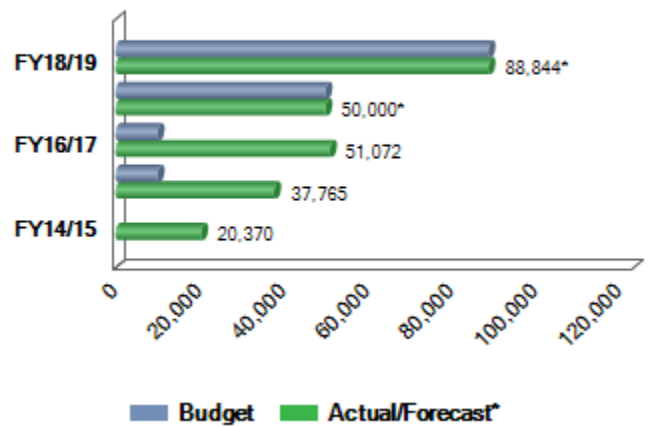
Adopted Budget to Actual/Forecast* (in millions)



Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2018/19 leave accrual payments budget of \$88,844 includes \$36,808 budgeted for medical leave accrual payouts and \$52,036 budgeted for vacation leave accrual payouts. The increased budget from FY 2017/18 is because more retirements are expected to occur in FY 2018/19. The Solid Waste Fund began including a budget for Leave Accrual Payments in FY 2015/16. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the divisions' expenditures.

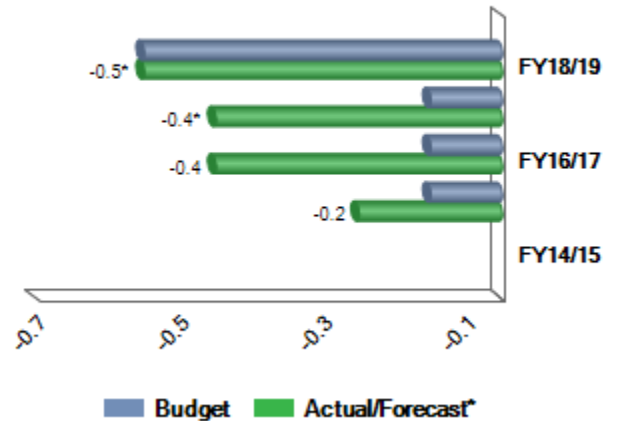
Adopted Budget to Actual/Forecast*



Savings from Vacant Positions

The amount of savings estimated to be achieved from vacant positions. The FY 2018/19 Solid Waste Fund estimate for vacancy savings is (\$0.5) million.

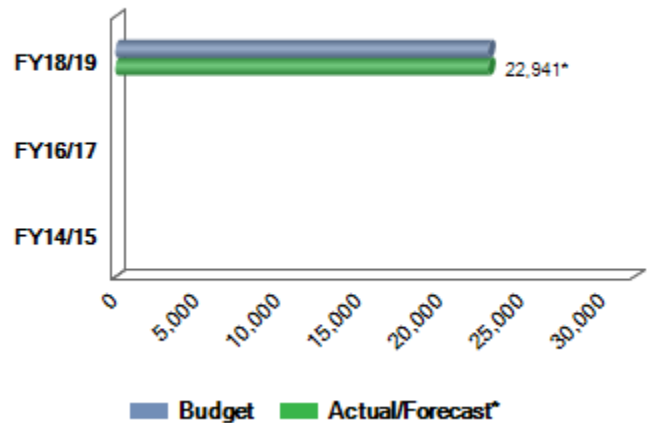
Adopted Budget to Actual/Forecast* (in millions)



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Solid Waste Fund adopted budget includes \$22,941 for the vacation trade program.

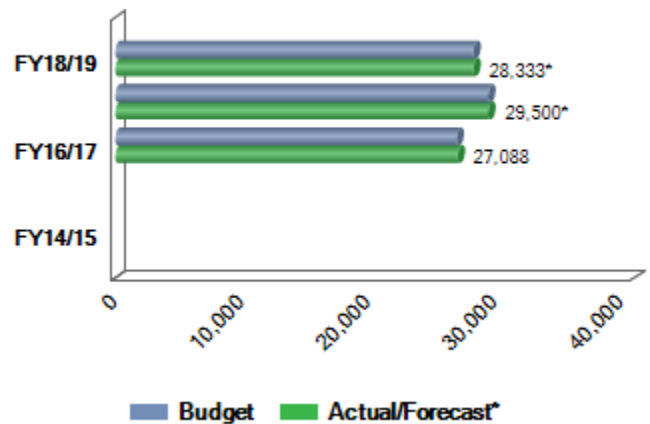
Adopted Budget to Actual/Forecast*



Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer will be completed to move the needed budget from the macro level holding accounts to the respective divisions.

Adopted Budget to Actual/Forecast*



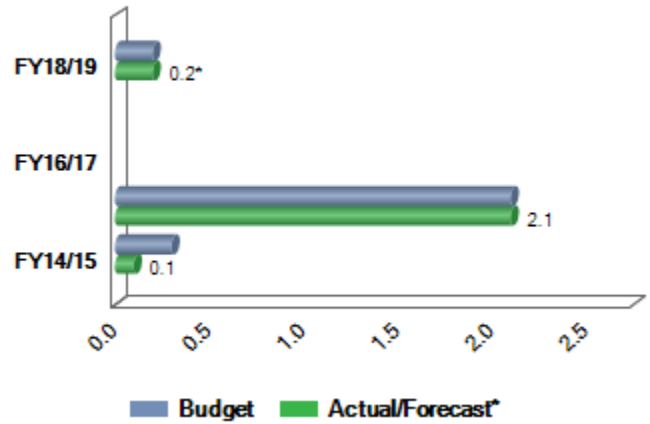
Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. Transfer amounts vary greatly each year.

CIP

The FY 2018/19 CIP budget is for the purchase of Evaporative Coolers for the Transfer Station. The large transfer amount in FY 2015/16 was for a new Compressed Natural Gas Transfer Station and equipment for Solid Waste vehicles.

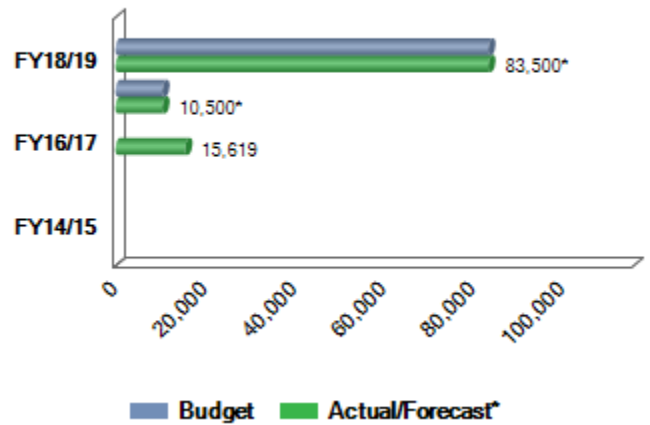
Adopted Budget to Actual/Forecast* (in millions)



CIP Technology

CIP Technology includes \$83,500 to help cover the Solid Waste Fund's portion of citywide technology maintenance/replacement capital projects during FY 2018/19.

Adopted Budget to Actual/Forecast*



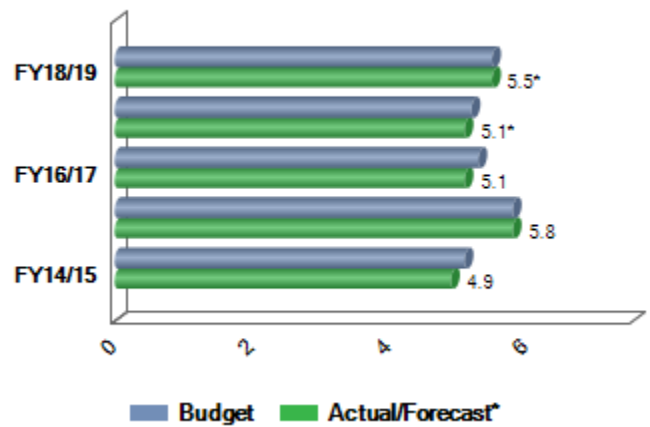
Solid Waste Fund Ending Balance

Fund balance/reserves protect the city's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when sources exceed uses. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) expenditures. Once fund balances are spent, they are only replenished by future year sources in excess of uses. The city's budget planning, bond indenture and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before being allocated or spent as budgeted expenditures. The specific make-up of the city's Solid Waste Fund reserves and ending balance are noted in the following:

Operating Reserve

The FY 2018/19 ending fund balance includes an Operating Reserve of \$5.5 million. This reserve is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days. Operating reserves shall be maintained to provide funding and expenditure flexibility in the event of unexpected declines in revenue or increases in costs.

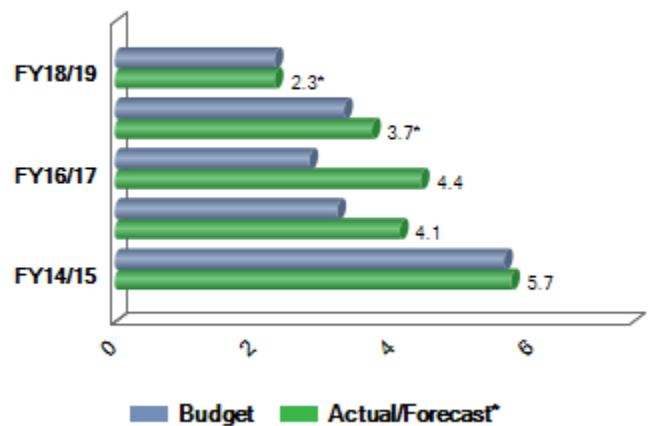
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

The FY 2018/19 undesignated, unreserved fund balance is \$2.3 million. This balance represents an accumulation of one-time sources and it is most appropriately used for one-time uses. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.

Adopted Budget to Actual/Forecast* (in millions)





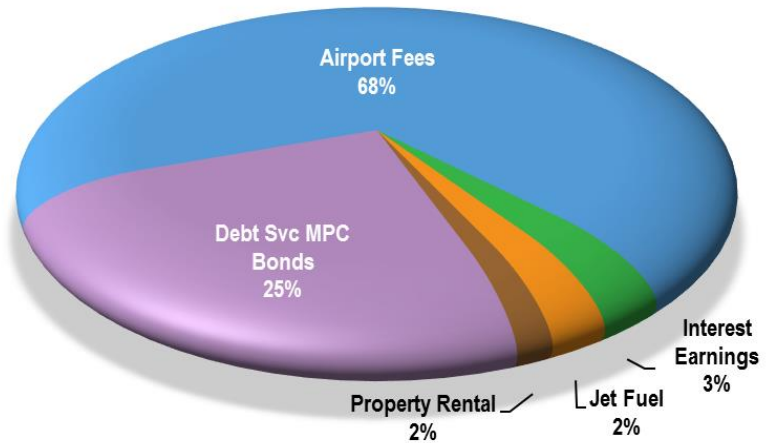
FY 2018/19 Adopted Budget

Fund Purpose

This fund accounts for the transactions related to the city's aviation business activity at the Scottsdale Airport, which includes operating sources and uses. Capital expenditures are accounted for in a separate Aviation Capital Fund.

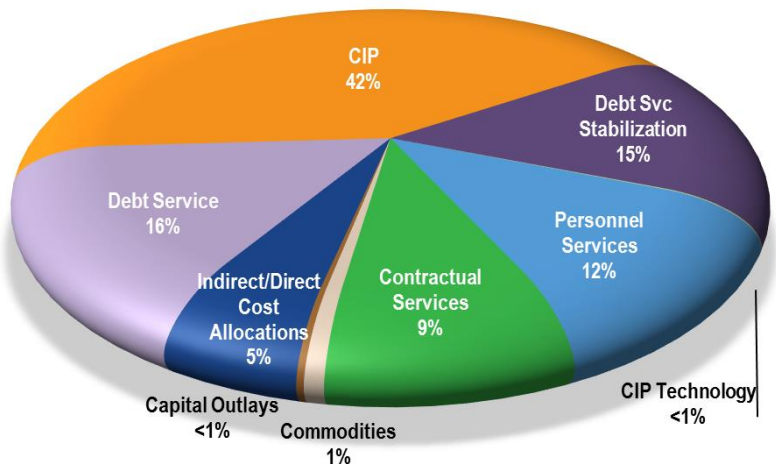
Aviation Fund Sources (in millions)

Airport Fees	4.7
Interest Earnings	0.2
Jet Fuel	0.2
Property Rental	0.1
Total Revenue	5.2
Transfers In	
Debt Svc MPC Bonds	1.7
Total Sources	6.9



Aviation Fund Uses (in millions)

Personnel Services	1.3
Contractual Services	1.0
Commodities	0.1
Capital Outlays	0.0
Indirect/Direct Cost Allocations	0.6
Debt Service	1.7
Total Operating Budget	4.8
Transfers Out	
CIP	4.6
Debt Svc Stabilization	1.7
CIP Technology	0.0
Total Transfers Out	6.4
Total Uses	11.2
Contingency/ Reserves	3.5



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

BUDGET BY FUND | Aviation Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Fleet Replacement Reserve	1,642,200	1,020,000	1,020,000	1,380,055
Operating Reserve	727,970	452,500	622,785	959,159
Repair/Replacement Reserve	1,065,115	1,100,000	1,100,000	1,306,257
Undesignated, Unreserved Fund Balance	4,712,805	5,950,908	6,700,191	4,141,953
Total Beginning Fund Balance	8,148,090	8,523,408	9,442,976	7,787,424
Revenues				
Airport Fees	4,289,930	3,644,423	3,844,423	4,716,822
Interest Earnings	78,262	59,251	59,251	179,816
Jet Fuel	157,729	166,889	166,889	168,558
Property Rental	100,029	103,059	103,059	104,090
Miscellaneous	846	-	-	-
Subtotal	4,626,796	3,973,622	4,173,622	5,169,286
Transfers In				
Debt Svc MPC Bonds	6,270	-	-	1,720,994
Subtotal	6,270	-	-	1,720,994
Total Sources	4,633,066	3,973,622	4,173,622	6,890,280
Expenditures				
Community and Economic Development	2,030,403	2,663,163	3,208,963	2,255,179
Citywide Direct Cost Allocation	313,196	350,000	350,000	383,500
Citywide Indirect Cost Allocation	182,139	215,575	215,575	206,046
Citywide Pay Program	-	30,459	-	33,605
Compensation Other	-	-	-	56,328
Vacation Trade	-	-	-	3,944
Leave Accrual Payments	-	16,500	16,500	16,500
Savings from Vacant Positions	-	(30,000)	(5,363)	(30,000)
Utilities	-	145,420	104,246	149,340
Subtotal	2,525,738	3,391,117	3,889,921	3,074,442
Debt Service				
Contracts Payable	-	1,821,000	1,723,683	1,720,994
Subtotal	-	1,821,000	1,723,683	1,720,994
TOTAL OPERATING BUDGET	2,525,738	5,212,117	5,613,604	4,795,436
Transfers Out				
CIP	800,300	212,170	212,170	4,633,741
CIP Technology	5,873	3,400	3,400	10,600
Debt Svc MPC Bonds	6,270	-	-	1,720,994
Subtotal	812,443	215,570	215,570	6,365,335
Total Uses	3,338,181	5,427,687	5,829,174	11,160,771
Sources Over/(Under) Uses	1,294,886	(1,454,065)	(1,655,552)	(4,270,491)
Ending Fund Balance				
Fleet Replacement Reserve	1,020,000	1,380,055	1,380,055	1,275,500
Operating Reserve	622,785	1,286,018	959,159	505,388
Repair/Replacement Reserve	1,100,000	1,306,257	1,306,257	1,736,045
Undesignated, Unreserved Fund Balance	6,700,191	3,097,013	4,141,953	-
Total Ending Fund Balance	9,442,976	7,069,343	7,787,424	3,516,933

BUDGET BY FUND | Aviation Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Fleet Replacement Reserve	1,380,055	1,275,500	1,338,900	1,524,700	1,741,700
Operating Reserve	959,159	505,388	527,655	547,000	560,500
Repair/Replacement Reserve	1,306,257	1,736,045	450,678	904,333	890,133
Undesignated, Unreserved Fund Balance	4,141,953	-	-	-	-
Total Beginning Fund Balance	7,787,424	3,516,933	2,317,233	2,976,033	3,192,333
Revenues					
Airport Fees	4,716,822	5,098,700	5,218,900	5,275,200	5,331,900
Interest Earnings	179,816	201,900	226,600	231,000	232,900
Jet Fuel	168,558	170,200	171,900	173,700	175,400
Property Rental	104,090	105,100	106,200	107,200	108,300
Miscellaneous	-	-	-	-	-
Subtotal	5,169,286	5,575,900	5,723,600	5,787,100	5,848,500
Transfers In					
Debt Svc MPC Bonds	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700
Subtotal	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700
Total Sources	6,890,280	7,298,100	7,445,100	7,510,800	7,567,200
Expenditures					
Community and Economic Development	2,255,179	2,254,500	2,277,400	2,301,700	2,327,900
Citywide Direct Cost Allocation	383,500	402,700	422,800	443,900	466,100
Citywide Indirect Cost Allocation	206,046	216,300	227,200	238,500	250,500
Citywide Pay Program	33,605	58,800	82,200	104,100	119,300
Compensation Other	56,328	92,000	129,800	130,000	130,300
Vacation Trade	3,944	4,100	4,200	4,300	4,400
Leave Accrual Payments	16,500	16,900	17,400	17,700	18,100
Savings from Vacant Positions	(30,000)	(30,800)	(31,500)	(32,200)	(32,900)
Utilities	149,340	195,400	198,300	201,600	205,200
Subtotal	3,074,442	3,209,900	3,327,800	3,409,600	3,488,900
Debt Service					
Contracts Payable	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700
Subtotal	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700
TOTAL OPERATING BUDGET	4,795,436	4,932,100	5,049,300	5,133,300	5,207,600
Transfers Out					
CIP	4,633,741	1,838,100	11,100	429,300	42,200
CIP Technology	10,600	5,400	4,400	8,200	11,000
Debt Svc MPC Bonds	1,720,994	1,722,200	1,721,500	1,723,700	1,718,700
Subtotal	6,365,335	3,565,700	1,737,000	2,161,200	1,771,900
Total Uses	11,160,771	8,497,800	6,786,300	7,294,500	6,979,500
Sources Over/(Under) Uses	(4,270,491)	(1,199,700)	658,800	216,300	587,700
Ending Fund Balance					
Fleet Replacement Reserve	1,275,500	1,338,900	1,524,700	1,741,700	1,070,556
Operating Reserve	505,388	527,655	547,000	560,500	573,500
Repair/Replacement Reserve	1,736,045	450,678	904,333	890,133	2,135,977
Undesignated, Unreserved Fund Balance	-	-	-	-	-
Total Ending Fund Balance	3,516,933	2,317,233	2,976,033	3,192,333	3,780,033

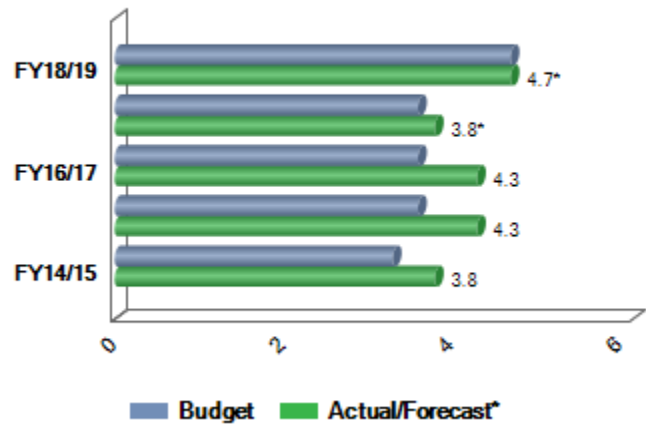
Aviation Fund Sources

Aviation Fund sources for FY 2018/19 are \$6.9 million, most of which is received from Airport Fees. Other sources include Interest Earnings, Jet Fuel, Property Rental, Miscellaneous and Transfers In.

Airport Fees

Airport Fees are fees imposed for the aeronautical use of airport facilities, including aircraft overnight tie-down fees, hangar/T-shade rentals, fuel flowage and transient landing fees. The Airport Fees are reviewed annually to determine if they cover the costs of the services provided. The FY 2018/19 adopted budget is \$4.7 million which is \$0.9 million higher than the FY 2017/18 year-end forecast. The increase is due to the additional revenue expected from the two new executive hangars and the new Aviation Business Center that opened in summer 2018.

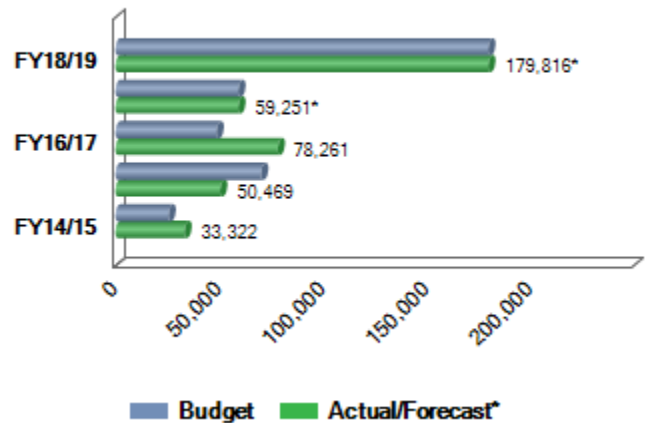
Adopted Budget to Actual/Forecast* (in millions)



Interest Earnings

Interest earnings are generated on idle Aviation Fund cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The city earns interest on funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The city's investment policy stresses safety above yield. The \$0.1 million increase in FY 2018/19 over FY 2017/18 is due to two factors: a larger portion of city funds has been shifted to an asset management consultant, which is expected to provide increased returns; and the Federal Open Market Committee will likely increase the "Federal Fund Rate" (a key national economic driver) three times in the coming fiscal year, which will likely have a favorable effect on city investments.

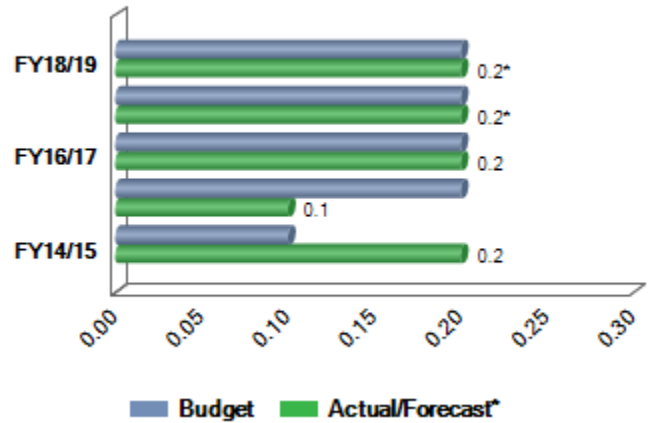
Adopted Budget to Actual/Forecast*



Jet Fuel

A jet fuel tax of 0.18 cents is charged to every gallon of fuel purchased at the airport. The adopted FY 2018/19 budget is \$0.2 million, which remains relatively flat from the FY 2017/18 year-end forecast.

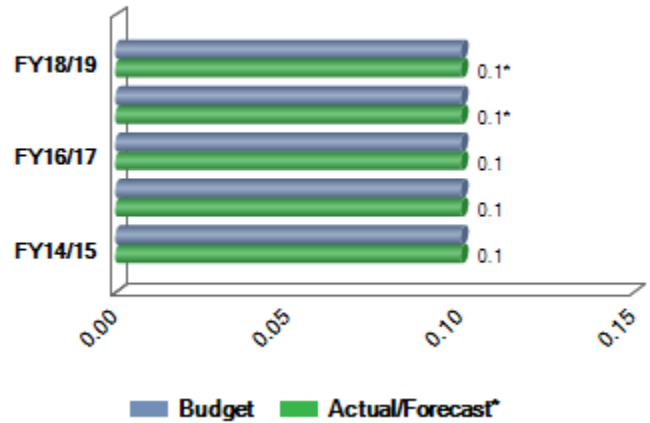
Adopted Budget to Actual/Forecast* (in millions)



Property Rental

Property Rental includes the amortization of a 20-year land lease for the construction and operation of a park-and-ride facility at the airport. The lease payment is \$0.1 million annually until it sunsets in 2032.

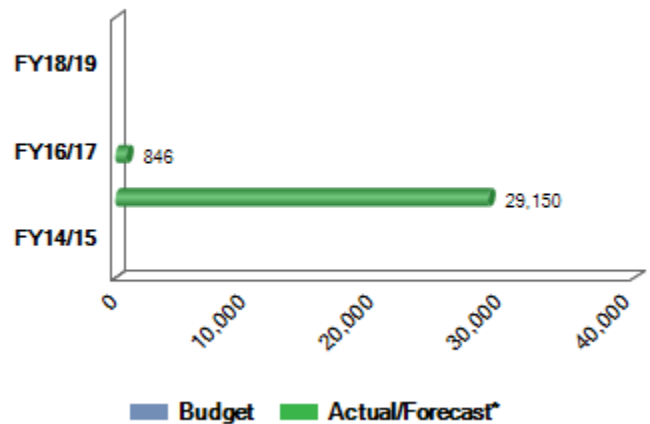
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous includes other types of revenue such as the FY 2015/16 insurance settlement proceeds from an aviation incident.

Adopted Budget to Actual/Forecast*

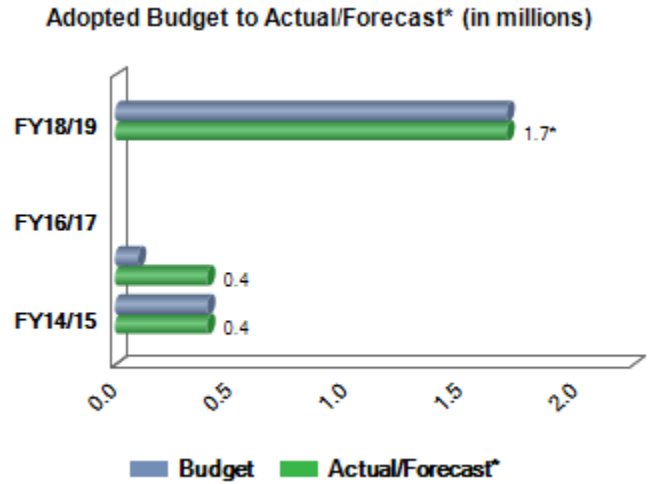


Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects. The total amount of Transfers In for FY 2018/19 is \$1.7 million. More specific information is detailed below.

