



	<u>Page</u>
Budget Policies	12
Fund Summary	16
Total Financial Program	17
Financial Program Summary	18
Budget Process Flowchart	19
Budget Process Summary	20
Components of Total Financial Program	22
General Governmental and Enterprise Funds: Ten Year Fund Balance Trends	23
Capital Budget	
Capital Budget Overview	25
Capital Improvements Project Map	28
Capital Improvements Program Summary	29
Capital Improvements Program Source of Funds	30
Capital Improvements Program Changes in Fund Balances	31
Capital Improvements Program Project Listings and Descriptions	32
Relationship Between Operating and Capital Budgets	48
Projected Impact of Capital Improvements on Future Operating Budgets	50
Debt Policy	51
Capital Budget, Debt Service, and Property Tax Rate: Ten Year Historical Trends	52
Property Taxes	53
Citywide Overview:	
Operating Budget, Debt Service, Revenue, and Staffing	54
Program Budget	
Program Budget at a Glance	55
Per Capita Expenditures by Program	56
Program by Fund Summary	57
Program by Department Summary	58
Impact of Total Budget on Residents	59
Personnel Summary: Ten Year History	60

Budget Policies



The budgetary policies specified below provide a general framework of goals and objectives for the operating budget, debt management, capital budget, financial reserves, and financial reporting. Strong policies provide a standard against which current budgetary performance can be measured and proposals for future programs evaluated.

Operating Budget Policies

Current revenue will be sufficient to support current operating expenditures.

- **Status:** *FY 2006-07 estimated General Fund operating revenue (\$160.5 million) to expenditures (\$159.0 million) Ratio 1:1*

Financial systems will be maintained to monitor expenditures, revenue and program performance on an ongoing basis.

- **Status:** *Ongoing monitoring system with monthly reviews including automated payment and purchase requisition system*

Revenue and expenditures will be projected for the next five years and will be updated annually.

- **Status:** *Projections completed in Comprehensive Financial Plan (Winter 2005 Update)*

Debt Management Policies

Long-term debt will not be issued to finance current operations.

- **Status:** *None issued to finance current operations*

Debt Service Reserve will be maintained at a minimum of 8% of total outstanding general governmental debt.

- **Status:** *FY 2006-07 11.5%*

Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.

- **Status:** *The following debt issues are planned for FY 2006-07 with a 20 year debt amortization period: \$7.2 million for police and fire projects; \$7.5 million for transportation projects; \$11.6 million for parks, community services, and facility rehabilitation projects; \$49.9 million for transit system projects; \$29.8 million for water and wastewater projects*

Capital Budget Policies

As required by City Charter, a five-year capital improvements program will be developed and updated annually, including anticipated funding sources.

- **Status:** *FY 2006-07 Annual CIP budget of \$196.7 million adopted representing the first year of a 5-year, \$552.2 million CIP program*

The City will coordinate development of the capital improvements budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.

- **Status:** *Operating and maintenance impact of new capital projects is estimated at \$500,000*

The City will maintain all its physical assets at a level adequate to protect its capital investment and to minimize future maintenance and replacement costs.

- **Status:** *Aggressive capital maintenance program approved in Capital Improvements Program budget, including City facilities rehabilitation, local and major street reconstruction, and neighborhood park improvements*



The City will establish an appropriate mix of bonded debt and pay-as-you-go financing in the funding of capital projects.

- **Status:**

Sources of Funds	
(\$ Millions)	FY 2006-07
General Obligation/Excise Tax Bonds	\$122.1
Pay-As-You-Go Financing	18.6
Outside Revenue	47.6
Capital Projects Fund Balance	8.4
Total Sources of Funds	\$196.7

Financial Reserve Policies

The City will continue its healthy financial reserve position. Unreserved fund balance coverage for the General Fund will be maintained at a minimum of 25% of General Fund revenue.