Debt Svc MPC Bonds

Debt Svc MPC Bonds is an internal transfer between airport funds to repay the debt service from the issuance of Municipal Corporation Bonds in order to finance the Airport Terminal Area Redevelopment capital improvement project.



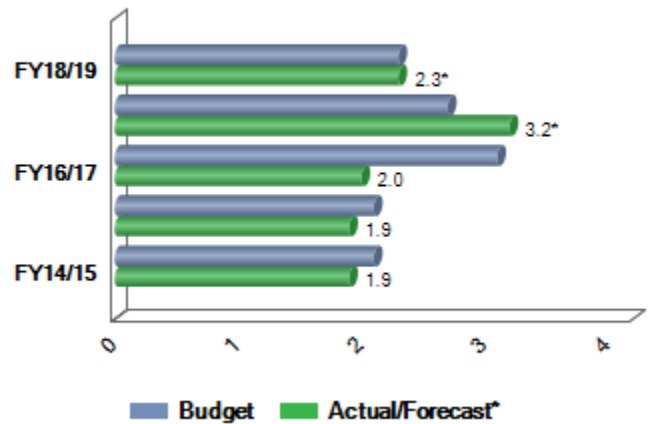
Aviation Fund Uses

The Aviation Fund uses are presented as a portion of the Community and Economic Development division's operating budget. Additionally, there are uses related to direct and indirect cost allocation, citywide pay program, compensation other, vacation trade, leave accrual payments, savings from vacant positions, utilities, contracts payable and transfers out to other funds.

Community and Economic Development

Includes costs related to the operation and maintenance of the city's airport. The FY 2018/19 adopted budget of \$2.3 million is \$1.0 million lower than the FY 2017/18 year-end forecast, mostly due to removing one-time funding to replace an airport dedicated fire truck that was purchased in FY 2017/18.

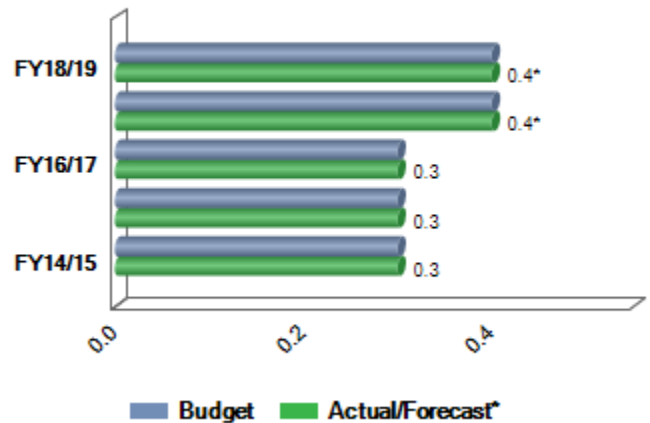
Adopted Budget to Actual/Forecast* (in millions)



Citywide Direct Cost Allocation

Citywide Direct Cost Allocation represents Aviation Fund charges for the direct cost of fire service at the airport performed by General Fund personnel. The FY 2018/19 budget for this allocation is \$0.4 million, which is slightly higher than the FY 2017/18 year-end forecast.

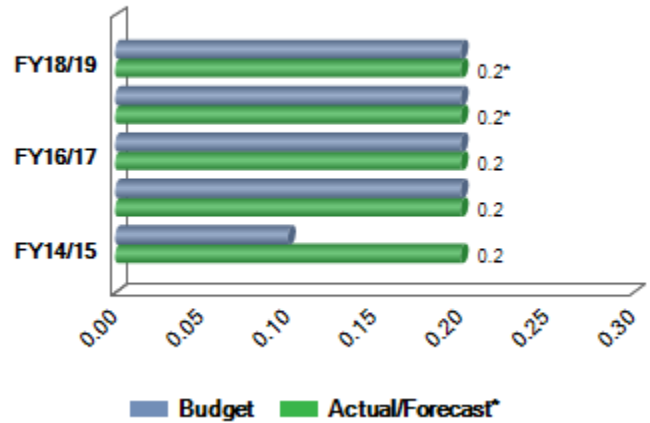
Adopted Budget to Actual/Forecast* (in millions)



Citywide Indirect Cost Allocation

Citywide Indirect Cost Allocation represents charges to the Aviation Fund for specific General Fund central administrative functions, which benefit the Enterprise operations (e.g., City Manager, Information Technology, Human Resources, Legal, etc.). The city's indirect costs are allocated to the Enterprise Funds based on relative benefits received. The indirect cost allocation for the FY 2018/19 adopted budget is \$0.2 million.

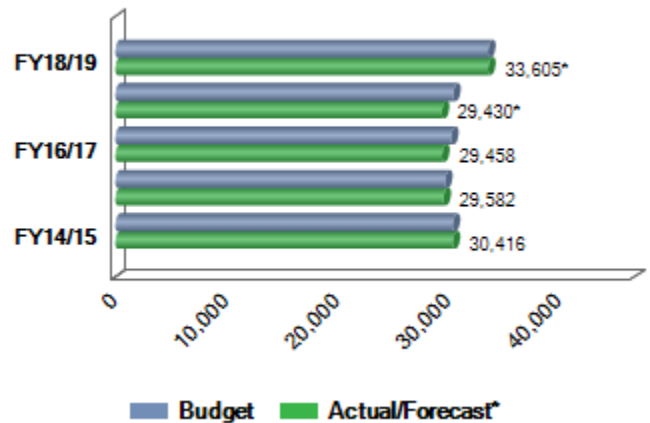
Adopted Budget to Actual/Forecast* (in millions)



Citywide Pay Program

A citywide pay program, through which employees may receive increases within their established salary ranges based on performance totaling \$33,605 for the Aviation Fund for FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.

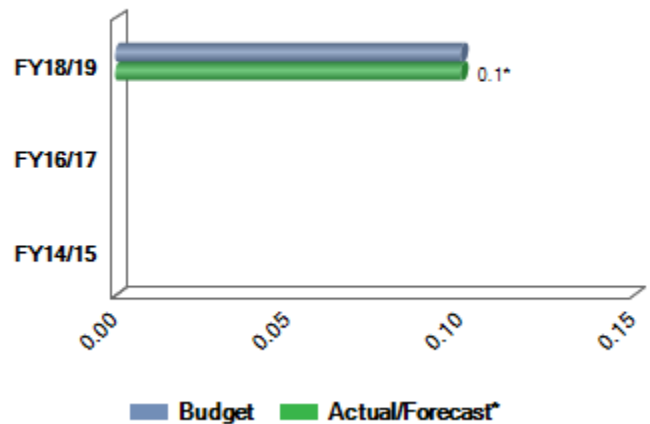
Adopted Budget to Actual/Forecast*



Compensation Other

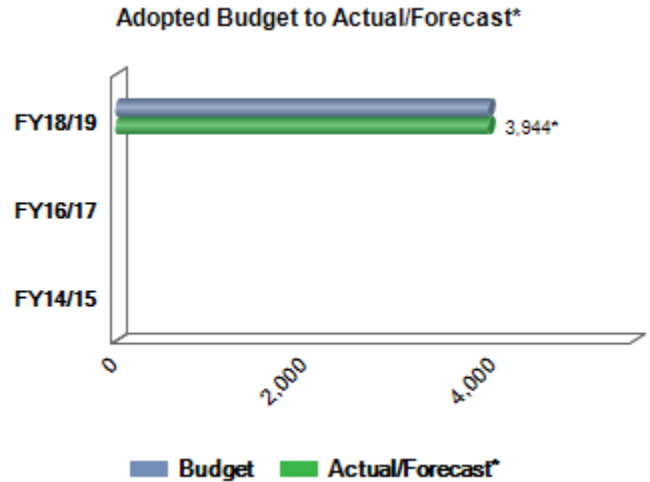
Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.

Adopted Budget to Actual/Forecast* (in millions)



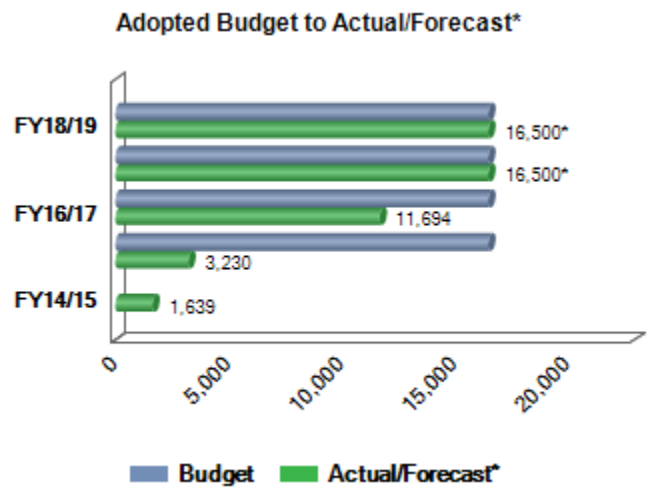
Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Aviation Fund adopted budget includes \$3,944 for the vacation trade program.



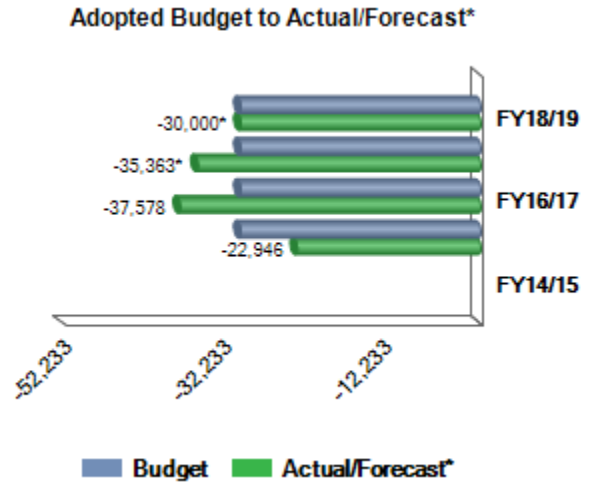
Leave Accrual Payments

Leave Accrual Payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. The FY 2018/19 leave accrual payments include \$7,500 budgeted for medical leave accrual payouts and \$9,000 budgeted for vacation leave accrual payouts. The FY 2017/18 forecast and FY 2014/15 - FY 2015/16 actuals displayed are recorded and reported as part of the division expenditures. Leave Accrual Payments were first budgeted for the Aviation Fund in FY 2015/16.



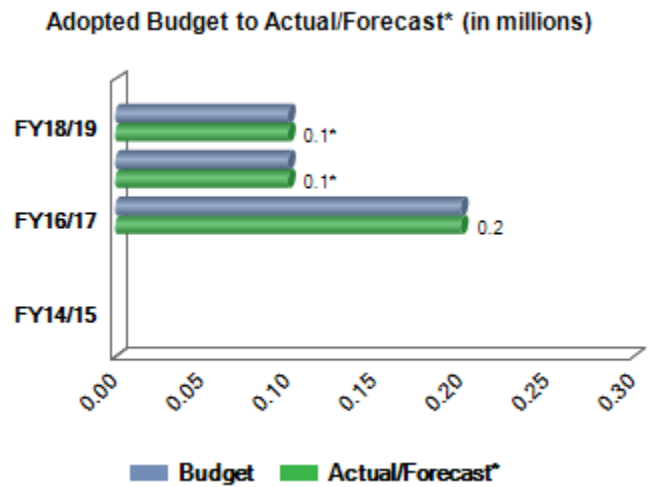
Savings from Vacant Positions

Savings from Vacant Positions is the amount of savings resulted from vacant positions. The FY 2018/19 Aviation Fund estimate for vacancy savings is (\$30,000). Additionally, the FY 2017/18 forecast number of (\$35,363) reflects that there was a larger number of positions vacant throughout the year than anticipated. The FY 2017/18 forecast and FY 2014/15 - FY 2015/16 actuals displayed are recorded and reported as part of the division expenditures. Savings from Vacant Positions was first budgeted for the Aviation Fund in FY 2015/16.



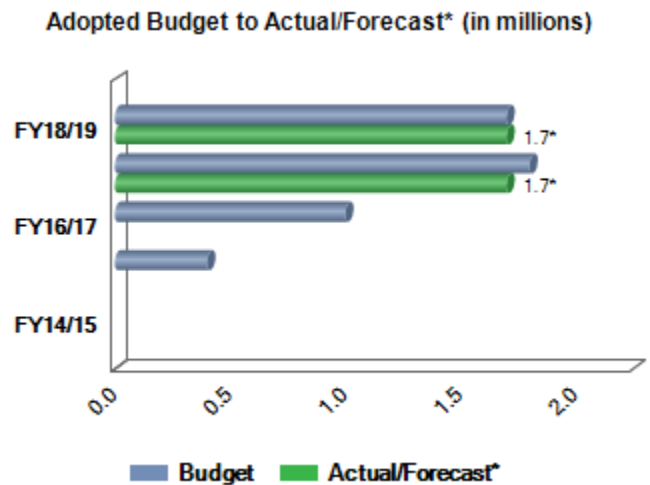
Utilities

In an effort to provide greater efficiency in monitoring the budget to actual expenses for utilities as well as forecasting year-end results, beginning March 2017 an administrative change moved the utilities budgets (water, electric, sewer, gas, solid waste and recycling services) from individual divisions to a citywide macro level account, by fund. Similar to the leave accrual payouts process, monthly as expenditures occur in the applicable divisions, a budget transfer is completed to move the needed budget from the macro level holding accounts to the respective divisions.



Contracts Payable

Contracts Payable represents the repayment of Municipal Property Corporation (MPC) bonds, along with the applicable annual fiscal agent fees. The adopted FY 2018/19 budget is \$1.7 million. The bonds will be used for the Airport Terminal Area Redevelopment project (see Volume Three for project details). The FY 2015/16 and FY 2016/17 budgets of \$0.4 million and \$1.0 million respectively, were adopted pending Council approval of the bond issuance, which happened in late FY 2016/17.

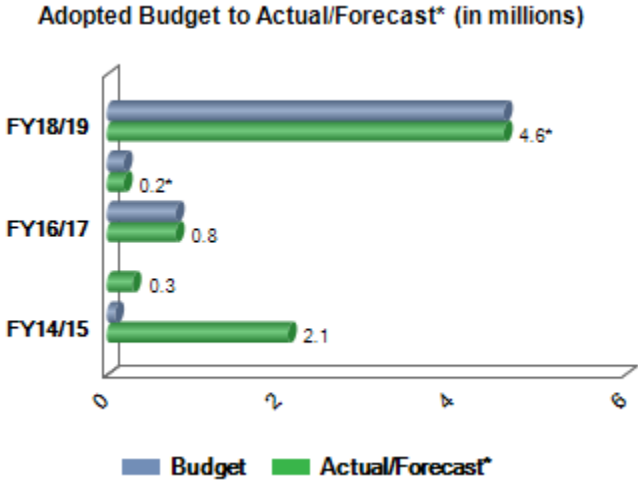


Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. The total amount of Transfers Out for FY 2018/19 is \$6.4 million. More specific information is detailed below.

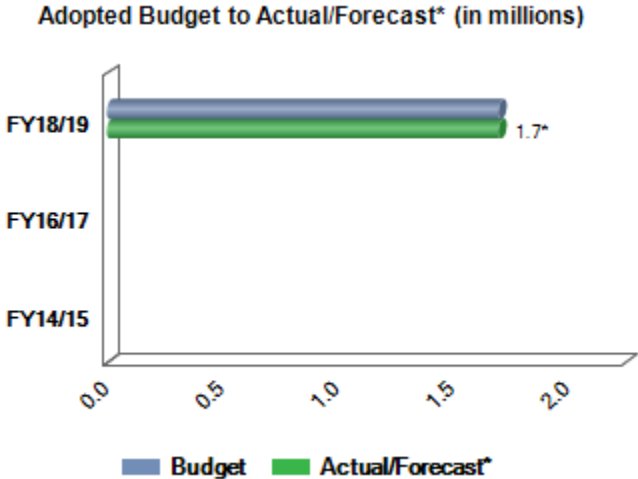
CIP

The FY 2018/19 CIP adopted budget of \$4.6 million will fund capital improvements at the airport, including the design and construction of aircraft box hangars and pavement preservation for various paved areas at the Scottsdale Airport.



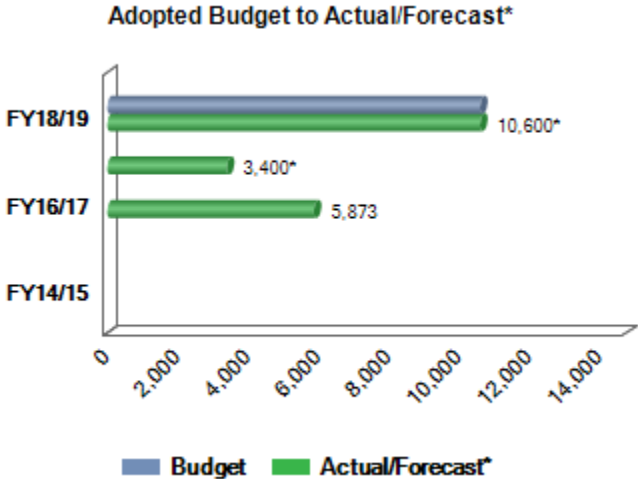
Debt Svc MPC Bonds

Debt Svc MPC Bonds is an internal transfer between airport funds to repay the debt service from the issuance of Municipal Corporation Bonds (MPC) in order to finance the Airport Terminal Area Redevelopment capital improvement project.



CIP Technology

CIP Technology is the authorized transfer to CIP to fund technology related capital projects. The FY 2018/19 adopted budget is \$10,600.



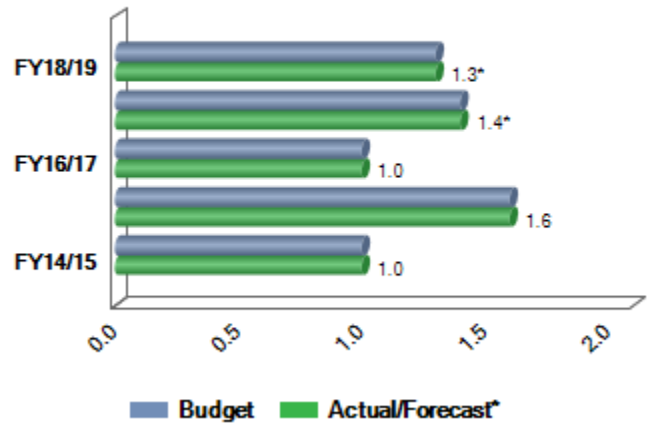
Aviation Fund Ending Balance

Fund balance protects the city's financial condition and provides for unexpected economic challenges. The city's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to set aside savings before allocated or spent as budgeted expenditures. The specific make-up of the city's Aviation Fund ending balance and reserves are noted in the following:

Fleet Replacement Reserve

The Fleet Replacement Reserve is intended to ensure adequate funding for the replacement of fire equipment specific to fire operations dedicated to the airport. The FY 2018/19 ending fund balance is \$1.3 million.

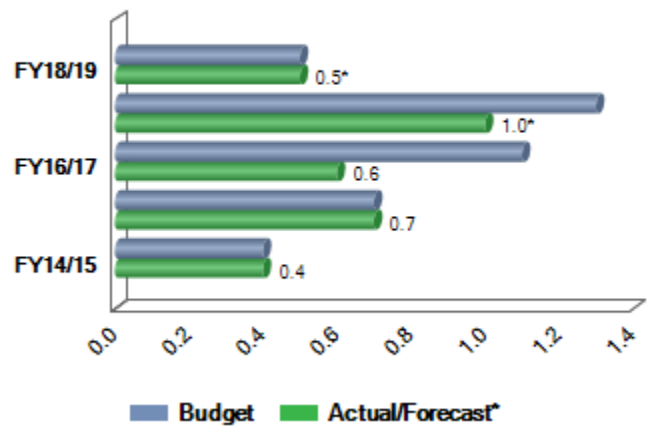
Adopted Budget to Actual/Forecast* (in millions)



Operating Reserve

The FY 2018/19 ending fund balance includes an Operating Reserve of \$0.5 million. This reserve, per financial policy No.40, is intended to ensure adequate funding for operations for a minimum of 60 days and a maximum period of 90 days. The purpose of the reserve is to provide for emergencies and potential grant matches, and to ensure that General Fund subsidies are avoided.

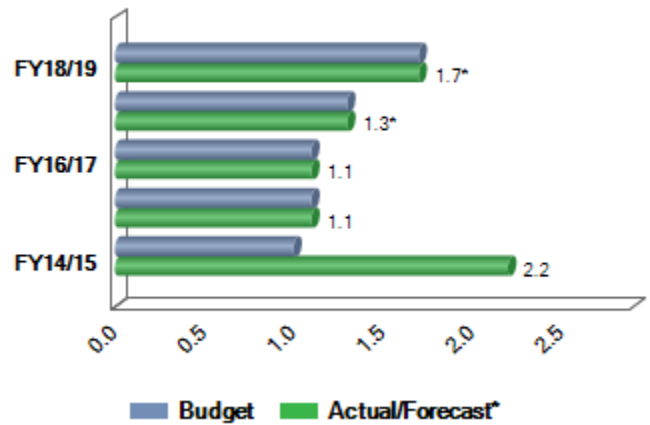
Adopted Budget to Actual/Forecast* (in millions)



Repair/Replacement Reserve

The Repair/Replacement Reserve ensures adequate funding for emergency repair and replacement needs at the airport. The FY 2018/19 ending fund balance is \$1.7 million.

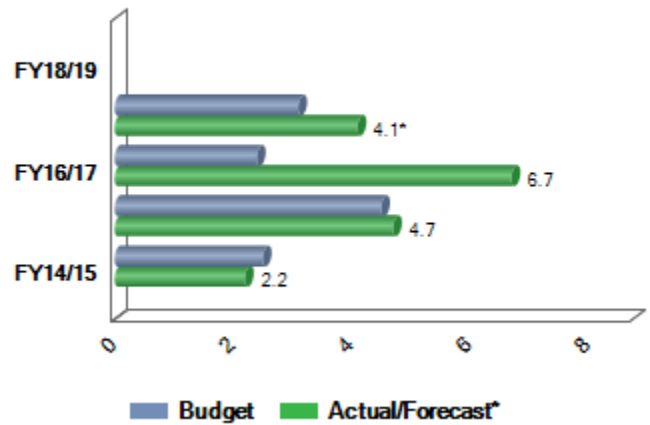
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

The Undesignated, Unreserved Fund Balance accounts for any remaining funds after the designation of all other reserves/uses. Under prudent fiscal management practices, this balance should most appropriately be used for one-time uses, not to fund new or to expand programs with ongoing operating expenses. The FY 2018/19 ending undesignated, unreserved fund balance is \$0.0 million. The balance from prior years was transferred to the CIP to fund the design and construction of aircraft box hangars, as well as pavement preservation for various paved areas at the Scottsdale Airport.

Adopted Budget to Actual/Forecast* (in millions)

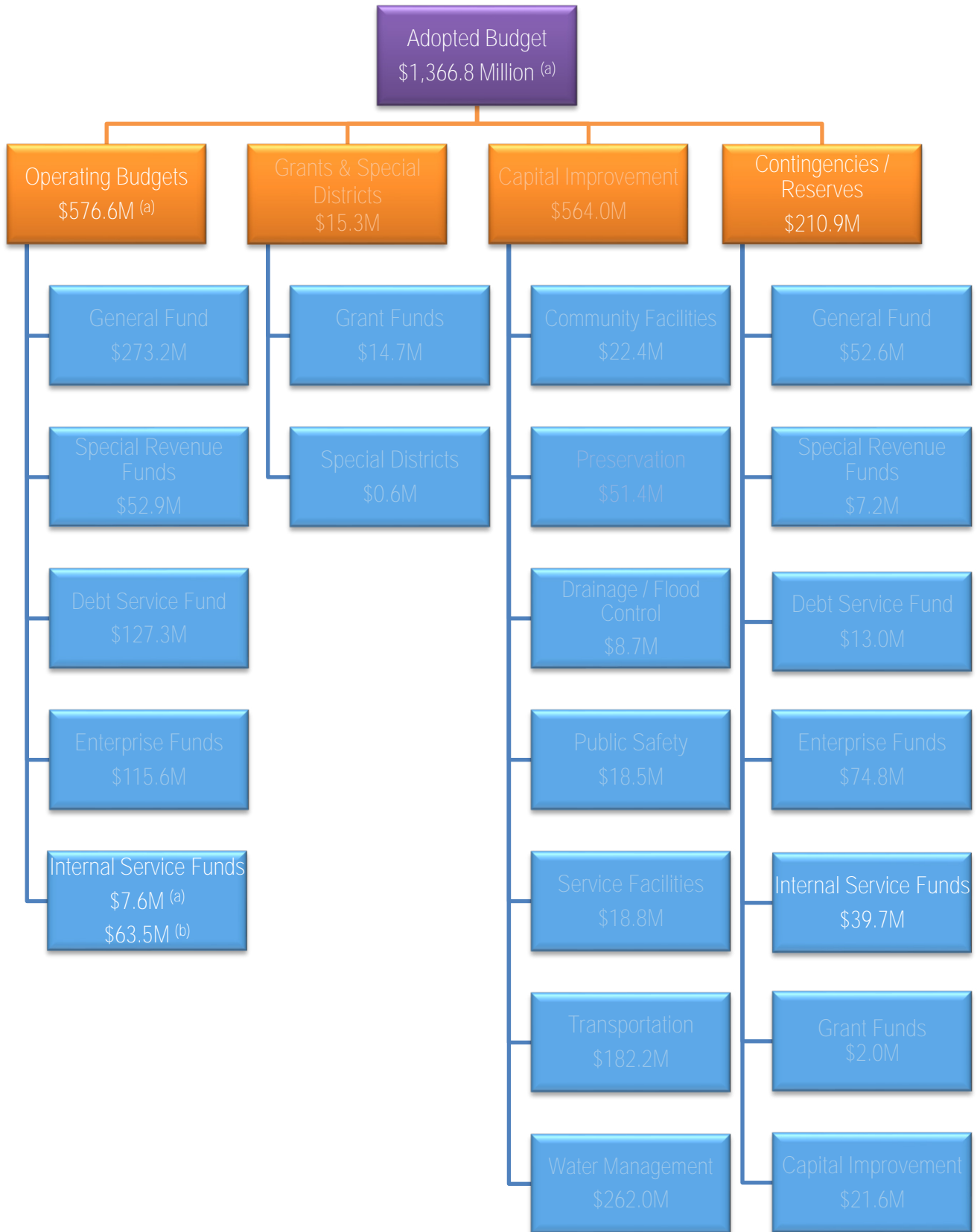




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315-3888

BUDGET BY FUND | Internal Service Funds Overview



^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

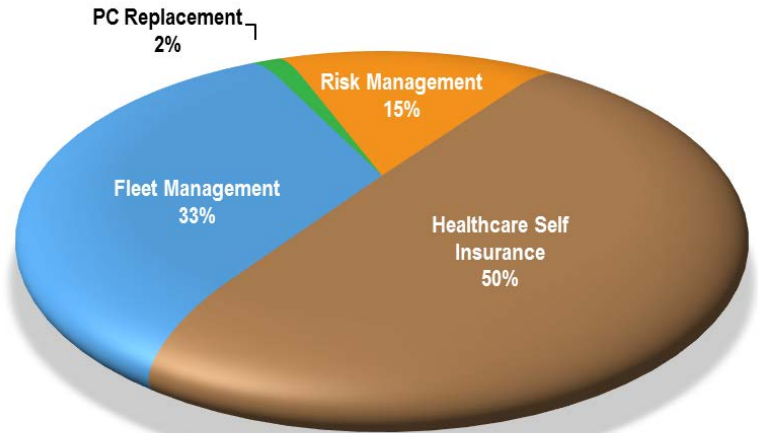
Note: Amounts are rounded in millions; therefore, differences may occur.

Funds Purpose

Internal Service Funds account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the city. Users of internal services are charged for those services based on use. Scottsdale has four separate Internal Service Funds to account for the activity of this fund type: Fleet Management, PC Replacement, Risk Management and Healthcare Self Insurance. Internal Service Offsets are included to eliminate the “double” budget, since the charges for these services are already included in the Divisions’ budgets.

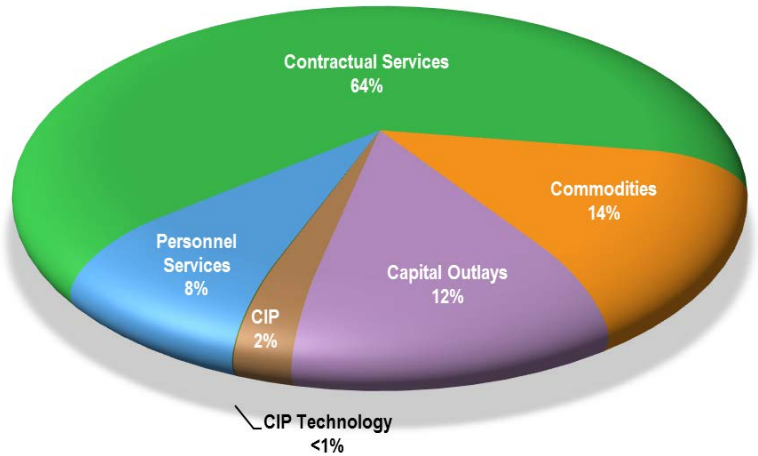
Internal Service Funds Sources by Fund (in millions)

Fleet Management	22.2
PC Replacement	1.0
Risk Management	10.3
Healthcare Self Insurance	33.1
Total Sources	66.7



Internal Service Funds Uses (in millions)

Personnel Services	5.3
Contractual Services	41.5
Commodities	7.7
Capital Outlays	9.1
Internal Service Offset	(55.9)
Total Operating Budget	7.6
Transfers Out	
CIP	1.5
CIP Technology	0.0
Total Transfers Out	1.5
Total Uses	9.0
Contingency/Reserves	39.7



Graph excludes the Internal Service Offset of (\$55.9) million

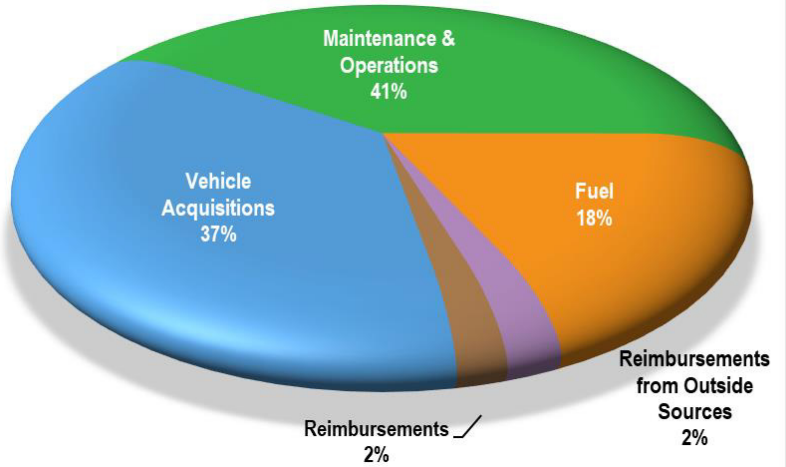
Note: Amounts are rounded in millions; therefore, differences may occur.

Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the city's equipment and vehicles. Replacement and operation of equipment and vehicles are charged to the city divisions as internal operating costs based on the quantity and type of equipment and vehicles used. The division charges become revenue to the Fleet Management Fund.

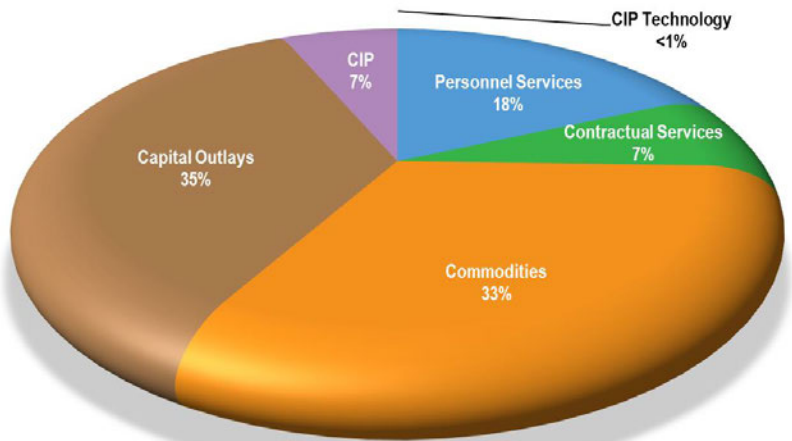
Fleet Management Fund Sources (in millions)

Vehicle Acquisitions		8.3
Maintenance & Operations		9.0
Fuel		4.0
Reimbursements from Outside Sources		0.5
Miscellaneous		0.4
	Total Revenue	22.2
Transfers In		-
	Total Sources	22.2



Fleet Management Fund Uses (in millions)

Personnel Services		4.1
Contractual Services		1.6
Commodities		7.4
Capital Outlays		8.0
Internal Service Offset		(21.3)
	Total Operating Budget	(0.1)
Transfers Out		
CIP		1.5
CIP Technology		0.0
	Total Transfers Out	1.5
	Total Uses	1.4
Contingency/Reserves		6.8



*Graph excludes the Internal Service Offset of (\$21.3) million

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

BUDGET BY FUND | Fleet Management Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Designated For Future Acquisition	5,768,884	5,642,706	5,577,903	5,900,543
Operating Contingency	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	2,523,623	2,213,211	3,207,990	2,268,518
Total Beginning Fund Balance	9,042,507	8,605,917	9,535,893	8,919,061
Revenues				
Vehicle Acquisitions	7,527,456	7,975,422	7,975,422	8,284,596
Maintenance & Operations	7,598,855	8,648,620	8,648,620	8,990,892
Fuel	2,959,833	3,330,896	3,330,896	4,003,740
Reimbursements from Outside Sources	506,446	416,000	416,000	490,000
Miscellaneous	510,269	420,653	420,653	433,273
Subtotal	19,102,859	20,791,591	20,791,591	22,202,501
Total Sources	19,102,859	20,791,591	20,791,591	22,202,501
Expenditures				
Fleet Management Administration	460,187	465,108	474,720	478,156
Fleet Management Operations	7,106,070	8,021,633	7,852,008	7,938,418
Fleet Management Parts Supply	505,295	517,453	529,885	580,271
Fuel	2,681,988	3,415,917	3,415,917	3,936,190
Motorpool	42,390	45,552	45,552	49,872
Vehicle Acquisitions	7,718,437	7,652,782	7,652,782	8,147,400
Citywide Pay Program	-	84,856	-	91,860
Compensation Other	-	-	-	159,197
Leave Accrual Payments	-	50,000	18,443	32,568
Savings from Vacant Positions	-	(225,000)	(152,428)	(204,790)
Vacation Trade	-	-	-	11,844
Subtotal	18,514,367	20,028,301	19,836,879	21,220,986
TOTAL OPERATING BUDGET	18,514,367	20,028,301	19,836,879	21,220,986
Transfers Out				
CIP	80,700	1,563,744	1,563,744	1,458,700
CIP Technology	14,406	7,800	7,800	24,700
Subtotal	95,106	1,571,544	1,571,544	1,483,400
Total Uses	18,609,473	21,599,845	21,408,423	22,704,386
Sources Over/(Under) Uses	493,386	(808,254)	(616,832)	(501,885)
Ending Fund Balance				
Designated For Future Acquisition	5,577,903	5,965,346	5,900,543	6,037,739
Operating Contingency	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	3,207,990	1,082,317	2,268,518	1,629,437
Total Ending Fund Balance	9,535,893	7,797,663	8,919,061	8,417,176

BUDGET BY FUND | Fleet Management Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Designated For Future Acquisition	5,900,543	6,037,739	6,041,539	5,960,039	5,785,439
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	2,268,518	1,629,437	2,439,837	3,389,537	4,491,837
Total Beginning Fund Balance	8,919,061	8,417,176	9,231,376	10,099,576	11,027,276
Revenues					
Vehicle Acquisitions	8,284,596	8,607,700	8,943,400	9,292,200	9,654,600
Maintenance & Operations	8,990,892	9,350,500	9,724,500	10,113,500	10,518,100
Fuel	4,003,740	4,109,200	4,204,900	4,296,000	4,393,500
Reimbursements from Outside Sources	490,000	494,900	499,800	504,800	509,900
Miscellaneous	433,273	433,300	433,300	433,300	433,300
Subtotal	22,202,501	22,995,600	23,805,900	24,639,800	25,509,400
Total Sources	22,202,501	22,995,600	23,805,900	24,639,800	25,509,400
Expenditures					
Fleet Management Administration	478,156	484,300	490,700	497,800	504,900
Fleet Management Operations	7,938,418	8,057,100	8,214,000	8,370,500	8,537,300
Fleet Management Parts Supply	580,271	588,500	596,800	605,300	614,600
Fuel	3,936,190	4,011,900	4,104,900	4,194,400	4,289,400
Motorpool	49,872	51,200	52,400	53,500	54,600
Vehicle Acquisitions	8,147,400	8,603,900	9,024,900	9,466,800	9,934,800
Citywide Pay Program	91,860	169,600	240,400	303,400	357,600
Compensation Other	159,197	260,500	369,800	370,600	371,100
Leave Accrual Payments	32,568	33,400	34,200	35,100	36,000
Savings from Vacant Positions	(204,790)	(208,900)	(213,100)	(217,300)	(221,700)
Vacation Trade	11,844	12,200	12,600	12,900	13,300
Subtotal	21,220,986	22,063,700	22,927,600	23,693,000	24,491,900
TOTAL OPERATING BUDGET	21,220,986	22,063,700	22,927,600	23,693,000	24,491,900
Transfers Out					
CIP	1,458,700	105,000	-	-	-
CIP Technology	24,700	12,700	10,100	19,100	25,300
Subtotal	1,483,400	117,700	10,100	19,100	25,300
Total Uses	22,704,386	22,181,400	22,937,700	23,712,100	24,517,200
Sources Over/(Under) Uses	(501,885)	814,200	868,200	927,700	992,200
Ending Fund Balance					
Designated For Future Acquisition	6,037,739	6,041,539	5,960,039	5,785,439	5,505,239
Operating Contingency	750,000	750,000	750,000	750,000	750,000
Undesignated, Unreserved Fund Balance	1,629,437	2,439,837	3,389,537	4,491,837	5,764,237
Total Ending Fund Balance	8,417,176	9,231,376	10,099,576	11,027,276	12,019,476

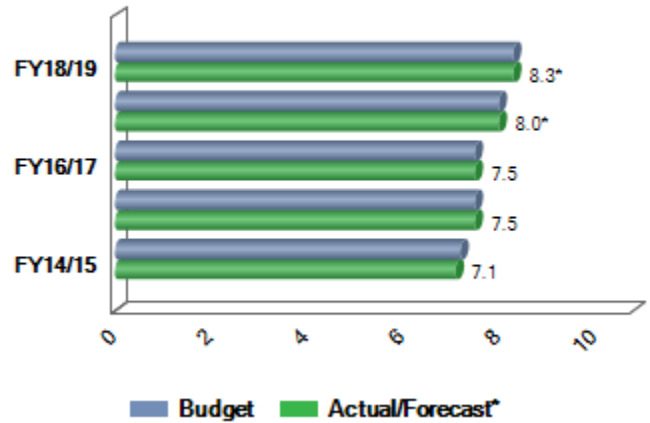
Fleet Management Fund Sources

Fleet Management Fund sources for FY 2018/19 equal \$22.2 million which is an increase of \$1.4 million from the FY 2017/18 year-end forecast mainly to partially recover the expense to investigate, design, and construct replacement fuel tanks for up to five existing underground storage tanks. The Fleet Management Fund sources includes Vehicle Acquisitions, Maintenance & Operations, Fuel, Reimbursements from Outside Sources, and Miscellaneous.

Vehicle Acquisitions

Vehicle Acquisitions represents the "rental" rate charged to other departments sufficient for the acquisition and replacement of city vehicles. For FY 2018/19, 37 percent of the Fleet Management Fund's operating revenues come from rates related to vehicle acquisition. The vehicle acquisition rates for FY 2018/19 total \$8.3 million, increasing about \$0.3 million from the FY 2017/18 year-end forecast. The amount collected is to ensure sufficient funding exists for vehicle acquisition and replacement while also considering future needs. The goal is to minimize large projected increases/decreases each year the rental rates are charged to the divisions.

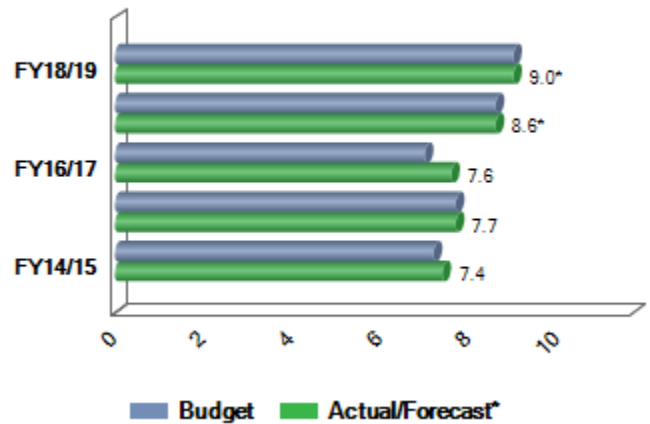
Adopted Budget to Actual/Forecast* (in millions)



Maintenance & Operations

Maintenance & Operations sources originate from charges to other city departments based on the usage of city vehicles. For FY 2018/19, 40 percent of the Fleet Management Fund's operating sources are derived from rates related to vehicle maintenance and operation. The FY 2018/19 hourly rate is billed at \$91.00 per hour, sublet repairs are marked up 15 percent, and parts are marked up 22 percent. The maintenance and operations revenue for FY 2018/19 totals \$9.0 million, which is an increase of \$0.3 million from the FY 2017/18 year-end revenue forecast. The increase is to partially recover the expense to investigate, design, and construct replacement fuel tanks for up to five existing underground storage tanks.

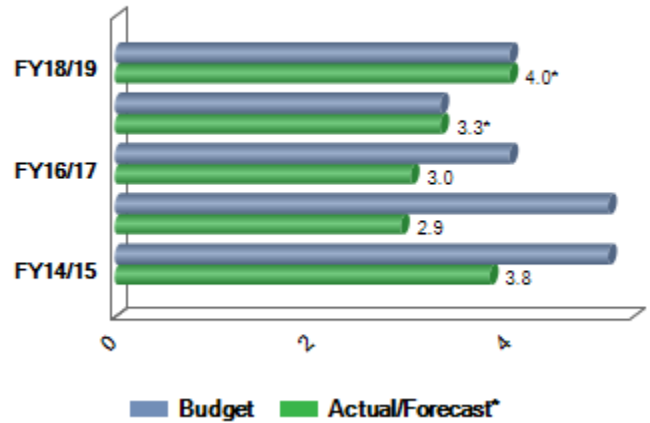
Adopted Budget to Actual/Forecast* (in millions)



Fuel

Fuel represents the charges to other city departments based on the fuel consumption of city vehicles. Rates are determined based on historical data as well as forecasted future consumption. Included in this methodology are local and national fuel cost trends. The FY 2018/19 fuel surcharge is rate is billed at \$0.24 per gallon. The FY 2018/19 adopted budget is \$4.0 million, which is a \$0.7 million increase from the FY 2017/18 year-end forecast. The increase is to partially recover the expense to investigate, design, and construct replacement fuel tanks for up to five existing underground storage tanks.

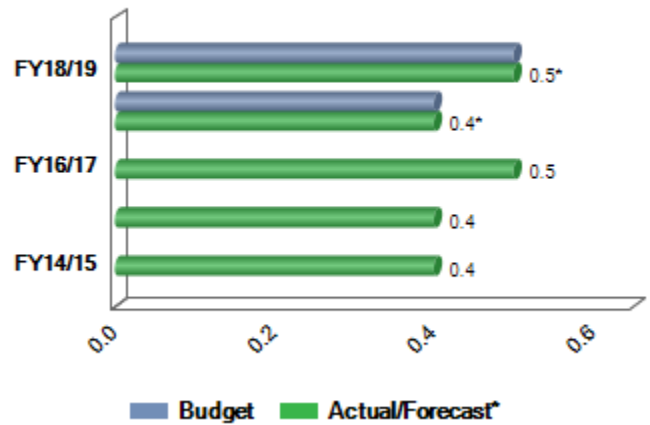
Adopted Budget to Actual/Forecast* (in millions)



Reimbursements from Outside Sources

Reimbursement from Outside Sources revenue is generated from any insurance recoveries received and reimbursements for fuel taxes and vehicle parts. Historically, these reimbursements were not budgeted. Reimbursement Sources is budgeted at \$0.5 million for FY 2018/19.

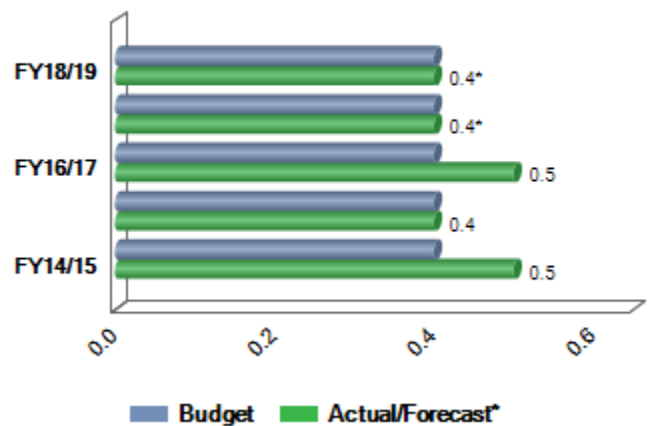
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous is generated from the liquidation of surplus property. The FY 2018/19 adopted budget is \$0.4 million, which is relatively flat with the FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)



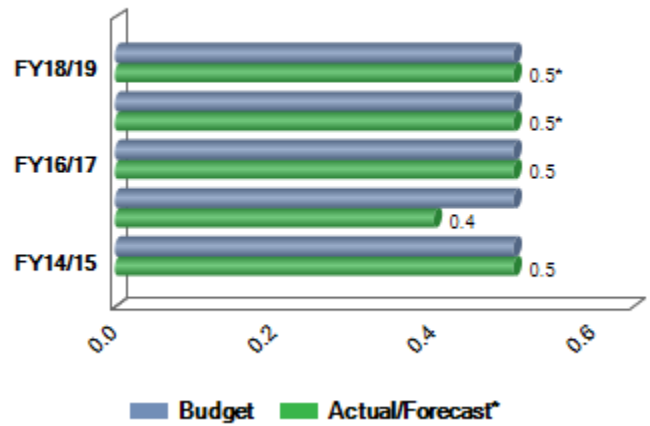
Fleet Management Fund Uses

The direct operating uses for the Fleet Management Fund are summarized below, including the Citywide Pay Program, Compensation Other, Leave Accrual Payments, Savings from Vacant Positions, Vacation Trade, and Transfers Out to other funds.

Fleet Management Administration

Includes all costs related to supporting the management and administrative personnel that are dedicated to directing and overseeing the fleet operation of the city. The FY 2018/19 adopted budget of \$0.5 million remains relatively flat to the FY 2017/18 year-end forecast.

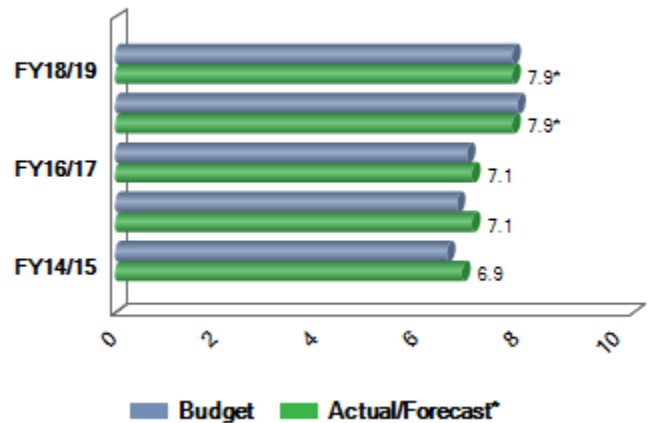
Adopted Budget to Actual/Forecast* (in millions)



Fleet Management Operations

Includes costs related to supporting technical personnel that perform the maintenance and repair functions of the city's fleet operation, the funding for replacement parts, and the use of outside vendors when necessary. The FY 2018/19 adopted budget of \$7.9 million is a \$0.1 million increase over the FY 2017/18 year-end forecast.

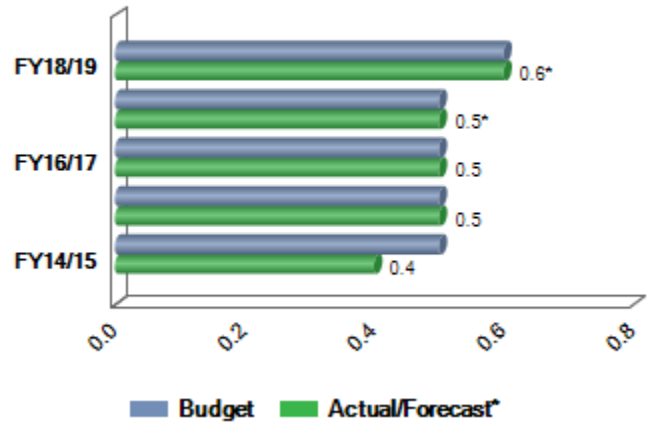
Adopted Budget to Actual/Forecast* (in millions)



Fleet Management Parts Supply

Includes all costs related to supporting the specialized personnel that are dedicated to maintaining the parts segment of the city's fleet operation, as well as the costs of all required supplies and tools. The FY 2018/19 adopted budget of \$0.6 million is a \$0.1 million increase from the FY 2017/18 year-end forecast.

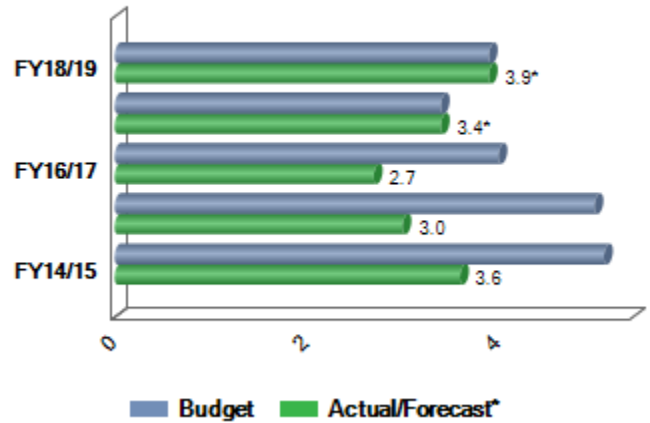
Adopted Budget to Actual/Forecast* (in millions)



Fuel

Includes all costs related to the purchase of fuel, as well as costs for equipment, maintenance and services necessary to maintain the provision of fuel in the city's fleet operation. The FY 2018/19 adopted budget of \$3.9 million is \$0.5 million higher than the FY 2017/18 year-end forecast based on anticipated increases to fuel prices.

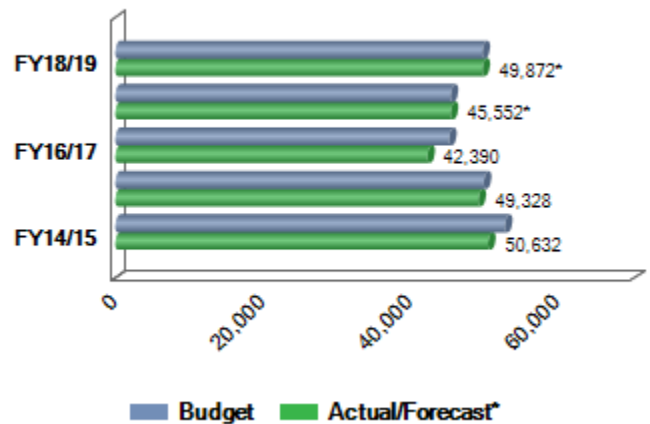
Adopted Budget to Actual/Forecast* (in millions)



Motorpool

This expenditure area includes all costs related to the care of the city's motorpool vehicles including fuel and maintenance. The FY 2018/19 adopted budget of \$49,872 is relatively flat when compared to the FY 2017/18 year-end forecast.