- **Status:**

Unreserved Fund Balance FYE 05	Revenue FY 2004-05	Unreserved Fund Balance Coverage
\$37.8 M	\$138.4 M	27.3%
Estimated Unreserved Fund Balance FYE 06	Revenue FY 2005-06	Unreserved Fund Balance Coverage
\$52.2 M	\$150.5 M	34.7%
Estimated Unreserved Fund Balance FYE 07	Revenue FY 2006-07	Unreserved Fund Balance Coverage
\$53.6 M	\$160.5 M	33.4%



The City will maintain an unreserved fund balance of no less than 12 months of anticipated revenue in the Water/Wastewater Fund, and a minimum of 10% and 15% of anticipated revenue in the Solid Waste and Golf funds, respectively.

- **Status:**

	Unreserved Fund Balance FYE 05	Revenue FY 2004-05	Unreserved Fund Balance Coverage	Days Coverage
Water/Wastewater	\$60.7 M	\$43.7 M	138.9%	507
Solid Waste	\$2.2 M	\$12.3 M	17.9%	65
Golf	\$0.5 M	\$2.0 M	25.0%	91

	Estimated Unreserved Fund Balance FYE 06	Revenue FY 2005-06	Unreserved Fund Balance Coverage	Days Coverage
Water/Wastewater	\$61.2 M	\$44.9 M	136.3%	498
Solid Waste	\$2.5 M	\$12.9 M	19.4%	71
Golf	\$0.6 M	\$2.1 M	28.6%	104

	Estimated Unreserved Fund Balance FYE 07	Revenue FY 2006-07	Unreserved Fund Balance Coverage	Days Coverage
Water/Wastewater	\$53.0 M	\$47.3 M	112.1%	409
Solid Waste	\$1.7 M	\$13.2 M	12.9%	47
Golf	\$0.5 M	\$2.1 M	23.8%	87

Self-insurance reserves shall be maintained at a level which, together with purchased insurance policies, adequately indemnify the City's assets.

- **Status:** *FY 2006-07 \$8.8 million in self-insurance reserves*

Financial Reporting Policies

The City's accounting and financial reporting systems will be maintained in conformance with current accepted principles and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

- **Status:** *GFOA Certificate of Achievement for Excellence in Financial Reporting and GFOA Distinguished Budget Presentation Award*

Full disclosure will be provided in the general financial statements and bond presentations.

- **Status:** *Notes to the financial statements and official bond statement provide full disclosure*

An annual audit will be performed by an independent public accounting firm with the subsequent issue of an official annual financial statement.

- **Status:** *Unqualified independent audit report*



Financial Stability

Several steps were taken to ensure our continued financial stability. These recommendations, listed under the Financial Action Plan in the Comprehensive Financial Plan, include the following:

- Implement suggestions from the **Ad-Hoc Long-Range Budget and Finance Planning Committee**.
- Prepared the **Long-Range Forecast** for all funds projecting revenue and expenditures over the next five years.
- Annual review of the **Debt Management Plan** and **Sizing of Capital Budget to Debt Criteria** led us to limit new General Obligation debt issues to an average of \$20.0 million each year for the next 5 years.
- Building on the **Benchmarking Program**, incorporating recommended benchmarks from the Governmental Accounting Standards Board Service Efforts and Accomplishments Reporting program, International City/County Management Association Performance Measures, and citywide internal and external benchmarking programs to assist in public accountability and continuous improvement in the efficiency, quality, and outcomes of work processes and services.
- Continue citywide **Competitive Analyses** to evaluate and improve service delivery while enhancing accountability to the citizens.
- **Strategic Issues Program** implemented to identify and prioritize key strategic issues, leading to incorporation of recommended corresponding strategies and goals into the budget process.
- Continue **Financial Policy Implementation and Monitoring**.
- **Expenditure Control** will be directed at slowing growth by means of citywide line item reviews, modified base budget approach, and program sunseting.
- **Limit Midyear Adjustments** which circumvent the normal budget process and pose a risk to careful long-range financial planning.
- Continue efforts in coalition with the League of Arizona Cities and Towns to help **Protect State Shared Revenue** from legislative changes at the state level.
- **Manage Stability** as effectively as growth has been managed in the past. Financial flexibility, which comes easily during rapid revenue growth periods, must be intentionally constructed through effective decision-making when managing stability.
- **Review Benefits Program** to explore such options as increasing deductibles, requiring greater participant contributions and/or modifying our benefits cafeteria programs.