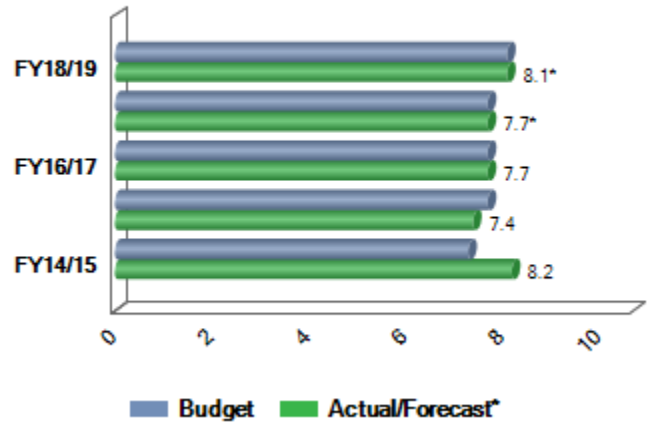
Adopted Budget to Actual/Forecast*



Vehicle Acquisitions

This expenditure area includes all costs related to the purchase or replacement of vehicles within the city's fleet. The FY 2018/19 adopted budget of \$8.1 million is a \$0.5 million increase over the FY 2017/18 year-end forecast.

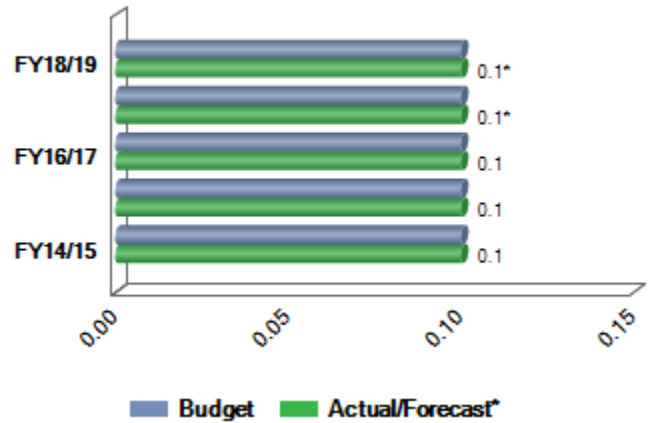
Adopted Budget to Actual/Forecast* (in millions)



Citywide Pay Program

A citywide pay program, through which employees may receive increases within their established salary ranges based on performance. The FY 2018/19 adopted budget total is \$0.1 million. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. Therefore, the citywide pay program is budgeted at a macro level and then paid based on actual increases within the department. The actual amount spent each year was at or below the adopted budget.

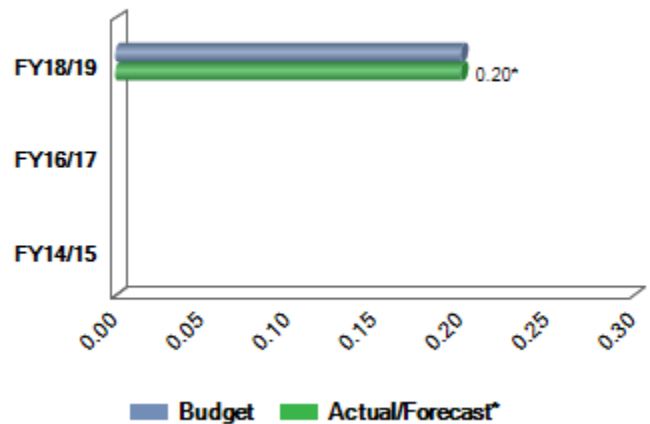
Adopted Budget to Actual/Forecast* (in millions)



Compensation Other

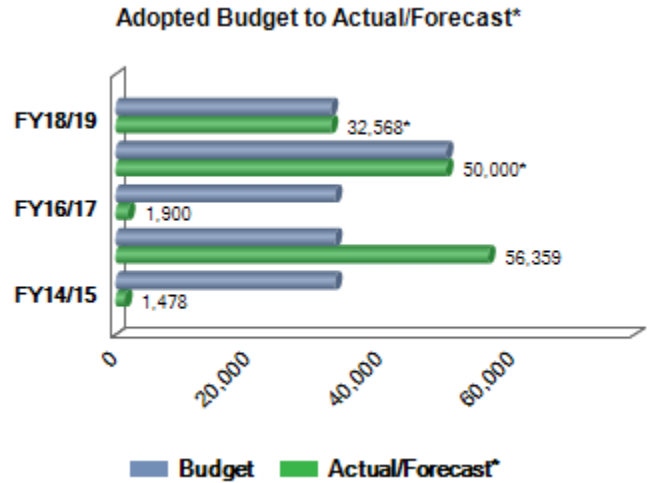
Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.

Adopted Budget to Actual/Forecast* (in millions)



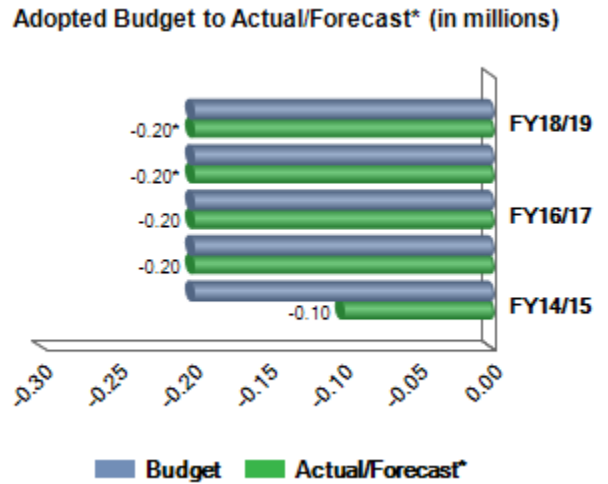
Leave Accrual Payments

These payments include accumulated medical and/or vacation leave paid out at the time of retirement or separation from the city. FY 2018/19 leave accrual payments of \$32,568 include \$10,944 budgeted for medical leave accrual payouts and \$21,624 budgeted for vacation leave accrual payouts. The budget is lower than the FY 2017/18 year-end forecast because less retirements are expected to occur in FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures.



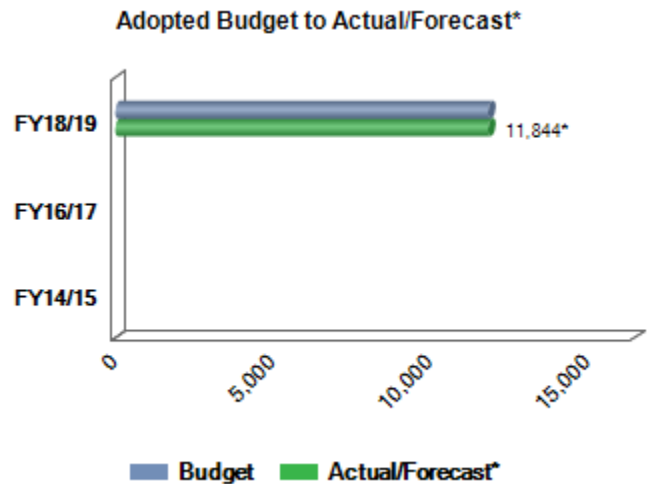
Savings from Vacant Positions

The amount of savings achieved from vacant positions for FY 2018/19 is estimated at (\$0.2) million. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division's expenditures.



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Fleet Management Fund adopted budget includes \$11,844 for the vacation trade program.



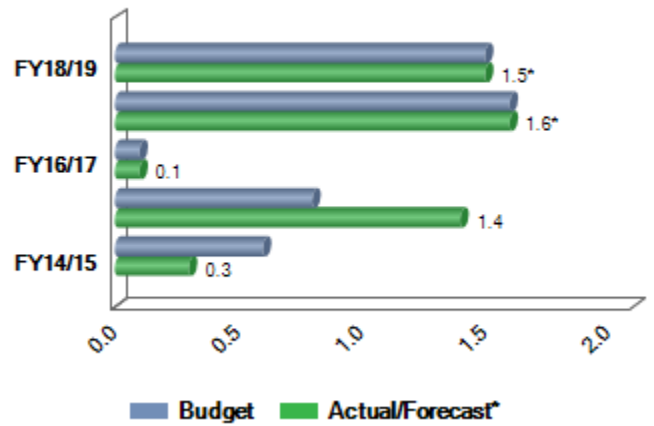
Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects. Transfer amounts vary greatly each year.

CIP

The FY 2018/19 CIP adopted budget of \$1.5 million will be used to partially fund a capital project that investigates, designs, and constructs replacement fuel tanks for up to five underground storage tanks.

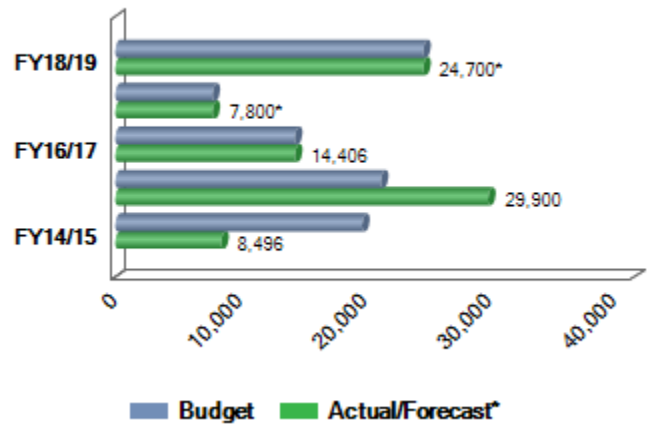
Adopted Budget to Actual/Forecast* (in millions)



CIP Technology

CIP Technology of \$24,700 is planned to help cover the Fleet Management's portion of citywide technology maintenance/replacement capital projects during FY 2018/19.

Adopted Budget to Actual/Forecast*



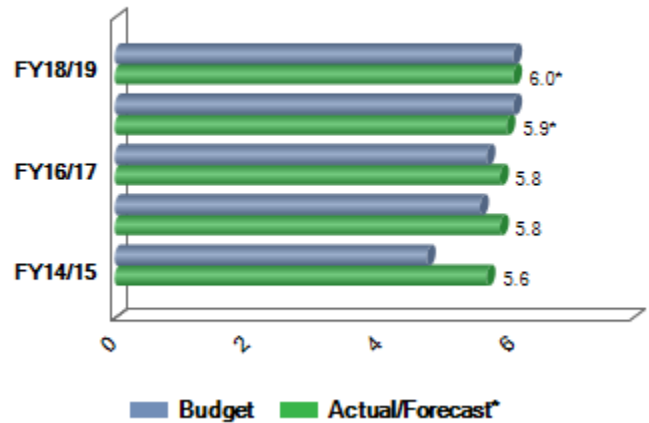
Fleet Management Fund Ending Balance

Fund balance protects the city's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when sources exceed uses. The city's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the city to "set aside savings" before allocated or spent as budgeted uses. The specific make-up of the city's Fleet Management Fund ending balance is as follows:

Designated for Future Acquisition

The Designated for Future Acquisition reserve is driven primarily by the city's vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles represents the "rental" rate for those vehicles. This charge becomes revenue to the Fleet Management Fund and applies to many vehicles with differing useful lives. Therefore, this revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases. The anticipated FY 2018/19 ending Designated for Future Acquisition fund balance is \$6.0 million, which is a \$0.1 million increase from the FY 2017/18 year-end forecast.

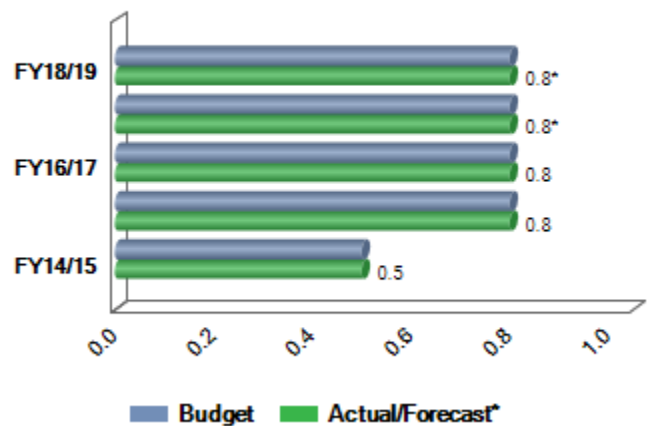
Adopted Budget to Actual/Forecast* (in millions)



Operating Contingency

Operating Contingency includes \$0.8 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

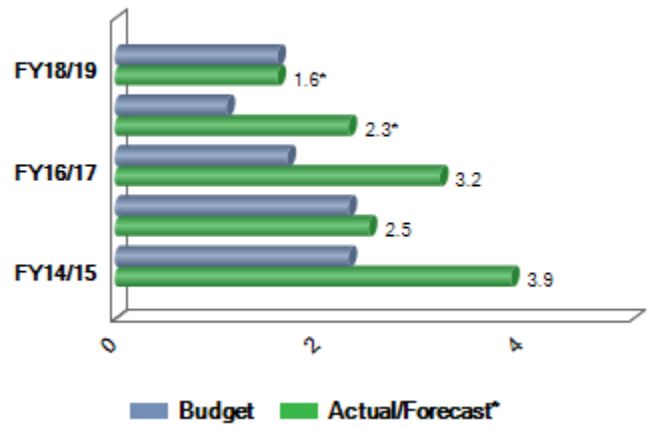
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

The FY 2018/19 ending fund balance includes an Undesignated, Unreserved Fund Balance of \$1.6 million, which represents an accumulation of one-time sources and it is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.

Adopted Budget to Actual/Forecast* (in millions)



Fund Purpose

This fund is used to account for the expenditures associated with purchasing the city's computers, monitors and printers. Replacement of computers, monitors and printers (hardware) is charged to the city divisions as an internal operating cost based on the quantity and type of hardware used. The divisions charges become revenue to the PC Replacement Fund.

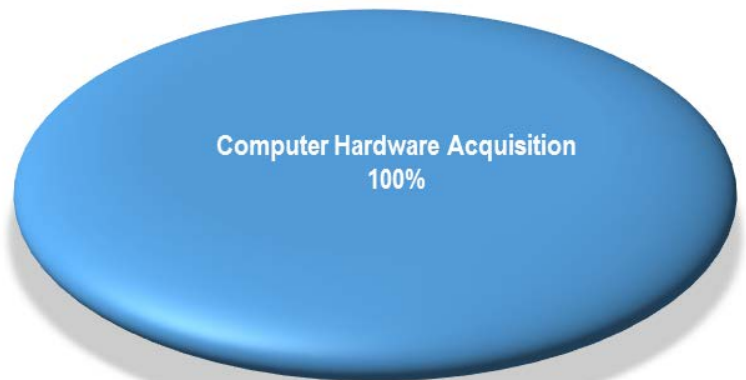
PC Replacement Fund Sources (in millions)

PC Replacement Fees	1.0
Total Revenue	1.0
Transfers In	-
Total Sources	1.0



PC Replacement Fund Uses (in millions)

Computer Hardware Acquisition	1.0 ¹
Internal Service Offset	(1.0)
Total Operating Budget	0.0
Transfers Out	-
Total Uses	0.0
Contingency/Reserves	0.5



Graph excludes the Internal Service Offset of (\$1.0) million

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

BUDGET BY FUND | PC Replacement Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Contingency	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,217,604	922,810	1,030,599	1,342,471
Total Beginning Fund Balance	1,717,604	1,422,810	1,530,599	1,842,471
Revenues				
PC Replacement Fees	985,785	1,021,072	1,021,072	1,027,240
Subtotal	985,785	1,021,072	1,021,072	1,027,240
Total Sources	985,785	1,021,072	1,021,072	1,027,240
Expenditures				
Computer Hardware Acquisition	1,172,790	709,200	709,200	1,034,300
Subtotal	1,172,790	709,200	709,200	1,034,300
TOTAL OPERATING BUDGET	1,172,790	709,200	709,200	1,034,300
Total Uses	1,172,790	709,200	709,200	1,034,300
Sources Over/(Under) Uses	(187,005)	311,872	311,872	(7,060)
Ending Fund Balance				
Operating Contingency	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,030,599	1,234,682	1,342,471	1,335,411
Total Ending Fund Balance	1,530,599	1,734,682	1,842,471	1,835,411

BUDGET BY FUND | PC Replacement Fund Five-Year Financial Forecast

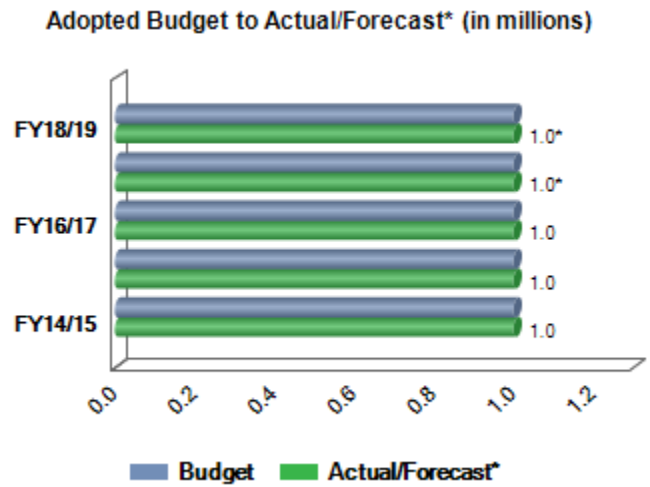
	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,342,471	1,335,411	1,022,611	538,411	457,211
Total Beginning Fund Balance	1,842,471	1,835,411	1,522,611	1,038,411	957,211
Revenues					
PC Replacement Fees	1,027,240	1,055,200	1,078,600	1,103,000	1,128,000
Subtotal	1,027,240	1,055,200	1,078,600	1,103,000	1,128,000
Total Sources	1,027,240	1,055,200	1,078,600	1,103,000	1,128,000
Expenditures					
Computer Hardware Acquisition	1,034,300	1,368,000	1,562,800	1,184,200	1,575,300
Subtotal	1,034,300	1,368,000	1,562,800	1,184,200	1,575,300
TOTAL OPERATING BUDGET	1,034,300	1,368,000	1,562,800	1,184,200	1,575,300
Total Uses	1,034,300	1,368,000	1,562,800	1,184,200	1,575,300
Sources Over/(Under) Uses	(7,060)	(312,800)	(484,200)	(81,200)	(447,300)
Ending Fund Balance					
Operating Contingency	500,000	500,000	500,000	500,000	500,000
Undesignated, Unreserved Fund Balance	1,335,411	1,022,611	538,411	457,211	9,911
Total Ending Fund Balance	1,835,411	1,522,611	1,038,411	957,211	509,911

PC Replacement Fund Sources

The PC Replacement Fund includes revenue from rates charged to the city divisions as internal operating costs to each program based on the quantity and type of hardware used. The only source of revenue to this fund is the PC Replacement Fees, detailed below.

PC Replacement Fees

PC Replacement Fees represents the rates charged to other city funds and programs sufficient for the acquisition and replacement of city computer hardware. The revenue for FY 2018/19 is \$1.0 million, which remains relatively flat from the FY 2017/18 year-end forecast. The amount collected is to ensure sufficient funding exists for hardware acquisition and replacement while also considering future needs. The goal is to minimize large projected increases/decreases each year to the rates that are charged to the divisions.

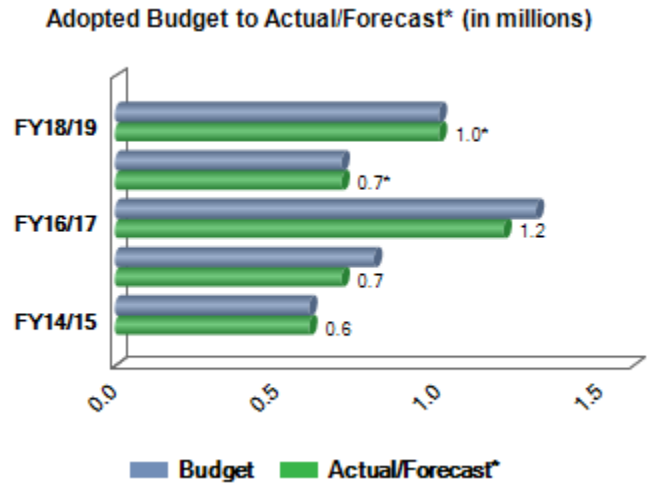


PC Replacement Fund Uses

The direct operating expenditures of the PC Replacement Fund are budgeted in the capital outlay category.

Computer Hardware Acquisition

Computer Hardware Acquisition includes the purchase of desktop computers, laptops, ruggedized laptops, monitors, and printers. The computer hardware inventory for the entire city is aggregated as one asset and is thus classified as a capital asset on the city's balance sheet. The adopted FY 2018/19 Computer Hardware Acquisition budget is \$1.0 million, which is \$0.3 million higher than the FY 2017/18 year-end forecast. The expenditures vary from year to year depending on the replacement schedule.



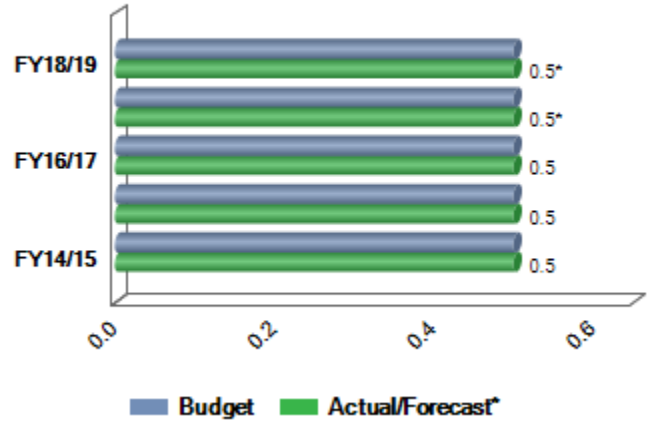
PC Replacement Fund Ending Balance

The PC Replacement Fund ending balance varies primarily due to the hardware replacement schedule. The fund balance at the end of each year includes the accumulated balance to be used for future year hardware purchases. The PC Replacement Fund ending balance includes: Operating Contingency and Undesignated, Unreserved Fund Balance.

Operating Contingency

Operating Contingency includes \$0.5 million of budget authorization to offset unforeseen expenses that occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

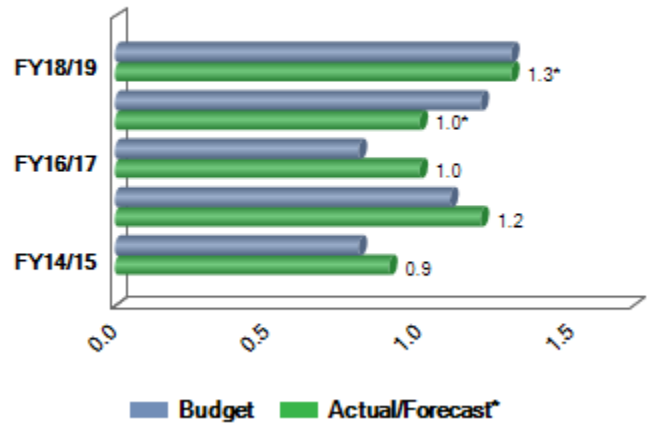
Adopted Budget to Actual/Forecast* (in millions)



Undesignated, Unreserved Fund Balance

Undesignated, Unreserved Fund Balance accounts for any funds remaining after the designation of all other reserves/uses. The FY 2018/19 ending undesignated, unreserved fund balance is \$1.3 million. This balance represents an accumulation of sources and is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.

Adopted Budget to Actual/Forecast* (in millions)

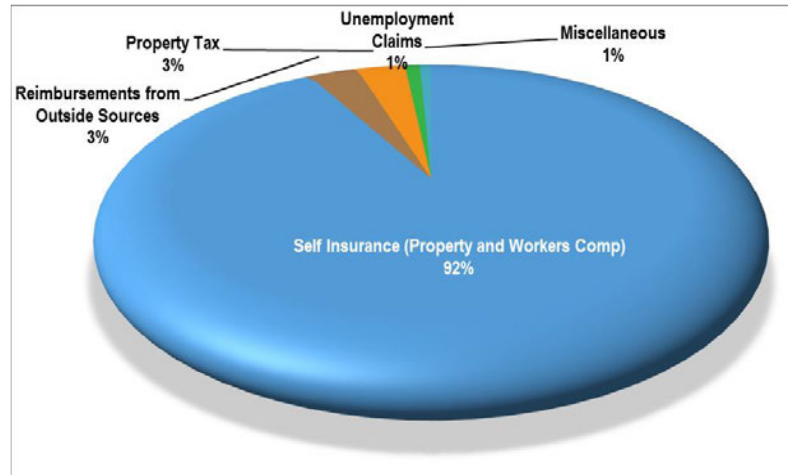


Fund Purpose

The Risk Management Fund is used to account for the city's self insurance, safety and risk management functions. Revenue to this fund is derived from internal charges to city departments and is captured as internal rates. Payments for unemployment, workers' compensation, and property and liability claims are made from this fund.

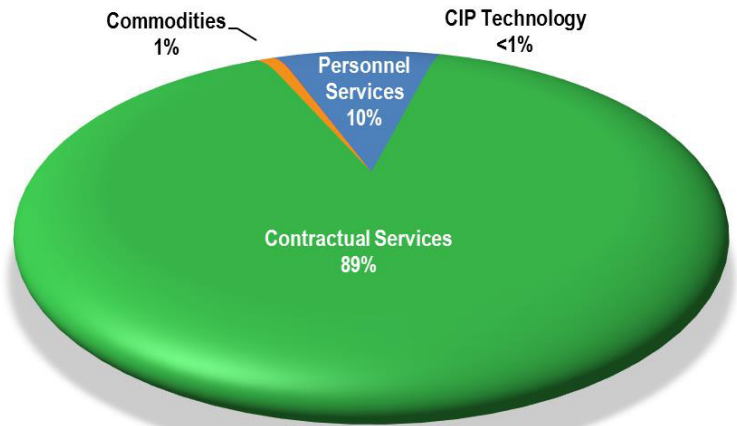
Risk Management Fund Sources (in millions)

Self Insurance (Property and Workers Comp)	9.5
Reimbursements from Outside Sources	0.3
Property Tax	0.3
Unemployment Claims	0.1
Miscellaneous	0.1
Total Sources	10.3



Risk Management Fund Uses (in millions)

Personnel Services	0.9
Contractual Services	8.2
Commodities	0.1
Internal Service Offset	(9.6)
Adopted Budget	(0.5)
Transfers Out	
CIP Technology	0.0
Total Transfers Out	0.0
Total Uses	(0.5)
Contingency/Reserves	2.5



Graph excludes the Internal Service Offset of (\$9.6) million

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

BUDGET BY FUND | Risk Management Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	13,567,493	16,047,371	16,325,572	18,940,805
Total Beginning Fund Balance	16,067,493	18,547,371	18,825,572	21,440,805
Revenues				
Self Insurance (Property and Workers Comp)	9,500,000	9,700,000	9,700,000	9,500,000
Reimbursements from Outside Sources	442,441	325,000	325,000	325,000
Property Tax	982,000	1,046,624	1,046,624	320,667
Unemployment Claims	107,046	100,000	100,000	100,000
Miscellaneous	113,592	100,000	100,000	75,000
Subtotal	11,145,078	11,271,624	11,271,624	10,320,667
Total Sources	11,145,078	11,271,624	11,271,624	10,320,667
Expenditures				
Insurance & Bond Premiums	2,025,676	2,527,280	2,127,280	2,227,280
Liability	1,591,188	2,205,360	2,205,360	2,535,191
Physical Damage	499,978	342,442	342,442	311,600
Risk Management	935,294	1,071,988	1,090,393	1,119,558
Safety Grants Program	25,270	50,500	50,500	50,500
Unemployment	18,136	35,000	35,000	35,000
Workers Compensation	3,287,940	2,803,116	2,803,116	2,803,116
Citywide Pay Program	-	21,327	-	23,387
Compensation Other	-	-	-	34,455
Vacation Trade	-	-	-	1,727
Subtotal	8,383,482	9,057,013	8,654,091	9,141,814
TOTAL OPERATING BUDGET	8,383,482	9,057,013	8,654,091	9,141,814
Transfers Out				
CIP Technology	3,517	2,300	2,300	7,300
Subtotal	3,517	2,300	2,300	7,300
Total Uses	8,386,999	9,059,313	8,656,391	9,149,114
Sources Over/(Under) Uses	2,758,079	2,212,311	2,615,233	1,171,553
Ending Fund Balance				
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	16,325,572	18,259,682	18,940,805	20,112,358
Total Ending Fund Balance	18,825,572	20,759,682	21,440,805	22,612,358

BUDGET BY FUND | Risk Management Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	18,940,805	20,112,358	20,943,158	21,462,958	21,695,658
Total Beginning Fund Balance	21,440,805	22,612,358	23,443,158	23,962,958	24,195,658
Revenues					
Self Insurance (Property and Workers Comp)	9,500,000	9,500,400	9,500,400	9,500,400	9,500,400
Reimbursements from Outside Sources	325,000	325,000	325,000	325,000	325,000
Property Tax	320,667	300,000	300,000	300,000	300,000
Unemployment Claims	100,000	100,000	100,000	100,000	100,000
Miscellaneous	75,000	75,000	75,000	75,000	75,000
Subtotal	10,320,667	10,300,400	10,300,400	10,300,400	10,300,400
Total Sources	10,320,667	10,300,400	10,300,400	10,300,400	10,300,400
Expenditures					
Insurance & Bond Premiums	2,227,280	2,335,000	2,447,400	2,565,100	2,688,900
Liability	2,535,191	2,602,200	2,662,500	2,720,500	2,782,200
Physical Damage	311,600	319,800	327,300	334,400	342,000
Risk Management	1,119,558	1,133,500	1,147,200	1,160,600	1,175,000
Safety Grants Program	50,500	51,900	53,200	54,200	55,400
Unemployment	35,000	35,900	36,800	37,600	38,400
Workers Compensation	2,803,116	2,877,200	2,943,800	3,008,000	3,076,400
Citywide Pay Program	23,387	46,000	70,300	92,400	113,900
Compensation Other	34,455	62,500	87,300	87,400	87,600
Vacation Trade	1,727	1,800	1,800	1,900	1,900
Subtotal	9,141,814	9,465,800	9,777,600	10,062,100	10,361,700
TOTAL OPERATING BUDGET	9,141,814	9,465,800	9,777,600	10,062,100	10,361,700
Transfers Out					
CIP Technology	7,300	3,800	3,000	5,600	8,200
Subtotal	7,300	3,800	3,000	5,600	8,200
Total Uses	9,149,114	9,469,600	9,780,600	10,067,700	10,369,900
Sources Over/(Under) Uses	1,171,553	830,800	519,800	232,700	(69,500)
Ending Fund Balance					
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	20,112,358	20,943,158	21,462,958	21,695,658	21,626,158
Total Ending Fund Balance	22,612,358	23,443,158	23,962,958	24,195,658	24,126,158

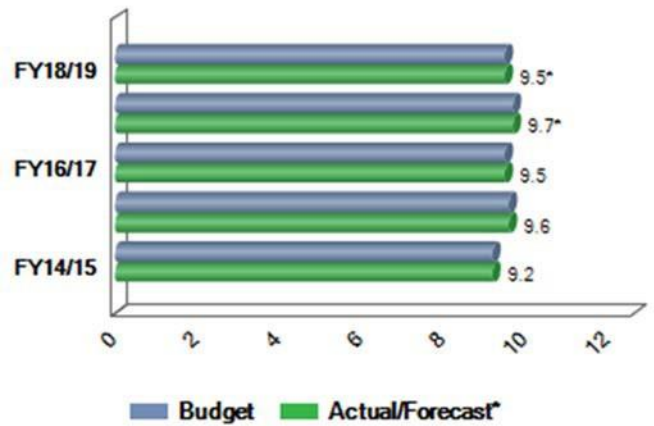
Risk Management Fund Sources

Sources received in the Risk Management Fund consist of Self Insurance (Property and Workers Comp), Property Tax, Reimbursements from Outside Sources, Property Tax, Unemployment Claims and Miscellaneous. More specific information on these sources is detailed below.

Self Insurance (Property and Workers Comp)

Self Insurance (Property and Workers Comp) represent this fund's operating resources, which are derived from internal charges for services to other city divisions. The fund covers excess insurance premiums, administrative charges and claim payments for general and auto liability/physical damages, workers' compensation, and property damage. The FY 2018/19 sources budget for Self Insurance (Property and Workers Comp) rates is \$9.5 million.

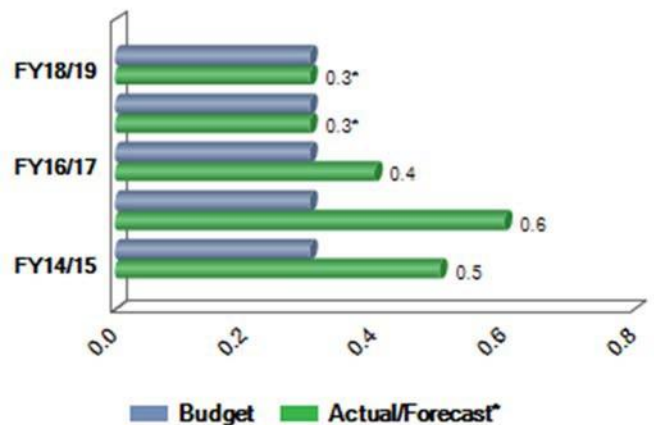
Adopted Budget to Actual/Forecast* (in millions)



Reimbursements from Outside Sources

Reimbursements from Outside Sources represent sources received from insurance claims. The primary component of this source is subrogation where the city seeks reimbursement from third party insurance companies for damage occurring on or to city property. Reimbursements from Outside Sources for FY 2018/19 are \$0.3 million, which remains consistent with the FY 2017/18 year-end forecast.

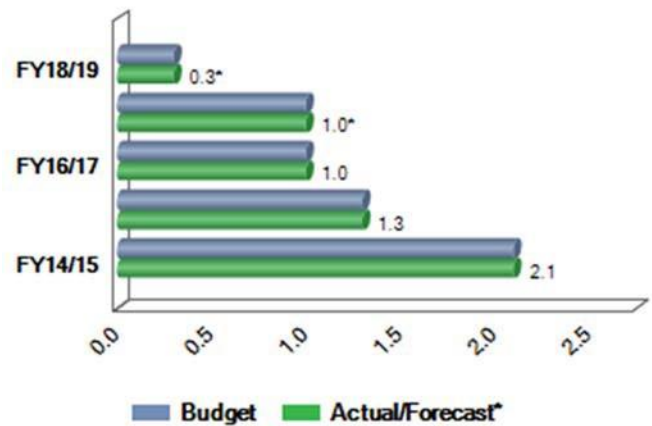
Adopted Budget to Actual/Forecast* (in millions)



Property Tax

This revenue represents a reimbursement to the city's Risk Management Fund for the liability tort settlements and judgments approved by City Council and paid during the most recently completed calendar year. The inclusion of the tort claim reimbursements in the city's primary tax levy is allowed per a March 20, 1986 Arizona Attorney General opinion. The tort expenses are paid from the Risk Management Fund therefore the reimbursement becomes revenue to this fund. The budgeted tort claims for FY 2018/19 total \$0.3 million.

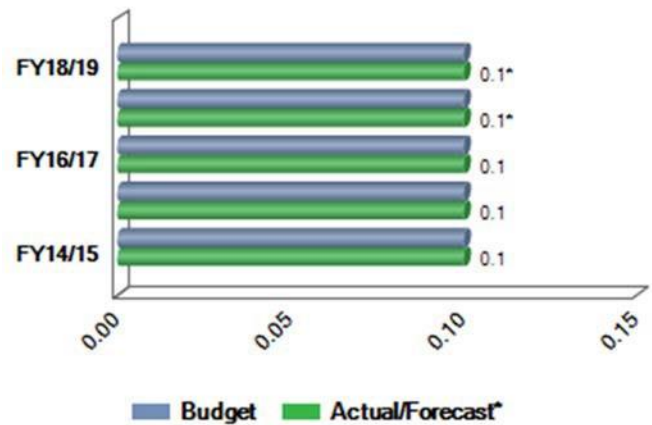
Adopted Budget to Actual/Forecast* (in millions)



Unemployment Claims

Unemployment Claims revenue represents reimbursement for administrative charges and claim payments. The budgeted revenue from the unemployment claims for FY 2018/19 is \$0.1 million, which remains consistent with the FY 2017/18 year-end forecast.

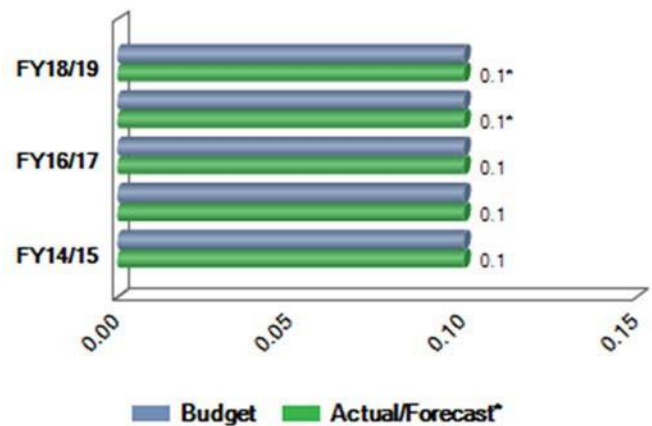
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

Miscellaneous revenue represents special event reimbursement related to services provided by off-duty police officers. When an off-duty police officer is contracted for services certain insurance requirements must be met. If the event producer does not meet the specified insurance thresholds, additional costs are billed to cover potential city liability. When Public Safety - Police Division receives these reimbursements, they are then deposited into the city's Risk Management Fund. This revenue for FY 2018/19 is budgeted at \$0.1 million which is consistent with FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast* (in millions)



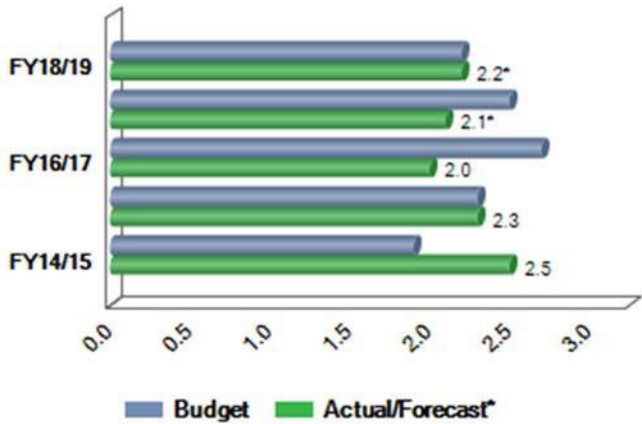
Risk Management Fund Uses

The direct operating expenditures of the Risk Management Fund are divided into the following major expenditure categories: Insurance & Bond Premiums, Liability, Physical Damage, Risk Management, Safety Grants Program, Unemployment, Workers Compensation, Citywide Pay Program, Compensation Other, and Vacation Trade. There are also cash transfers out to the CIP Fund.

Insurance & Bond Premiums

Insurance & Bond Premiums include various citywide insurance policies for umbrella type coverage offering protection against large or ongoing claims. The adopted budget for FY 2018/19 is \$2.2 million, which is \$0.1 million more than the FY 2017/18 year-end forecast of \$2.1 million.

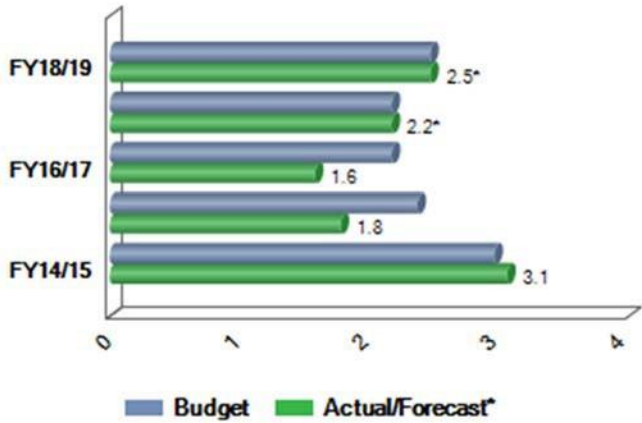
Adopted Budget to Actual/Forecast* (in millions)



Liability

Liability primarily includes claim payments and legal costs for all activity not related to physical damage or workers compensation claims. The adopted budget for FY 2018/19 is \$2.5 million, which is \$0.3 more than the FY 2017/18 year-end forecast.

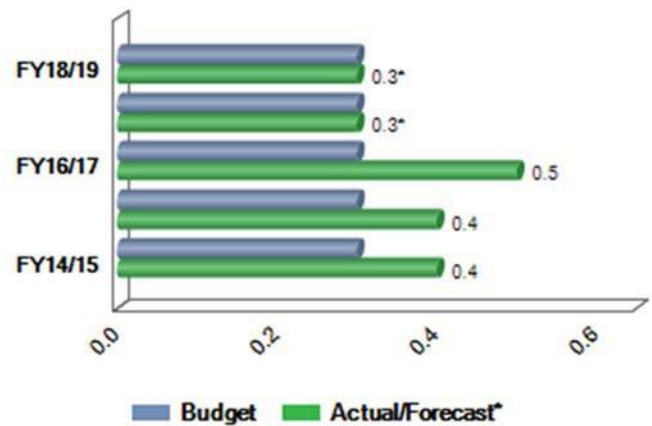
Adopted Budget to Actual/Forecast* (in millions)



Physical Damage

Physical Damage is a claim used to pay for physical damage to city property or city vehicles. The budgeted expenditures for FY 2018/19 is \$0.3 million, which remains consistent with FY 2017/18 year-end forecast. FY 2016/17 had higher than anticipated damage to city vehicles.

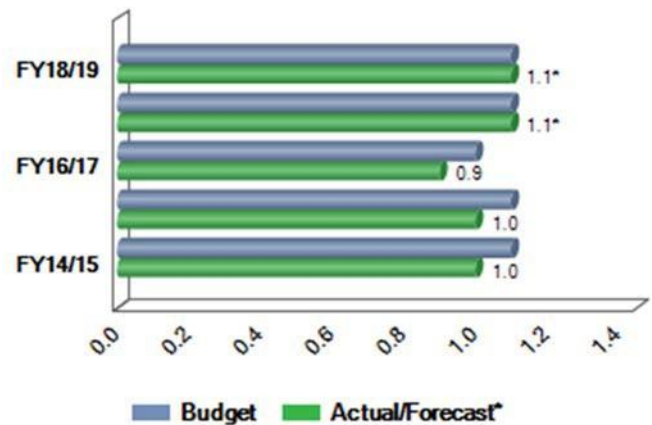
Adopted Budget to Actual/Forecast* (in millions)



Risk Management

Risk Management operating budget is for day to day operations of the department. The operating budget for FY 2018/19 is \$1.1 million, which remains consistent with FY 2017/18 year-end forecast.

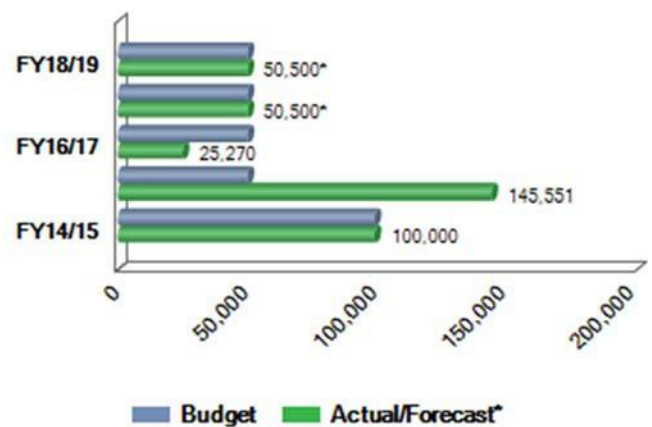
Adopted Budget to Actual/Forecast* (in millions)



Safety Grants Program

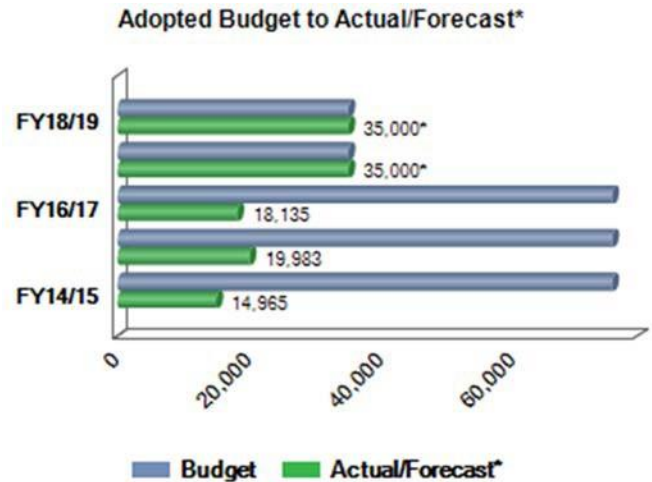
Safety Grants Program is for city departments to request funds to pay for office furniture/equipment, office operating supplies, and protective clothing that would enhance safety or reduce a known loss in the workplace. In order to receive these funds certain criteria must be met and no other funding source available. Beginning in FY 2016/17, the city's safety and wellness coordinator funding changed from the Risk Management Fund to the General Fund as this position was no longer the safety and wellness coordinator for the entire organization but began focusing exclusively on Public Safety - Fire, which is a division funded by the General Fund. The budgeted expenditure for FY 2018/19 is \$50,500, which is consistent with FY 2017/18 year-end forecast.

Adopted Budget to Actual/Forecast*



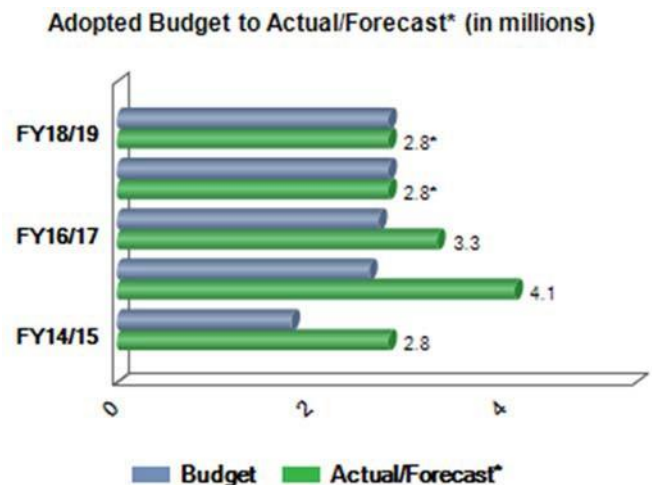
Unemployment

Unemployment represents claims which can be paid to terminated city employees who qualify. The budgeted expenditure for FY 2018/19 is \$35,000, which remains consistent with the FY 2017/18 year-end forecast.



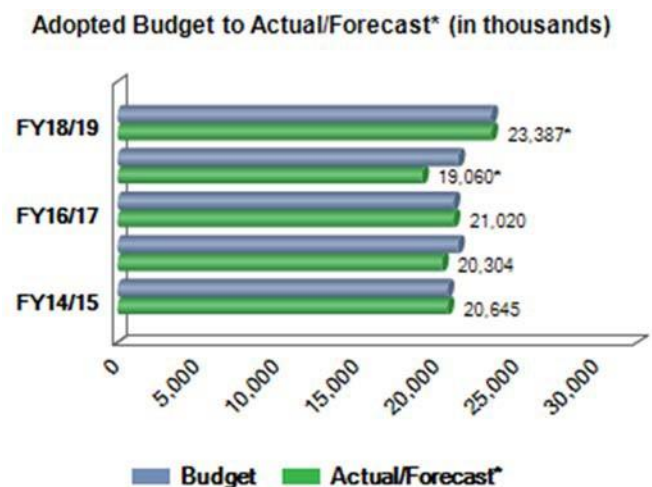
Workers Compensation

Workers Compensation represents claims paid to current city employees in the event there is an injury, illness, or disease occurring in the course of city employment. The budgeted expenditure for FY 2018/19 is \$2.8 million. FY 2015/16 actual amount shows an increase in medical claims, which caused medical bill review services expense to increase. This resulted in \$4.1 million in medical claim expenses, which was \$1.5 million above the FY 2015/16 budgeted amount.



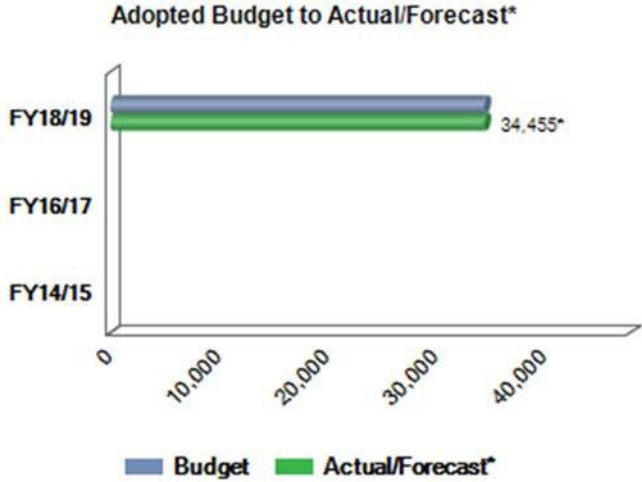
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaled \$23,387 for FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. At the time the budget is adopted it is unknown which employees will receive an increase and for how much. Therefore, the citywide program is budgeted at a macro level and then paid based on actual increases. The actual amount spent each year was at or below the adopted budget.



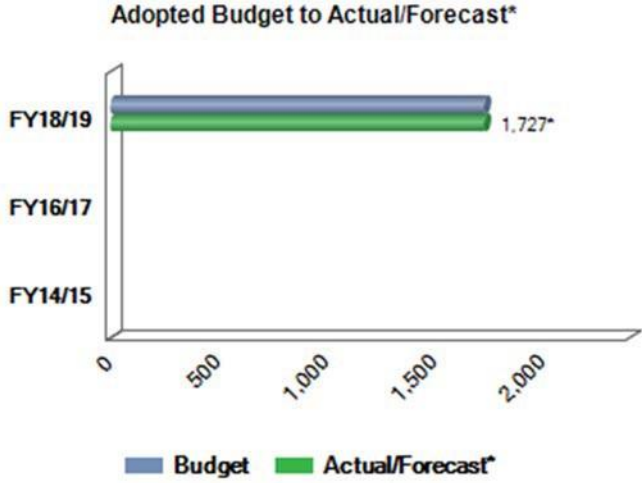
Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.



Vacation Trade

Beginning in FY 2018/19 the city is reinstating an annual vacation buy-back program that was eliminated in FY 2009/10. Employees who have been employed by the city for ten years or more and have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation time for cash. The FY 2018/19 Risk Management Fund adopted budget includes \$1,727 for the vacation trade program.

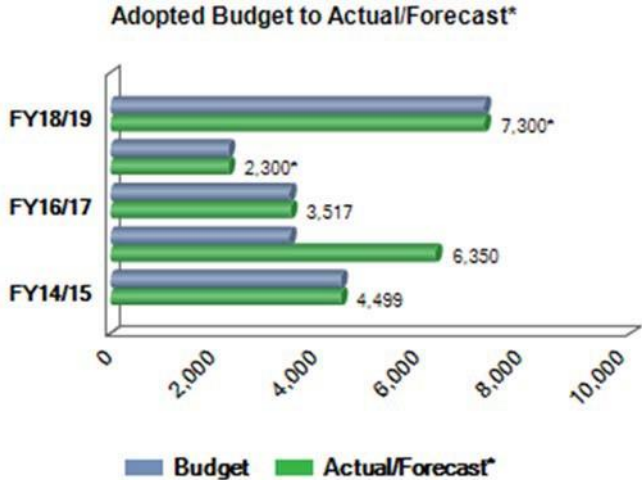


Transfers Out

Transfers Out is the authorized movement of cash or other resources to other funds and/or capital projects.

CIP Technology

CIP Technology of \$7,300 is planned to help cover the Risk Management's portion of citywide technology maintenance/replacement capital projects during FY 2018/19. Additionally, in FY 2015/16 there was a City Council approved one-time transfer to the Healthcare Self Insurance Fund to help absorb the accumulated deficit related to non-disabled retirees.



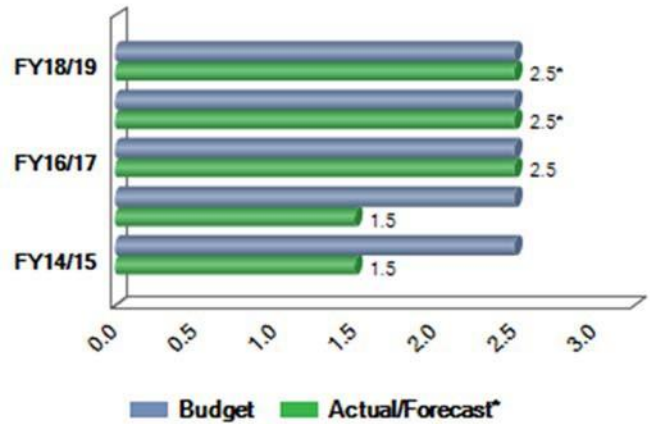
Risk Management Fund Ending Balance

Fund balance protects the city's financial condition and provide for unexpected economic challenges. The specific make-up of the city's Risk Management Fund ending balance and reserves are noted in the following:

Operating Contingency

Operating Contingency includes \$2.5 million of budget authorization in the event that unforeseen expenses occur during the fiscal year. Contingency funds are utilized only after all budget options have been examined and requires City Council approval.

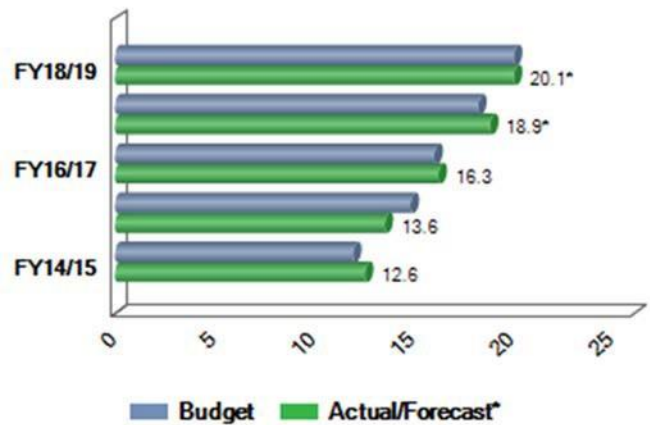
Adopted Budget to Actual/Forecast* (in millions)



Operating Reserve

Operating Reserve is maintained to provide coverage for unforeseen expenses. The required operating reserve is set by the Loss Trust Fund Board and has been determined to be an 85 percent confidence level of the most recent actuarial assessment. Each year the projected balance is actuarially determined based on current actual losses and potential outstanding claims. The projected FY 2018/19 operating reserve is approximately \$20.1 million, which is an increase of \$1.2 million from the FY 2017/18 year-end forecast and meets the 85 percent confidence level.

Adopted Budget to Actual/Forecast* (in millions)





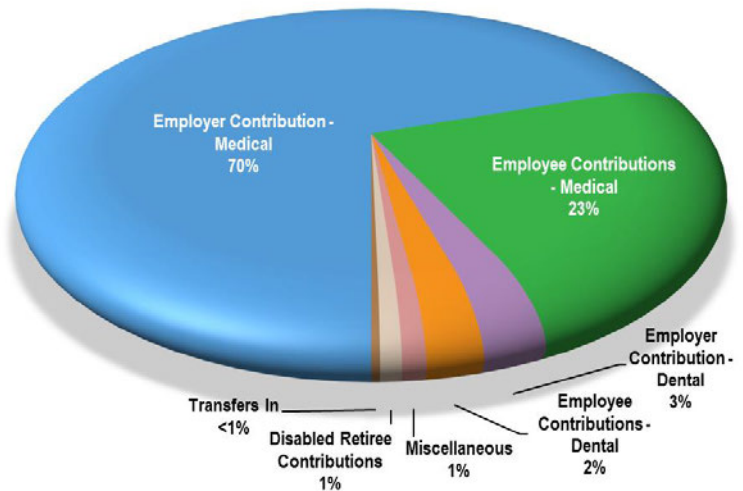
FY 2018/19 Adopted Budget

Fund Purpose

The Healthcare Self Insurance Fund is used to account for the city’s self insured medical and dental benefits. Revenue to this fund is derived from premiums charged to both the city and employees. The premiums are collected for the city’s portion by charging the divisions and through payroll deductions for the employee’s portion. Revenue is also collected through premium charges to public safety disabled retirees (including per City Council direction, a subsidy from the General Fund to cover Public Safety disabled retirees costs that exceed the premium charges) as well as State subsidies on healthcare contributions, COBRA, and stop loss insurance recoveries. This fund provides payment of actual healthcare expenses (medical, behavioral, prescription and dental claims) as well as claims administration and other benefit plan expenses.

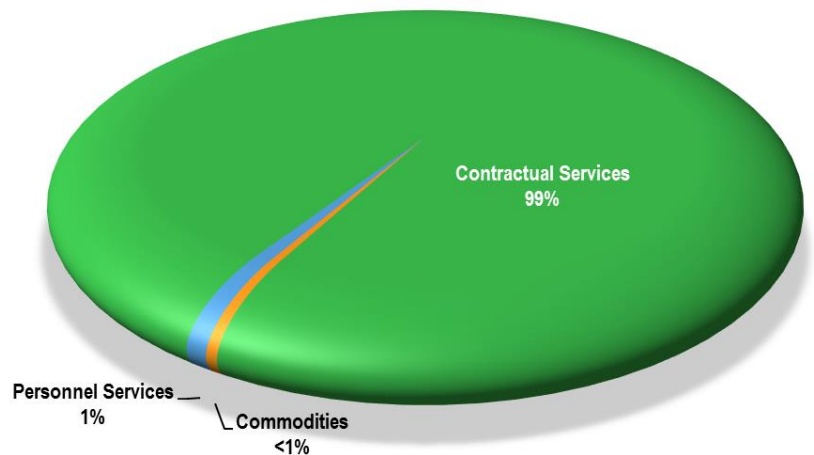
Healthcare Self Insurance Fund Sources (in millions)

Employer Contribution - Medical	23.2
Employee Contributions - Medical	7.7
Employer Contribution - Dental	0.9
Employee Contributions - Dental	0.8
Miscellaneous	0.3
Disabled Retiree Contributions	0.3
Total Revenue	33.1
Transfers In	0.1
Total Sources	33.2



Healthcare Self Insurance Fund Uses (in millions)

Personnel Services	0.3
Contractual Services	31.7
Commodities	0.2
Internal Service Offset	(24.0)
Total Operating Budget	8.1
Transfers Out	-
Total Uses	8.1



Graph excludes the Internal Service Offset of (\$24.0) million

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

BUDGET BY FUND | Healthcare Self Insurance Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Healthcare Claims Reserve	4,132,589	5,492,248	7,320,542	6,138,178
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000
Total Beginning Fund Balance	6,632,589	7,992,248	9,820,542	8,638,178
Revenues				
Employer Contribution - Medical	20,897,520	21,195,321	21,195,321	23,155,032
Employee Contributions - Medical	7,212,618	7,402,203	7,402,203	7,713,405
Employer Contribution - Dental	771,061	774,600	774,600	877,326
Employee Contributions - Dental	738,987	743,500	743,500	763,455
Miscellaneous	256,190	305,500	301,914	317,297
Disabled Retiree Contributions	213,310	279,984	261,480	282,832
Subtotal	30,089,685	30,701,108	30,679,018	33,109,347
Transfers In				
Operating	285,170	230,000	150,000	114,425
Subtotal	285,170	230,000	150,000	114,425
Total Sources	30,374,855	30,931,108	30,829,018	33,223,772
Expenditures				
Medical Claims	24,197,378	27,649,064	28,738,882	28,893,105
Dental Claims	1,307,444	1,412,876	1,412,876	1,460,184
Insurance & Bond Premiums	573,231	687,250	687,250	604,546
Administrative Fees	592,980	506,215	506,215	494,458
Live Life Well Program	229,795	360,000	360,000	353,998
City Administration	214,479	215,775	218,917	202,916
Behavioral Health Insurance Claims	71,594	87,242	87,242	78,903
Citywide Pay Program	-	2,487	-	2,690
Compensation Other	-	-	-	2,624
Subtotal	27,186,902	30,920,909	32,011,382	32,093,424
TOTAL OPERATING BUDGET	27,186,902	30,920,909	32,011,382	32,093,424
Total Uses	27,186,902	30,920,909	32,011,382	32,093,424
Sources Over/(Under) Uses	3,187,953	10,199	(1,182,364)	1,130,348
Ending Fund Balance				
Healthcare Claims Reserve	7,320,542	5,502,447	6,138,178	7,268,526
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000
Total Ending Fund Balance	9,820,542	8,002,447	8,638,178	9,768,526

BUDGET BY FUND | Healthcare Self Insurance Fund Five-Year Financial Forecast

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Healthcare Claims Reserve	6,138,178	7,268,526	7,960,826	8,131,626	7,575,526
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Beginning Fund Balance	8,638,178	9,768,526	10,460,826	10,631,626	10,075,526
Revenues					
Employer Contribution - Medical	23,155,032	24,989,500	26,970,700	29,110,500	31,421,400
Employee Contributions - Medical	7,713,405	8,348,400	9,034,300	9,687,300	10,386,500
Employer Contribution - Dental	877,326	931,400	945,100	968,500	969,600
Employee Contributions - Dental	763,455	786,400	809,900	834,200	859,300
Miscellaneous	317,297	322,300	327,400	332,700	337,300
Disabled Retiree Contributions	282,832	297,000	311,800	327,400	343,800
Subtotal	33,109,347	35,675,000	38,399,200	41,260,600	44,317,900
Transfers In					
Operating	114,425	134,500	156,600	181,100	208,900
Subtotal	114,425	134,500	156,600	181,100	208,900
Total Sources	33,223,772	35,809,500	38,555,800	41,441,700	44,526,800
Expenditures					
Medical Claims	28,893,105	31,762,500	34,918,300	38,388,800	42,205,100
Dental Claims	1,460,184	1,505,000	1,551,100	1,598,700	1,647,700
Insurance & Bond Premiums	604,546	652,900	705,200	761,500	822,500
Administrative Fees	494,458	517,200	541,100	566,500	593,300
Live Life Well Program	353,998	354,000	354,000	354,000	354,000
City Administration	202,916	232,700	213,100	218,400	249,200
Behavioral Health Insurance Claims	78,903	82,900	87,200	91,800	96,300
Citywide Pay Program	2,690	5,600	8,500	11,500	14,700
Compensation Other	2,624	4,400	6,500	6,600	6,500
Subtotal	32,093,424	35,117,200	38,385,000	41,997,800	45,989,300
TOTAL OPERATING BUDGET	32,093,424	35,117,200	38,385,000	41,997,800	45,989,300
Total Uses	32,093,424	35,117,200	38,385,000	41,997,800	45,989,300
Sources Over/(Under) Uses	1,130,348	692,300	170,800	(556,100)	(1,462,500)
Ending Fund Balance					
Healthcare Claims Reserve	7,268,526	7,960,826	8,131,626	7,575,526	6,113,026
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Ending Fund Balance	9,768,526	10,460,826	10,631,626	10,075,526	8,613,026

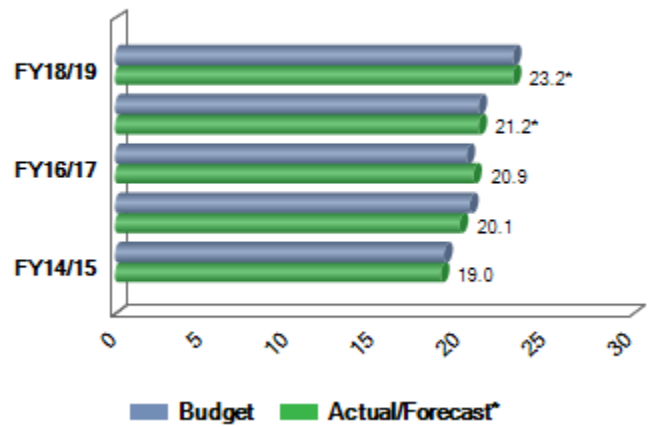
Healthcare Self Insurance Fund Sources

Healthcare Self Insurance Fund sources for FY 2018/19 equal \$33.2 million, which is an increase of \$2.4 million from the FY 2017/18 year-end forecast, mostly due to higher medical premiums as a result of increased healthcare costs, implementing a blood pressure incentive for spouses, adding naturopathic and acupuncture office visits to all plans, and reducing physical therapy and chiropractic co-pay by \$10. Sources include city and employees' contributions for medical and dental premiums, miscellaneous revenues, Public Safety disabled retiree contributions and transfers in.

Employer Contribution – Medical

This revenue represents the city's contribution towards employee healthcare premiums. The city's premium cost sharing varies for the four healthcare plans offered. The city contributes 78 percent of the employee only premium for the richest plan and 89 percent of the lowest cost plan. The FY 2018/19 adopted budget of \$23.2 million represents an increase of \$2.0 million from the FY 2017/18 year-end forecast.

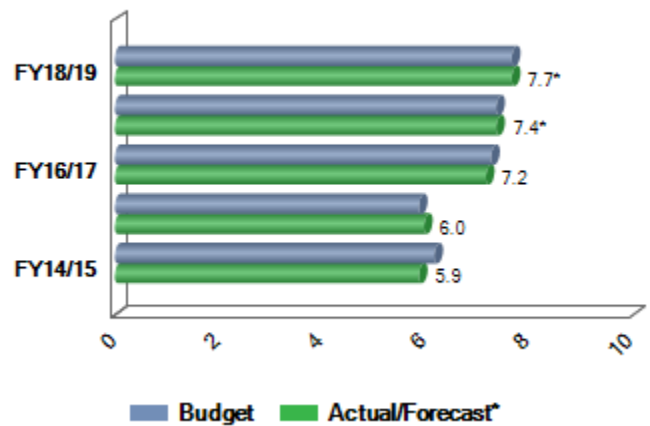
Adopted Budget to Actual/Forecast* (in millions)



Employee Contributions – Medical

This revenue captures the employee portion of healthcare premiums collected through payroll deductions, and continuation of healthcare coverage (COBRA). The FY 2018/19 adopted budget of \$7.7 million, represents an increase of \$0.3 million from the FY 2017/18 year-end forecast.

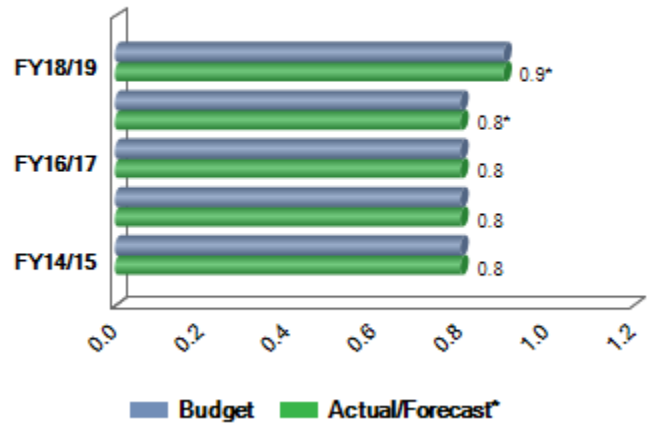
Adopted Budget to Actual/Forecast* (in millions)



Employer Contribution – Dental

This revenue is comprised of the city's contribution to the dental premiums. The city contributes 100 percent of the employee only premium cost for the Health Maintenance Organization (HMO) dental plan and 88 percent of the employee only portion of the premium cost for the Preferred Provider Organization (PPO) dental plan. The FY 2018/19 adopted budget of \$0.9 million represents an increase of \$0.1 million from the FY 2017/18 year-end forecast. The increase is primarily the result of removing the deductible for in-network preventive care cleanings.

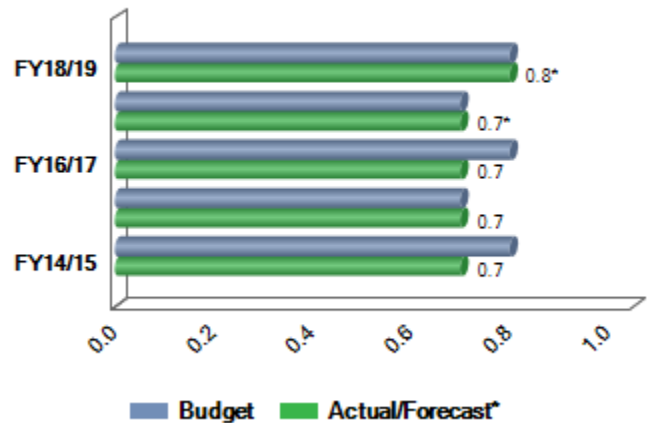
Adopted Budget to Actual/Forecast* (in millions)



Employee Contributions – Dental

This revenue captures the employee portion of dental premiums collected through payroll deductions, as well as COBRA elections. FY 2018/19 is estimated at \$0.8 million, which is \$0.1 million higher than the FY 2017/18 year-end forecast. The increase is primarily the result of removing the deductible for in-network preventive care cleanings.

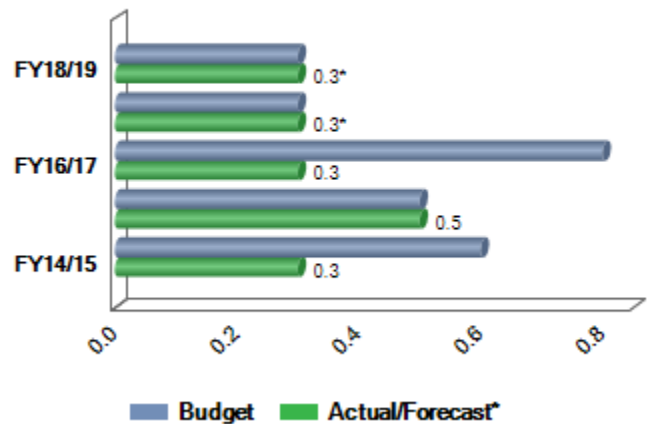
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous

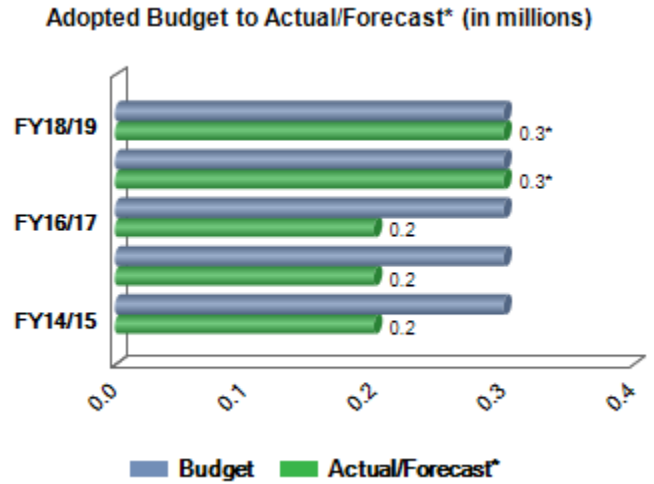
Miscellaneous revenues include state subsidy contributions for qualifying employees as well as reimbursements on medical claims over the city's stop loss limit. The FY 2018/19 adopted budget of \$0.3 million is relatively flat compared to the FY 2017/18 year-end forecast. In prior years, the pharmacy rebates received under the agreement with Cigna were included as a part of this budget. However, pharmacy rebates that were received were recorded as credits to medical claims expenditures creating a budget to actual variance. Beginning in FY 2017/18, pharmacy rebates are budgeted as credits to medical claims expenditures. There was a large pharmacy rebate expected in FY 2016/17.

Adopted Budget to Actual/Forecast* (in millions)



Disabled Retiree Contributions

This revenue captures the Public Safety disabled retiree healthcare premiums collected through direct collections at the same rate as an active employee. The FY 2018/19 adopted budget of \$0.3 million is relatively flat compared to the FY 2017/18 year-end forecast.

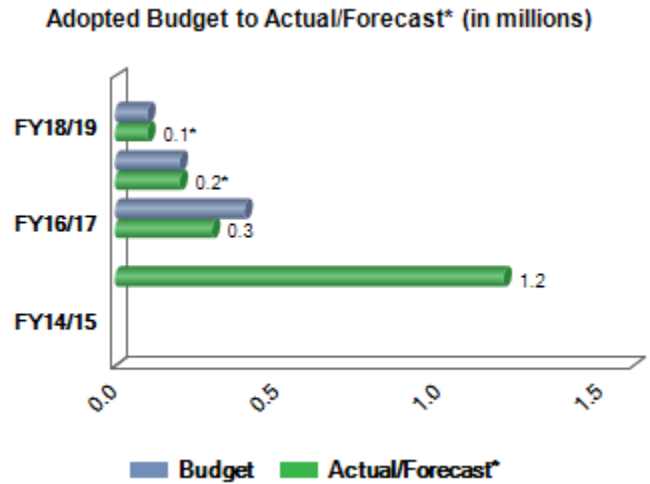


Transfers In

Transfers In is the authorized movement of cash or other resources from other funds and/or capital projects.

Operating

Operating includes a transfer in from the General Fund per City Council direction to subsidize the annual costs that exceeded premium collections for Public Safety disabled retirees. Total operating transfer in for FY 2018/19 is \$0.1 million, which is \$0.1 million lower than the FY 2017/18 year-end forecast. In FY 2015/16 a transfer from various funds was approved by Council to absorb the accumulated deficit for costs associated with non-disabled retirees that were previously on the city's healthcare plan.



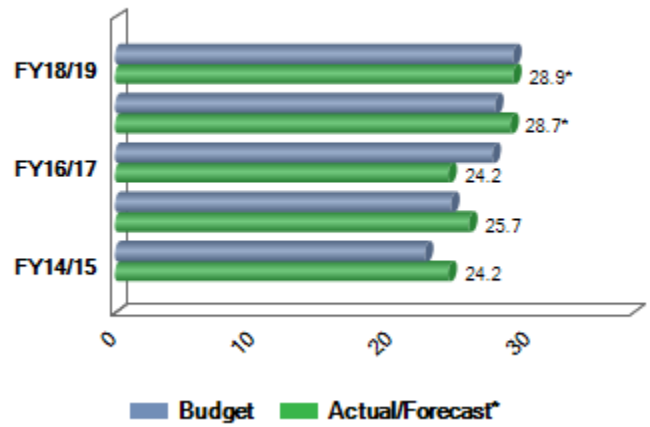
Healthcare Self Insurance Fund Uses

The direct operating expenditures of the Healthcare Self Insurance Fund include: medical and dental claims, insurance & bond premiums, administrative fees and health related programs.

Medical Claims

Includes all medical claims expenses for members of the plans, including employees, COBRA participants, public safety disabled retirees and families. The FY 2018/19 adopted budget of \$28.9 million represents an increase of \$0.2 million from the FY 2017/18 year-end forecast due to the increasing costs of healthcare, implementing a blood pressure incentive for spouses, adding naturopathic and acupuncture office visits to all plans and reducing physical therapy and chiropractic co-pay by \$10.

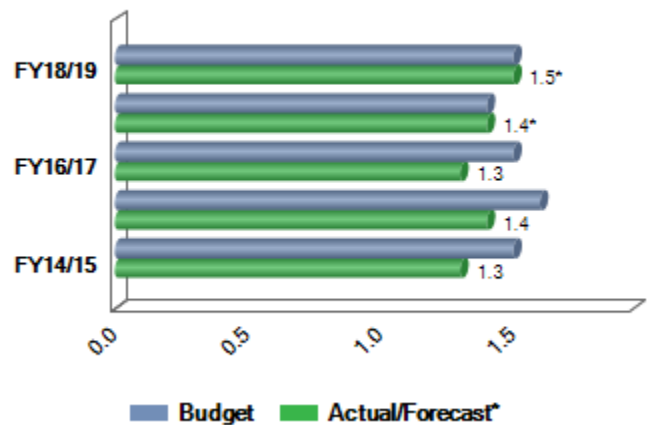
Adopted Budget to Actual/Forecast* (in millions)



Dental Claims

Includes all dental claims. The adopted FY 2018/19 budget is \$1.5 million, which is slightly higher than the FY 2017/18 year-end forecast due to the removal of the deductible for in-network preventive cleanings.

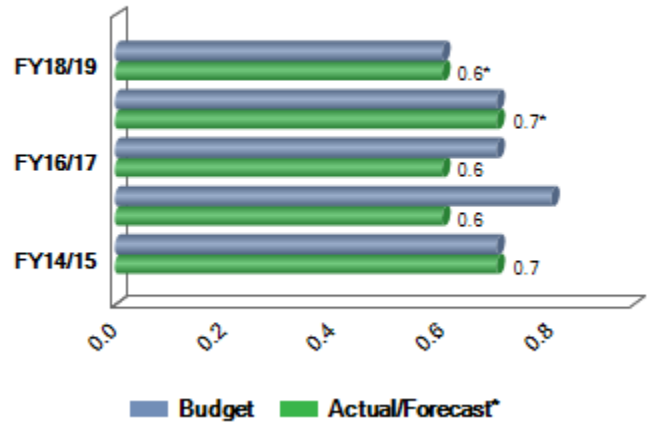
Adopted Budget to Actual/Forecast* (in millions)



Insurance & Bond Premiums

Insurance & Bond Premiums includes the stop-loss insurance purchased to limit the city's exposure to large dollar claims. This type of coverage is used to ensure catastrophic claims do not upset the financial reserves of the self funded plan. The adopted FY 2018/19 budget of \$0.6 million is \$0.1 million lower than the FY 2017/18 year-end forecast.

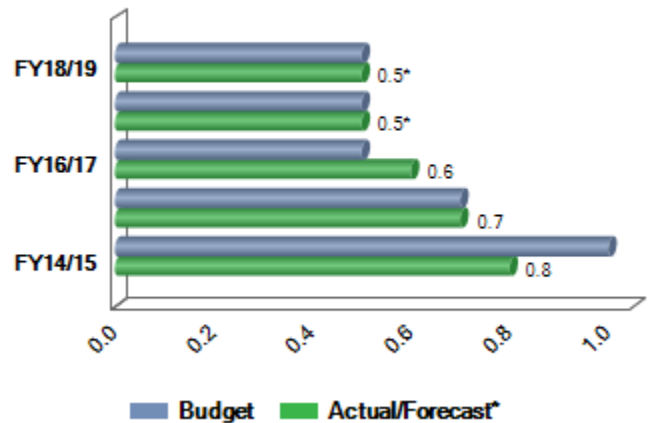
Adopted Budget to Actual/Forecast* (in millions)



Administrative Fees

Administrative Fees are the cost incurred for administering the healthcare and dental plans. The significant decrease from prior years is related to changing providers and to receiving more favorable terms. The FY 2018/19 adopted budget of \$0.5 million is relatively flat with the FY 2017/18 year-end forecast.

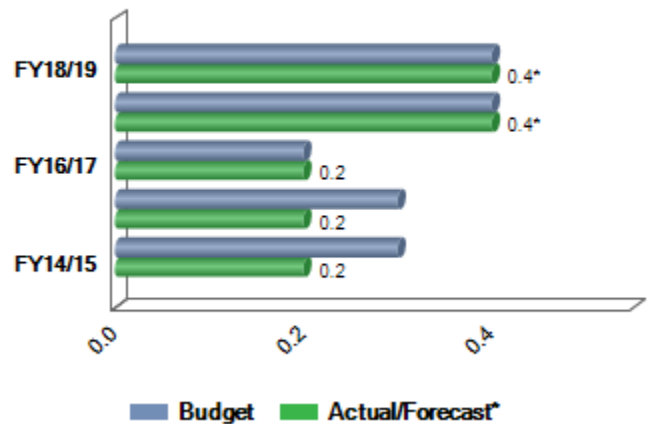
Adopted Budget to Actual/Forecast* (in millions)



Live Life Well Program

Incentives to employees to encourage participation in various health and wellness events, challenges, activities and classes. The FY 2018/19 adopted budget of \$0.4 million includes \$0.2 million for a wellness incentive to employees enrolled in a medical plan that complete an annual wellness exam and health assessment. This incentive is reimbursed by the provider and had not been included in the FY 2016/17 adopted budget.

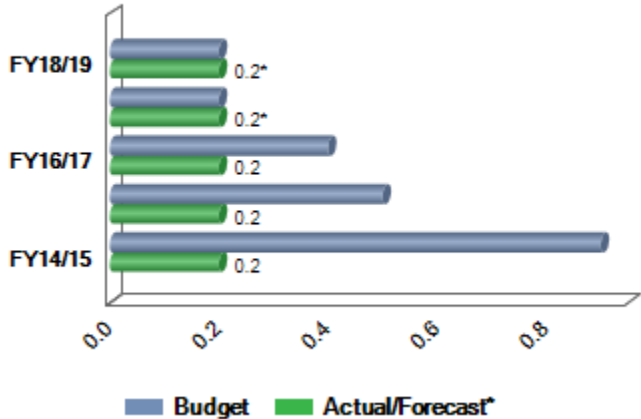
Adopted Budget to Actual/Forecast* (in millions)



City Administration

The city's administrative expenses incurred are to coordinate healthcare, behavioral, dental and wellness plans. The adopted FY 2018/19 budget is \$0.2 million, which remains flat compared to the FY 2017/18 year-end forecast. The FY 2014/15 – FY 2016/17 City Administration budget included reinsurance fees and stop loss insurance; however, the expenditures were recorded in Insurance & Bond Premiums.

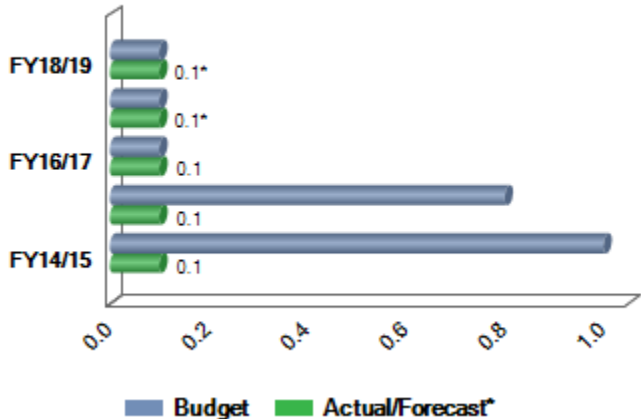
Adopted Budget to Actual/Forecast* (in millions)



Behavioral Health Insurance Claims

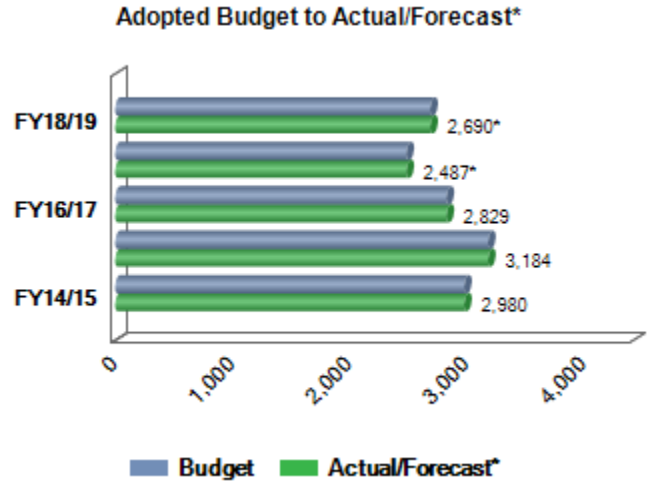
Includes all behavioral claims expenses. The FY 2018/19 adopted budget of \$0.1 million remains flat compared to the FY 2017/18 year-end forecast. A new provider was in effect beginning in FY 2014/15 where the cost of behavior health claims decreased significantly; however, the budget was not properly adjusted until FY 2016/17.

Adopted Budget to Actual/Forecast* (in millions)



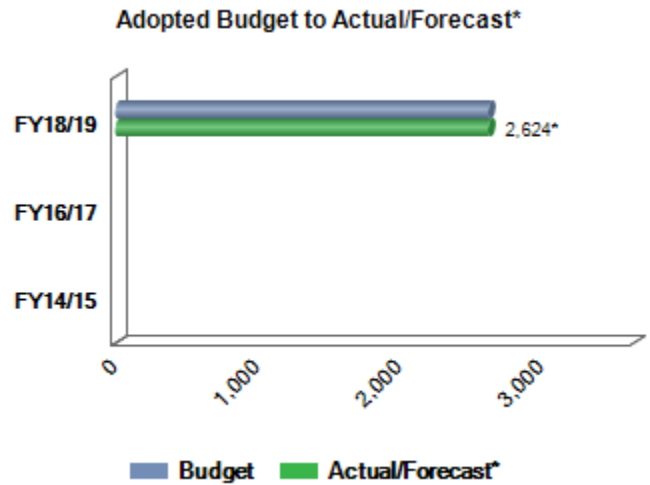
Citywide Pay Program

A citywide pay for performance program, through which employees may receive increases within their established salary ranges based on performance totaled \$2,690 for FY 2018/19. The FY 2017/18 forecast and FY 2014/15 - FY 2016/17 actuals displayed are recorded and reported as part of the division expenditures. At the time the budget is adopted it is unknown which employees will receive a performance increase and for how much. The citywide pay program is budgeted at the macro level and then paid based on actual increases within the department.



Compensation Other

Compensation Other includes a market adjustment to eligible employees as a result of the Council approved Classification and Compensation study conducted in FY 2017/18.



BUDGET BY FUND | Healthcare Self Insurance Fund Ending Balance

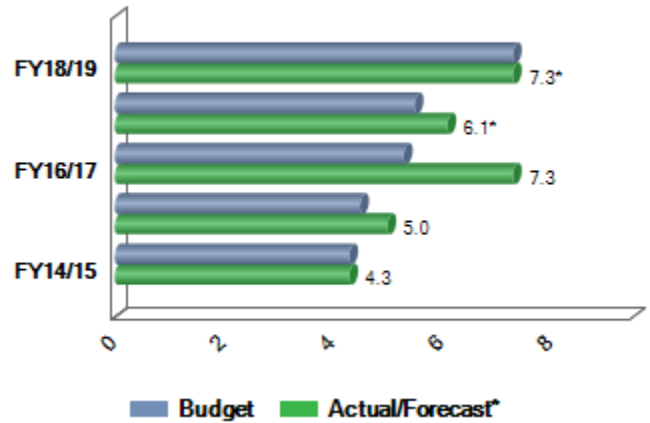
Healthcare Self Insurance Fund Ending Balance

The Healthcare Self Insurance Fund ending balance is maintained to provide for coverage of self insured benefits.

Healthcare Claims Reserve

The projected FY 2018/19 Healthcare Claims Reserve is \$7.3 million, which is \$1.1 million higher than the FY 2017/18 year-end forecast. The reserve is for large claims beyond what was anticipated and for incurred but not reported claims.

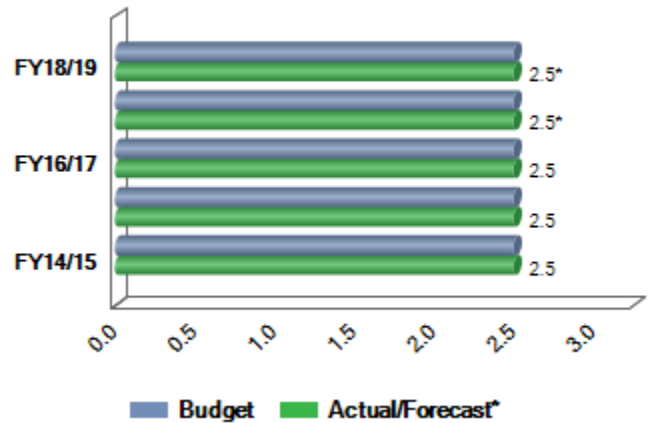
Adopted Budget to Actual/Forecast* (in millions)



Operating Contingency

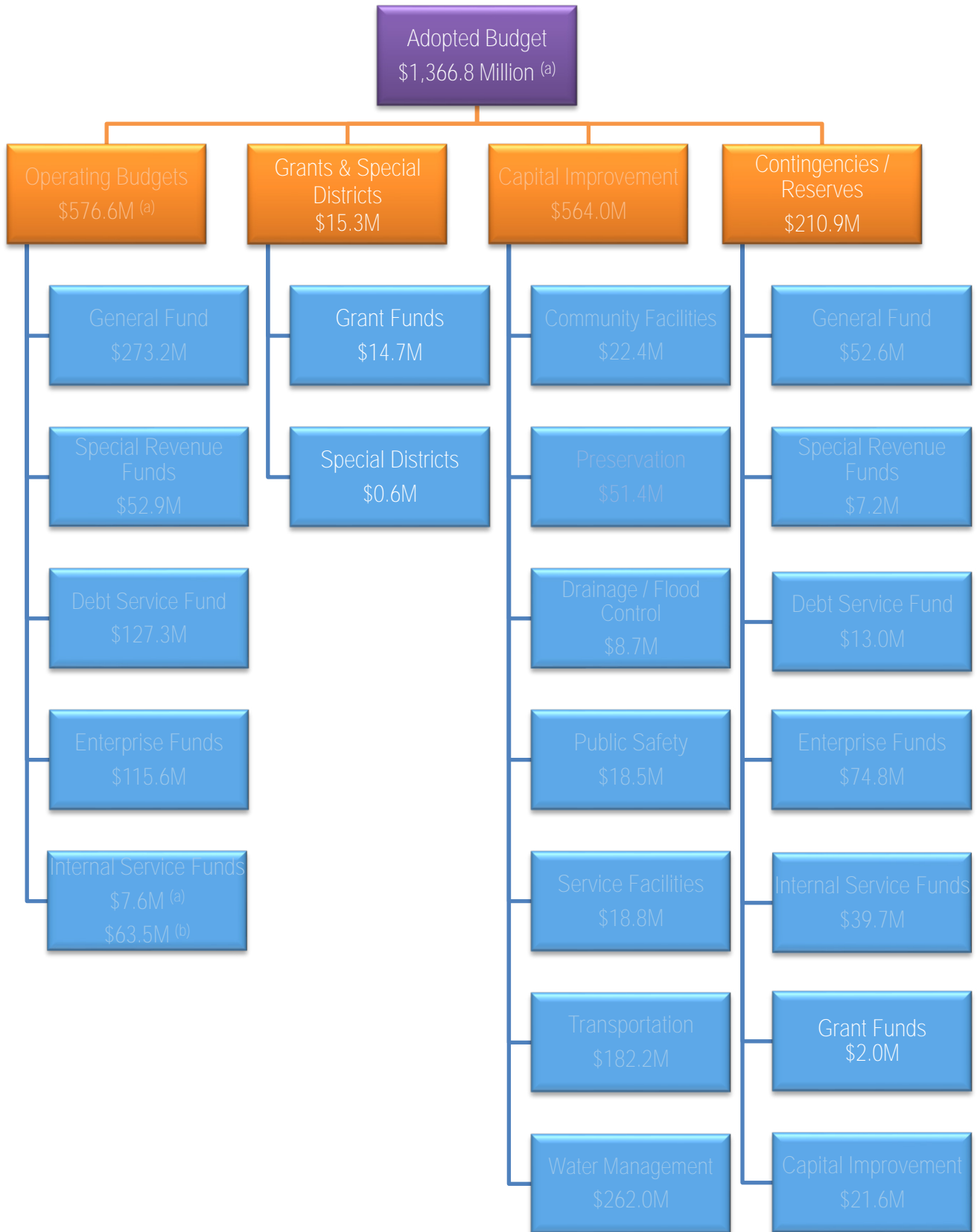
Contingency funds are utilized only after all other budget options have been examined and require City Council approval. The FY 2018/19 adopted budget is \$2.5 million.

Adopted Budget to Actual/Forecast* (in millions)





BUDGET BY FUND | Grants and Special Districts Funds Overview



^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

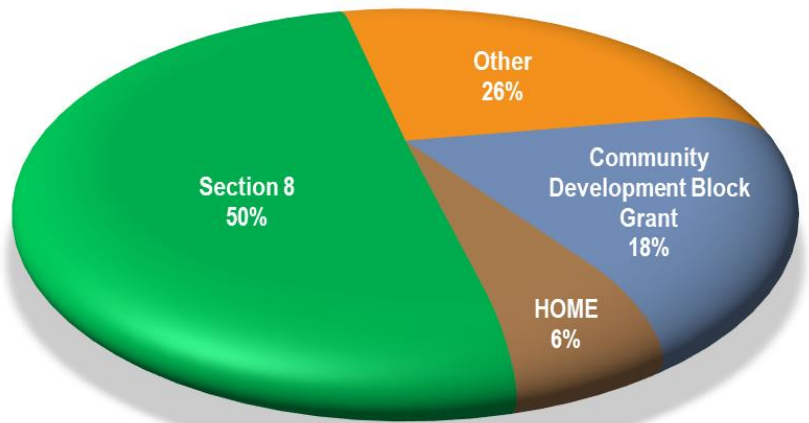
Note: Amounts are rounded in millions; therefore, differences may occur.

Grant Funds

The Grant Funds receive and expend the city's federal, state, and local grants. The amount of grants received is generally based upon application to granting agencies by the city and through entitlement grants and are contingent upon availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines and audits. The city will only expend grant funds that have been appropriately awarded by the granting agency and accepted in accordance with the city's grant policy.

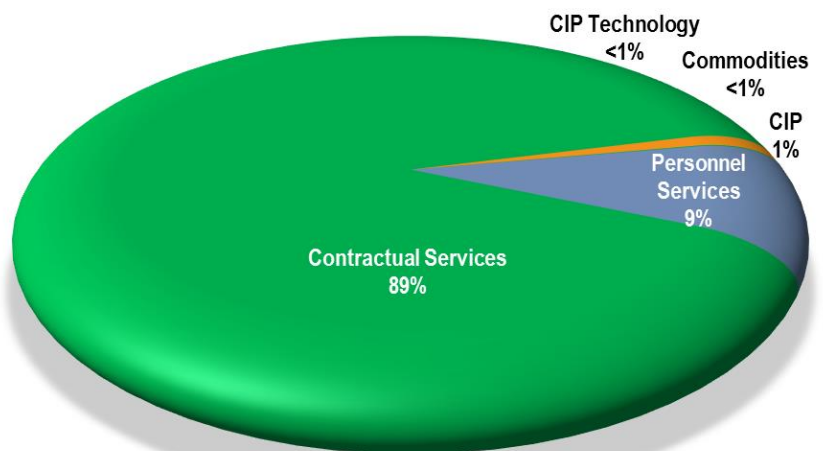
Grant Funds Sources (in millions)

Community Development Block Grant	2.2
HOME	0.7
Section 8	6.1
Other	3.1
Total Sources	12.1



Grant Funds Uses (in millions)

Personnel Services	1.1
Contractual Services	11.1
Commodities	0.1
Adopted Budget	12.3
Transfers Out	
CIP	0.1
CIP Technology	0.0
Total Transfers Out	0.1
Total Uses	12.4
Contingency/Reserves	2.0



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

Grant Description	Adopted FY 2018/19
COMMUNITY DEVELOPMENT BLOCK GRANT	2,465,152
HOME	922,538
SECTION 8	5,974,173
BELLEVUE RENTAL OPERATIONS	39,000
CAN-DO-FUND	40,285
2017 UASI SCOTTSDALE FIRE TLO	4,700
FY19 GOHS ABATEMENT GRANT	74,998
FAMILY RESOURCE CENTER	198,999
FOOTPRINTS ON THE DESERT	4,000
FUTURE GRANTS-CITY MANAGER	1,200,000
FUTURE GRANTS-FIRE	152,817
FUTURE GRANTS-POLICE	197,200
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	33,155
IMPLEMENTING FUN-MATH, SCIENCE	11,000
GILA RIVER	13,600
SALT RIVER PIMA - MARICOPA INDIAN COMMUNITY	1,036,777
Subtotal: Grants	12,368,394
GRANTS ANTICIPATED	2,433,141
GRANT CONTINGENCY	2,057,023
Subtotal: Future Grants	4,490,164
Total Grant Funds	16,858,558

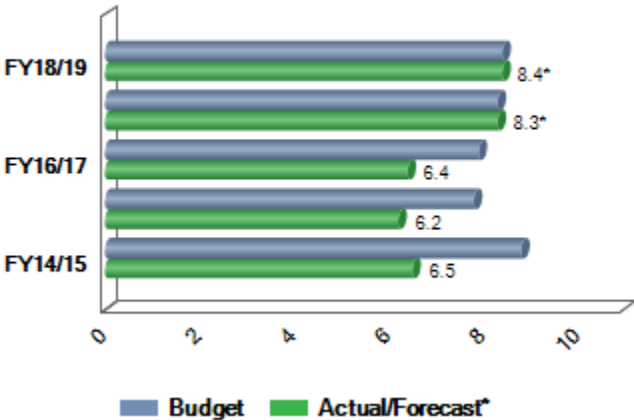
Grant Funds Sources By Grant

The city pursues grant funding to leverage city funds to address priority program and service needs. The major areas of grant revenue consist of Community Development Block Grant (CDBG), Housing Choice Voucher (Section 8), HOME Funds, and miscellaneous federal, state, and local grants. The revenues by grant are detailed in the following sections below:

Community Development Block Grant (CDBG) and Housing Choice Voucher (Section 8)

CDBG and Section 8 funds are awarded annually by the U.S. Department of Housing and Urban Development (HUD) through entitlement grant based on formula allocations. These grant revenues may only be used for those projects specifically approved in the funding agreement meeting applicable federal regulations and are subject to agency expenditure guidelines and audits. Staff estimates the CDBG and Section 8 Housing Choice Voucher allocations and prior year's carryover for FY 2018/19 to total \$8.4 million. CDBG and Section 8 funds actual amounts will vary depending on when the funds were received during the fiscal year.

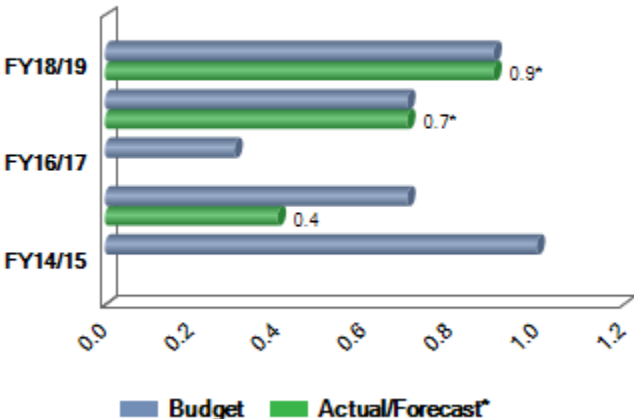
Adopted Budget to Actual/Forecast* (in millions)



HOME

HOME funds are received through the Maricopa County Home Consortium. Staff estimates the HOME allocation and prior year's carryover for FY 2018/19 to total \$0.9 million. HOME funds actual amounts will vary depending on when the funds were received during the fiscal year. Actuals for FY 2016/17 and FY 2014/15 are less than \$50 thousand and therefore not reporting on the graph as it is displayed in millions.

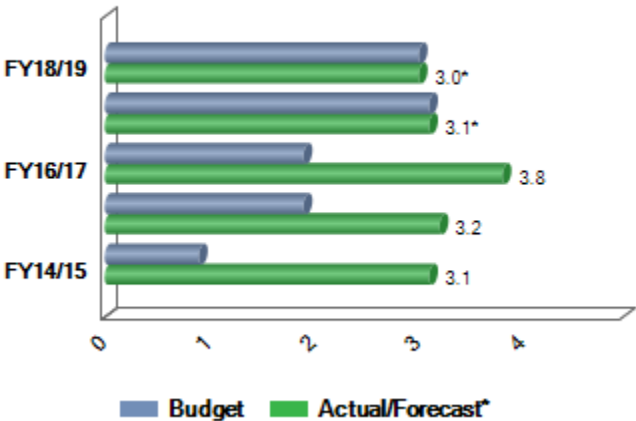
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous Federal, State and Local Grants

Miscellaneous Federal, State and Local Grants include grants for law enforcement, fire services, community services, transportation, and preservation projects. The adopted budget for these grants is estimated to total \$3.0 million for FY 2018/19, which is a decrease of \$0.1 million from FY 2017/18 year-end forecast. Actual amounts will vary depending on when the funds were received during the fiscal year.

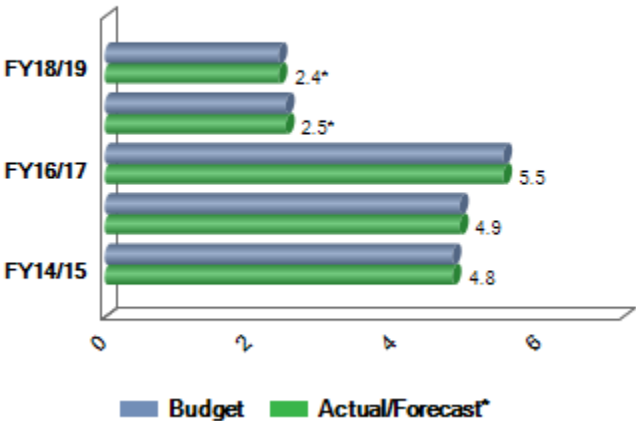
Adopted Budget to Actual/Forecast* (in millions)



Grants Anticipated

Grants Anticipated for FY 2018/19 totals \$2.4 million. These are anticipated grants that may be received throughout the fiscal year to aid in the support of a specified function or general purposes.

Adopted Budget to Actual/Forecast* (in millions)



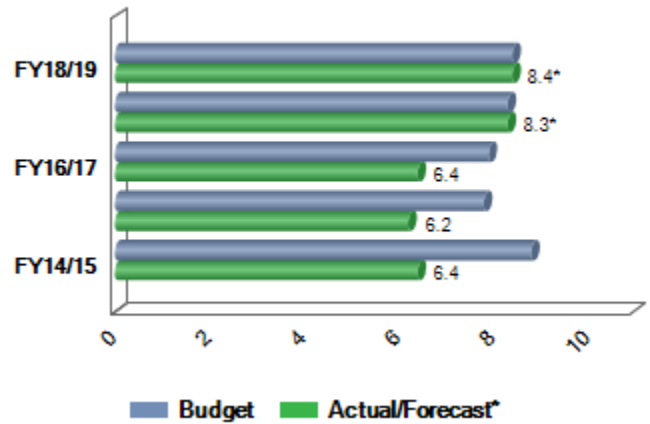
Grant Funds Uses By Grant

The city seeks grant funding to leverage city funds to address priority program and service needs. The major areas grant expenditures consist of Community Development Block Grant (CDBG) and Housing Choice Voucher (Section 8), HOME, miscellaneous federal, state, and local grants and grants anticipated. The expenditures by grant are detailed in the following sections below:

Community Development Block Grant (CDBG) and Housing Choice Voucher (Section 8)

CDBG and Section 8 funds are used for social and housing services for the elderly, disabled and low-income families. The adopted budget for these grants is estimated to total \$8.4 million for FY 2018/19, which is an increase of \$0.1 million from FY 2017/18 year-end forecast. CDBG and Section 8 expenditure actual amounts will vary depending on the timing of disbursement during the fiscal year.

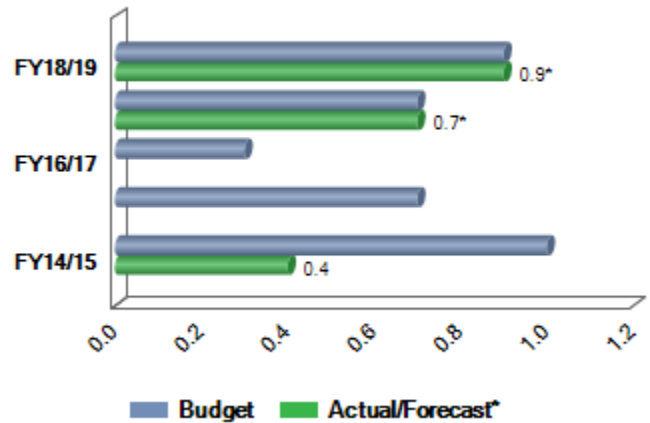
Adopted Budget to Actual/Forecast* (in millions)



HOME

HOME funds are used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing. The FY 2018/19 adopted budget is \$0.9 million, reflecting a increase of \$0.2 million from FY 2017/18 year-end forecast. HOME funds expenditure actual amounts will vary depending on the timing of disbursement during the fiscal year. Actuals for FY 2015/16 and FY 2016/17 are less than \$50 thousand and therefore not reporting on the graph as it is displayed in millions.

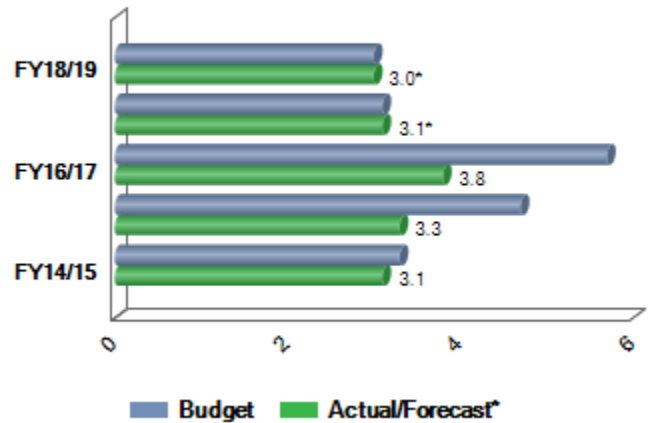
Adopted Budget to Actual/Forecast* (in millions)



Miscellaneous Federal, State & Local Grants

Miscellaneous Federal, State & Local Grants are typically used for the purchase of equipment and services related to law enforcement, fire services, community services, transportation and preservation projects. The FY 2018/19 adopted budget is \$3.0 million, which is \$0.1 million lower than FY 2017/18 year-end forecast. Actual amounts will vary depending on the timing of disbursement during the fiscal year.

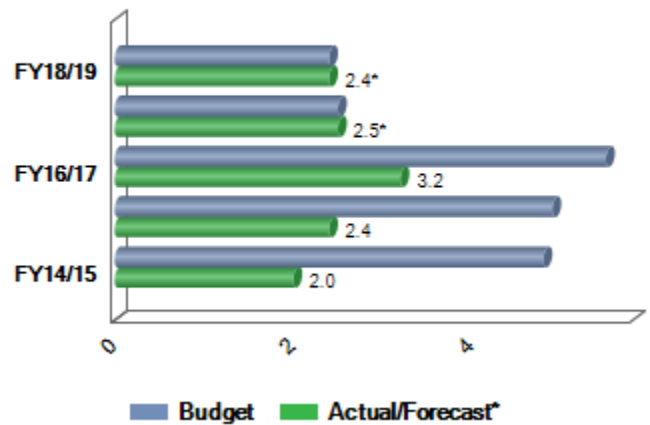
Adopted Budget to Actual/Forecast* (in millions)



Grants Anticipated

Grants Anticipated for FY 2018/19 totals \$2.4 million. These are anticipated grants that may be received throughout the fiscal year to aid in the support of a specified function or general purposes.

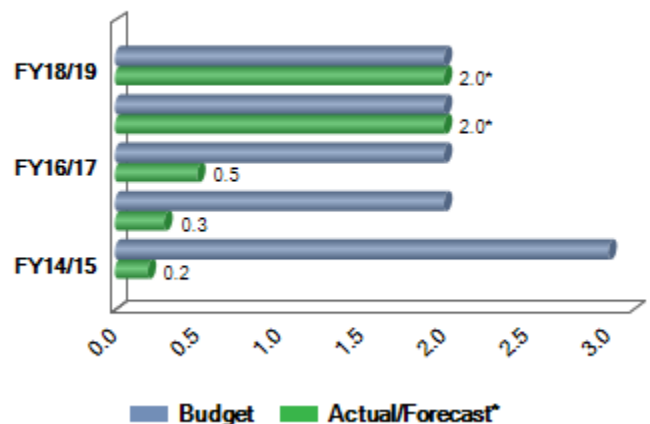
Adopted Budget to Actual/Forecast* (in millions)



Grant Contingency

Grant Contingency for FY 2018/19 totals \$2.0 million, in the event that unforeseen expenses occur during the fiscal year while conducting operations. Contingency funds are only utilized upon City Council approval.

Adopted Budget to Actual/Forecast* (in millions)





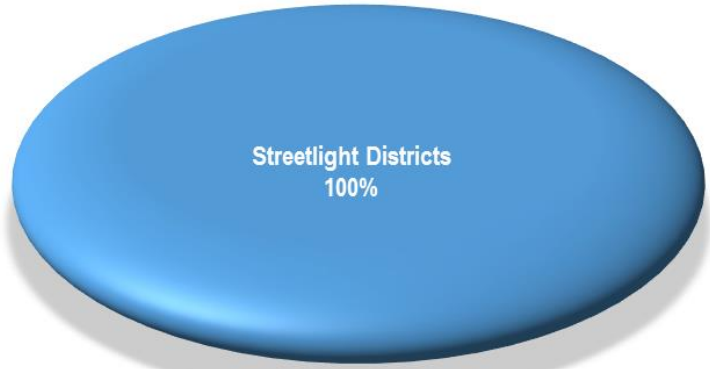
FY 2018/19 Adopted Budget

Special Districts Fund

This fund is used to account for proceeds received by property owners in return for the city providing agreed-upon increased levels of municipal services beyond the standard level of core city services as allowed by statute. More specifically, the fund is used to account for the city's streetlight districts.

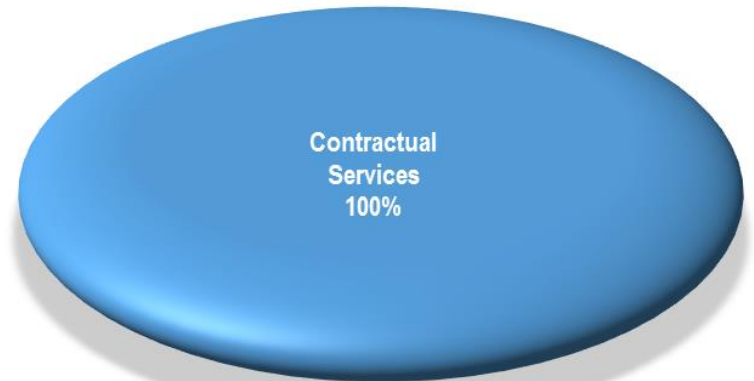
Special Districts Fund Sources (in millions)

Streetlight Districts	0.6
Total Sources	0.6



Special Districts Fund Uses (in millions)

Contractual Services	0.6
Total Operating Budget	0.6



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

BUDGET BY FUND | Special Districts Fund Summary

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance				
Streetlight Districts	12,190	25,469	25,130	-
Total Beginning Fund Balance	12,190	25,469	25,130	-
Revenues				
Streetlight Districts	601,551	598,296	598,296	609,553
Subtotal	601,551	598,296	598,296	609,553
Total Sources	601,551	598,296	598,296	609,553
Expenditures				
Streetlight Districts	588,611	623,765	623,426	609,553
Subtotal	588,611	623,765	623,426	609,553
TOTAL OPERATING BUDGET	588,611	623,765	623,426	609,553
Total Uses	588,611	623,765	623,426	609,553
Sources Over/(Under) Uses	12,940	(25,469)	(25,130)	-
Ending Fund Balance				
Streetlight Districts	25,130	-	-	-
Total Beginning Fund Balance	25,130			

BUDGET BY FUND | Special Districts Fund Five-Year Financial Forecast

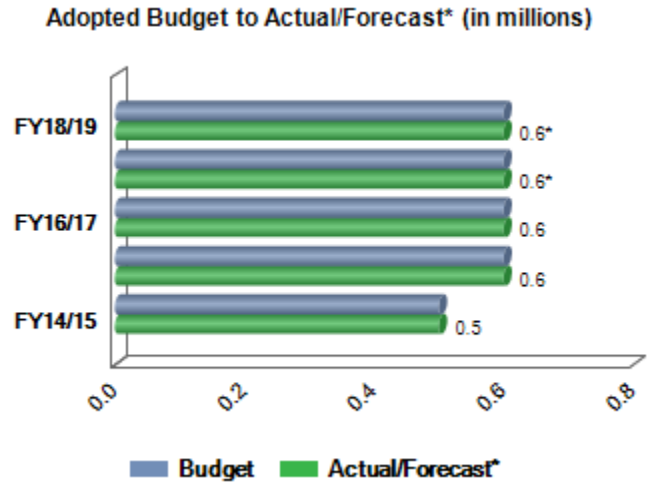
	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance					
Streetlight Districts	-	-	-	-	-
Total Beginning Fund Balance	-	-	-	-	-
Revenues					
Streetlight Districts	609,553	652,500	678,500	705,700	733,900
Subtotal	609,553	652,500	678,500	705,700	733,900
Total Sources	609,553	652,500	678,500	705,700	733,900
Expenditures					
Streetlight Districts	609,553	652,500	678,500	705,700	733,900
Subtotal	609,553	652,500	678,500	705,700	733,900
TOTAL OPERATING BUDGET	609,553	652,500	678,500	705,700	733,900
Total Uses	609,553	652,500	678,500	705,700	733,900
Sources Over/(Under) Uses	-	-	-	-	-
Ending Fund Balance					
Streetlight Districts	-	-	-	-	-
Total Ending Fund Balance	-	-	-	-	-

Special Districts Sources

Special Districts Sources for FY 2018/19 equal \$0.6 million, which is flat from FY 2017/18. Sources include Streetlight Districts Revenue which is derived from the levy assessed on property owners within the city's streetlight districts.

Streetlight Districts Revenue

Streetlight Districts Revenue represents the levy assessed on property owners within each of the city's 355 streetlight districts. The levy is calculated based on the expected costs for the year less any reserve balance from the prior fiscal year. The adopted FY 2018/19 revenue budget is \$0.6 million.

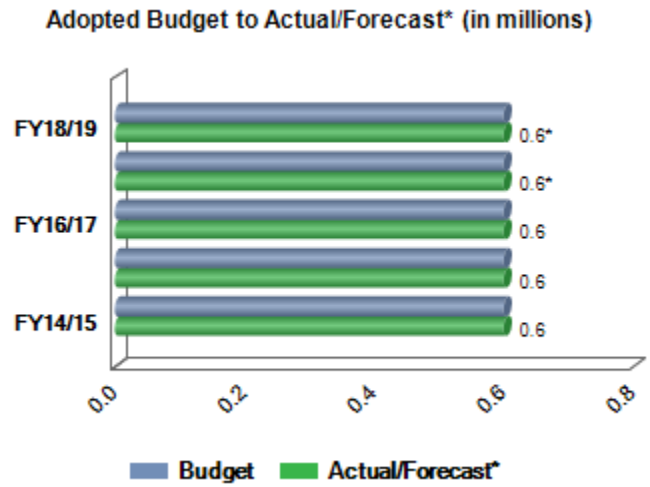


Special Districts Uses

Special Districts Uses consists of Streetlight Districts Expenditures. The cost of operating each district varies based on the cost of electricity usage and number of streetlights.

Streetlight Districts Expenditures

Streetlight Districts adopted FY 2018/19 expenditure budget is \$0.6 million and will be used for electric costs of streetlights installed within certain areas throughout the community.



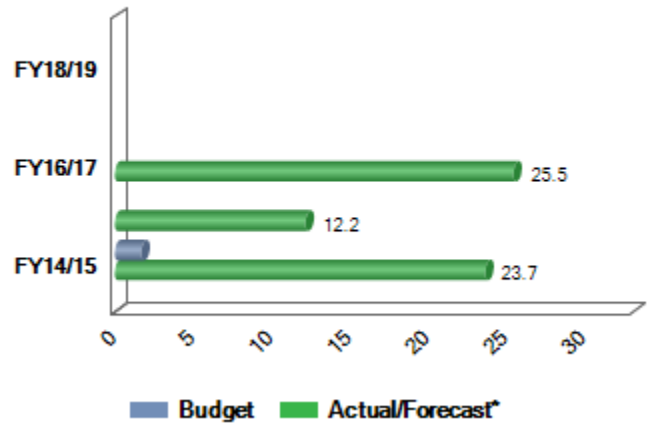
Special Districts Fund Ending Balance

Fund balance protects the city's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when sources exceed uses. A historical summary of the city's Special Districts fund ending balance is as follows:

Streetlight Districts Fund Balance

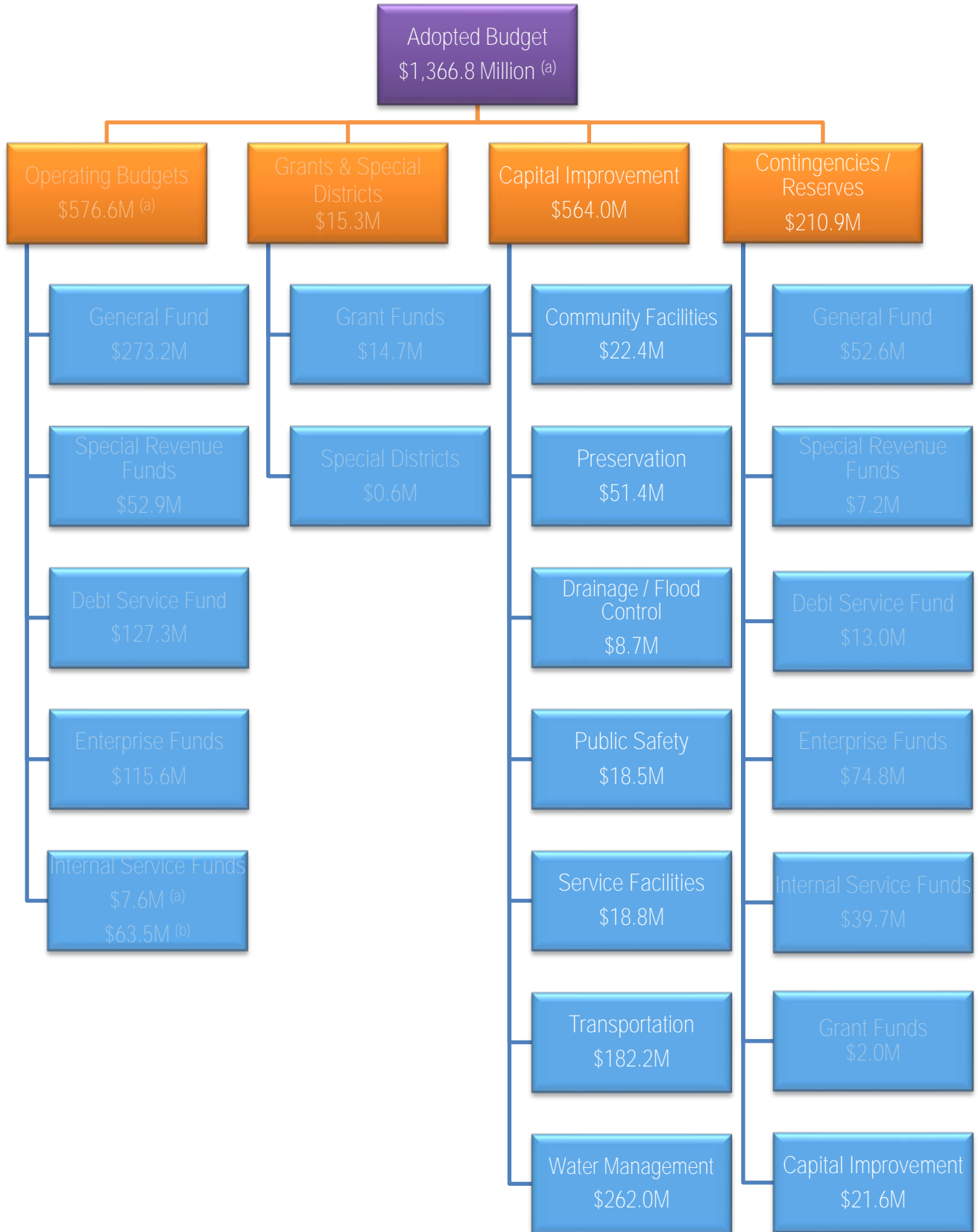
The FY 2018/19 Streetlight Districts Fund ending balance is projected to be \$0. A reduction to fund balance was done in prior years to match current revenues with expenses to deplete the existing reserve.

Adopted Budget to Actual/Forecast* (in thousands)





BUDGET BY FUND | Capital Improvement Plan Funds Overview



^(a) Adopted Budget and Operating Budgets include Internal Service Funds offsets (reductions) of \$55.9M

^(b) Internal Service Funds Budget prior to Internal Service Funds offsets of \$55.9M

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

BUDGET BY FUND | Capital Improvement Plan Funds Summary

(in thousands)

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Beginning Fund Balance ^(a)	246,382.1	216,973.7	322,044.3	183,714.0
Revenues				
Bonds/Contracts				
General Obligation Bond 2015 Program	-	28,850.0	28,850.0	-
General Obligation Preserve	20,000.0	-	-	-
Municipal Properties Corporation-Water	42,100.0	42,100.0	-	-
Pay-As-You-Go				
Water & Water Reclamation Development Fees	4,486.0	3,300.0	4,486.0	3,750.0
Grant Funds	3,955.5	14,035.3	32,121.3	9,011.6
Intergovernmental	3,408.0	11,132.0	5,689.8	23,280.7
In-Lieu Fees	524.4	50.0	65.0	65.0
Other Contributions	2,555.1	2,534.8	4,151.6	2,654.8
Interest Earnings	166.5	1,572.6	488.1	3,263.9
Miscellaneous	942.9	-	-	-
Subtotal	78,138.4	103,574.7	75,851.6	42,026.0
Transfers In				
General Fund	11,604.8	8,165.9	11,115.0	9,553.0
Transportation Sales Tax Fund	9,843.9	10,491.4	19,188.9	10,940.7
Tourism Development Fund	119.4	-	6,279.5	-
Special Programs Fund	827.3	43.5	158.0	541.0
Stormwater Fee	-	-	-	2,170.0
Aviation Fund	1,190.9	215.6	215.4	4,644.3
Water & Water Reclamation Funds	74,302.3	41,898.8	41,898.8	46,768.1
Solid Waste Fund	-	10.5	10.5	312.3
Fleet Fund	95.1	1,571.5	1,571.5	1,483.4
Grant Funds	4.0	3.8	3.8	147.2
Stadium Improvement IGA	77.5	67.4	67.4	67.4
Preservation Sales Tax Fund	16,500.8	3,880.0	6,863.9	10,649.3
Internal Service Funds	3.5	2.3	2.3	7.3
Subtotal	114,569.5	66,350.7	87,375.0	87,283.9
Total Sources	192,707.9	169,925.4	163,226.6	129,310.0
Total Fund Balance and New Sources	439,090.0	386,899.1	485,270.9	313,024.0

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

BUDGET BY FUND | Capital Improvement Plan Funds Summary

(in thousands)

	Actual 2016/17	Adopted 2017/18	Forecast 2017/18	Adopted 2018/19
Use of Funds:				
Expenditures				
Program				
Community Facilities	4,525.2	17,459.9	9,784.6	22,356.0
Preservation	37,411.2	47,589.5	6,863.9	51,369.0
Drainage / Flood Control	1,144.1	8,751.1	7,019.2	8,719.4
Public Safety	5,522.6	18,632.2	8,021.5	18,543.9
Service Facilities	3,955.7	20,056.6	30,950.9	18,754.7
Transportation	27,409.5	163,549.4	49,201.0	182,199.5
Water Management	39,283.9	246,566.1	172,864.6	262,017.0
Prior Year Unexpended ^(a)	-	-	-	-
Subtotal	119,252.1	522,604.7	284,705.6	563,959.5
Less: Estimated Capital Improvement Expenditures		(178,339.6)		(223,224.4)
Subtotal: Unexpended at Year End		344,265.0		340,735.1
Transfers Out				
CIP Transportation Sales Tax Fund	1.0	-	-	-
CIP In Lieu Parking Fund	-	-	231.2	-
CIP Water & Water Reclamation Funds	-	900.0	900.0	900.0
Debt Service	2.5	15,720.1	15,720.1	15,717.5
Subtotal	3.5	16,620.1	16,851.3	16,617.5
Total Uses	119,255.5	194,959.8	301,556.9	239,841.9
Ending Fund Balance ^(b)				
Capital Grant Contingency	-	5,000.0	1,520.4	5,000.0
Capital Aviation Contingency	-	250.0	-	250.0
Capital Aviation Grant Contingency	-	3,350.1	400.0	3,350.2
Capital Transportation Fund Contingency	-	-	-	3,000.0
Capital Water Fund Contingency	-	2,000.0	-	3,000.0
Capital Water Reclamation Fund Contingency	-	-	-	2,000.0
Capital General Contingency	-	5,000.0	4,710.2	5,000.0
Reserved:				
Reserved Fund Balance	322,044.3	191,939.3	183,714.0	73,182.1
Total Ending Fund Balance	322,044.3	191,939.3	183,714.0	73,182.1

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

(b) Contingencies are unfunded and allow for the expenditure of unanticipated revenue that are not included in the beginning or ending fund balance. City Council approval is required before use of capital contingencies.

BUDGET BY FUND | Capital Improvement Plan Funds Five-Year Financial Forecast

(in thousands)

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Beginning Fund Balance ^(a)	183,714.0	73,182.1	29,919.4	35,030.5	25,176.2
Revenues					
Bonds/Contracts					
General Obligation Bond 2015 Program	-	-	-	-	-
General Obligation Preserve	-	-	-	-	-
Municipal Properties Corporation-Water	-	-	25,000.0	-	20,000.0
Pay-As-You-Go					
Water & Water Reclamation Development Fees	3,750.0	3,750.0	3,750.0	3,750.0	3,750.0
Grant Funds	9,011.6	4,721.4	-	1,585.7	-
Intergovernmental	23,280.7	37,077.0	6,345.0	10,000.0	27,807.8
In-Lieu Fees	65.0	65.0	65.0	65.0	65.0
Other Contributions	2,654.8	2,534.8	2,534.8	2,534.8	2,534.8
Interest Earnings	3,263.9	3,053.0	3,347.6	3,371.7	3,462.7
Miscellaneous	-	-	-	-	-
Subtotal	42,026.0	51,201.2	41,042.4	21,307.2	57,620.3
Transfers In					
General Fund	9,553.0	10,036.6	10,587.8	10,728.2	10,830.7
Transportation Sales Tax Fund	10,940.7	13,800.1	11,499.7	11,844.4	12,199.5
Tourism Development Fund	-	-	-	-	-
Special Programs Fund	541.0	20.0	20.0	20.0	20.0
Stormwater Fee	2,170.0	2,191.7	2,213.6	2,235.8	2,258.1
Aviation Fund	4,644.3	1,843.5	15.5	437.6	53.2
Water & Water Reclamation Funds	46,768.1	38,078.2	38,233.3	37,767.8	38,850.0
Solid Waste Fund	312.3	17.5	194.0	26.0	30.1
Fleet Fund	1,483.4	117.7	10.1	19.1	25.3
Grant Funds	147.2	6.4	5.1	9.4	9.6
Stadium Improvement IGA	67.4	67.4	67.4	67.4	67.4
Preservation Sales Tax Fund	10,649.3	4,684.7	500.0	450.0	450.0
Internal Service Funds	7.3	3.8	3.0	5.6	8.2
Subtotal	87,283.9	70,867.6	63,349.5	63,611.3	64,802.0
Total Sources	129,310.0	122,068.8	104,391.8	84,918.5	122,422.4
Total Fund Balance and New Sources	313,024.0	195,250.8	134,311.2	119,949.0	147,598.6

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

BUDGET BY FUND | Capital Improvement Plan Funds Five-Year Financial Forecast

(in thousands)

	Adopted 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
Use of Funds:					
Expenditures					
Program					
Community Facilities	22,356.0	202.2	202.2	3,542.2	202.2
Preservation	51,369.0	2,880.0	680.0	450.0	450.0
Drainage / Flood Control	8,719.4	2,854.0	6,345.0	29,879.8	-
Public Safety	18,543.9	2,375.9	4,482.8	3,024.2	1,347.1
Service Facilities	18,754.7	2,997.0	8,869.4	8,473.6	3,793.3
Transportation	182,199.5	23,633.4	9,648.8	22,961.3	21,120.2
Water Management	262,017.0	54,677.9	28,250.6	30,809.6	33,186.8
Prior Year Unexpended ^(a)	-	340,735.1	281,764.7	257,735.9	278,928.8
Subtotal	563,959.5	430,355.5	340,243.5	356,876.6	339,028.4
Less: Estimated Capital Improvement Expenditures	(223,224.4)	(148,590.8)	(82,507.6)	(77,947.8)	(88,466.7)
Subtotal: Unexpended at Year End	340,735.1	281,764.7	257,735.9	278,928.8	250,561.7
Transfers Out					
CIP Transportation Sales Tax Fund	-	-	-	-	-
CIP In Lieu Parking Fund	-	-	-	-	-
CIP Water & Water Reclamation Funds	900.0	900.0	900.0	900.0	900.0
Debt Service	15,717.5	15,840.7	15,873.1	15,925.0	16,031.9
Subtotal	16,617.5	16,740.7	16,773.1	16,825.0	16,931.9
Total Uses	239,841.9	165,331.5	99,280.7	94,772.8	105,398.6
Ending Fund Balance ^(b)					
Capital Grant Contingency	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Capital Aviation Contingency	250.0	250.0	250.0	250.0	250.0
Capital Aviation Grant Contingency	3,350.2	3,350.1	3,350.1	3,350.1	3,350.1
Capital Transportation Fund Contingency	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Capital Water Fund Contingency	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Capital Water Reclamation Fund Contingency	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Capital General Contingency	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Reserved:					
Reserved Fund Balance	73,182.1	29,919.4	35,030.5	25,176.2	42,200.0
Total Ending Fund Balance	73,182.1	29,919.4	35,030.5	25,176.2	42,200.0

(a) Prior year unexpended sources and uses of funds are estimated and included in Beginning Fund Balance (Sources) and Program (Uses). Prior year unexpended uses are based on annual cashflow estimates.

(b) Contingencies are unfunded and allow for the expenditure of unanticipated revenue that are not included in the beginning or ending fund balance. City Council approval is required before use of capital contingencies.



FY 2018/19 Adopted Budget