Council Budget Tenets

- Continue the modified base budget implemented at the start of the budget process, incorporating historical spending patterns, program cost adjustments, and long-range forecasts in the preparation of budget allocation targets, thereby limiting the rate of budgetary growth.
- Continue to evaluate our self-supporting enterprise operations on an annual basis for rate changes.
- Continue to re-examine current programs, re-engineering processes and competitiveness in the City as necessary.
- Continue to identify and address Council's strategic issues.
- Continue periodic budget reviews with the City Council.
- Continue examination of current programs by each department for potential sunseting opportunities.

Fund Summary



Impact of budget decisions on the City's financial position:

The table below gives the estimated Operating and Capital Improvement unreserved fund balances for the 2006-07 fiscal year. Beginning balances total \$206.1 million and the ending fund balances are \$179.6 million. The decreases in fund balances reflect a planned drawdown primarily for "pay-as-you-go" financing. This financing is critical to the City's Capital Improvement Program to fund projects that have the most value to Tempe residents. The Highway User Revenue Fund (HURF) fund balance drawdown is to pay debt associated with local and major street reconstruction and the Transit Fund \$17.0 million transfer out is primarily for a new transit center and bus replacements.

Rio Salado's negative fund balance is due to planned drawdowns to fund operating and capital expenses. Also, the FY 2005-06 estimated shortfall will be absorbed by the Rio Salado and Community Facilities District reserve which has a current balance of \$6,644,489. This is a designated reserve for the special district.

The completion of the Cemetery Fund was newly established in FY 2005-06, and cost recovery will not be seen until next fiscal year with the completion of the Cemetery expansion. The FY 2006-07 shortfall will be absorbed by an interfund loan.

Drawdowns of fund balances for the Performing Arts, Golf, Solid Waste and Water/Wastewater operations are consistent with their financial plans and include expenses for debt, capital outlay, and mandatory environmental compliance.

FY 2006-07								
Fund	Estimated Unreserved Fund Balance 7/1/06 ¹	Revenue	Total Financial Resources	Budgeted Expend. ²	Adjusted Financial Resources	Interfund Transfer In	Interfund Transfer (Out)	Estimated Unreserved Fund Balance 6/30/07
General	\$52,227,847	\$160,525,688	\$212,753,535	\$158,994,288	\$53,759,247			\$53,759,247
Special Revenue:								
HURF/LTAF	10,276,865	12,952,520	23,229,385	9,413,469	13,815,916		(3,750,000)	10,065,916
CDBG/Section 8		11,502,474	11,502,474	11,502,474	11,502,474			
Rio Salado	379,652	1,054,747	1,434,399	1,983,090	(548,691)			(548,691)
Performing Arts	13,953,773	7,393,250	21,347,023	9,106,148	12,240,875			12,240,875
Transit	35,649,629	42,976,399	78,626,028	35,313,568	43,312,460		(16,986,279)	26,326,181
Debt Service	19,505,996	18,580,379	38,086,375	19,596,603	18,489,772	3,750,000	(862,750)	21,377,022
Enterprise:								
Cemetery	(453,918)	171,000	(282,918)	358,281	(641,199)			(641,199)
Golf	583,387	2,065,729	2,649,116	2,195,431	453,685			453,685
Solid Waste	2,506,282	13,159,257	15,665,539	13,955,883	1,709,656			1,709,656
Water/Wastewater	61,237,103	47,345,297	108,582,400	54,797,488	53,784,912		(762,166)	53,022,746
TOTAL OPERATING	195,866,616	317,726,740	513,593,356	317,216,723	196,376,633	3,750,000	(22,361,195)	177,765,438
Capital Improvements	10,209,548	169,727,491	179,937,039	196,728,491	(16,791,452)	18,611,195		1,819,743
TOTAL FUNDS	\$206,076,164	\$487,454,231	\$693,530,395	\$513,945,214	\$179,585,181	\$22,361,195	\$(22,361,195)	\$179,585,181

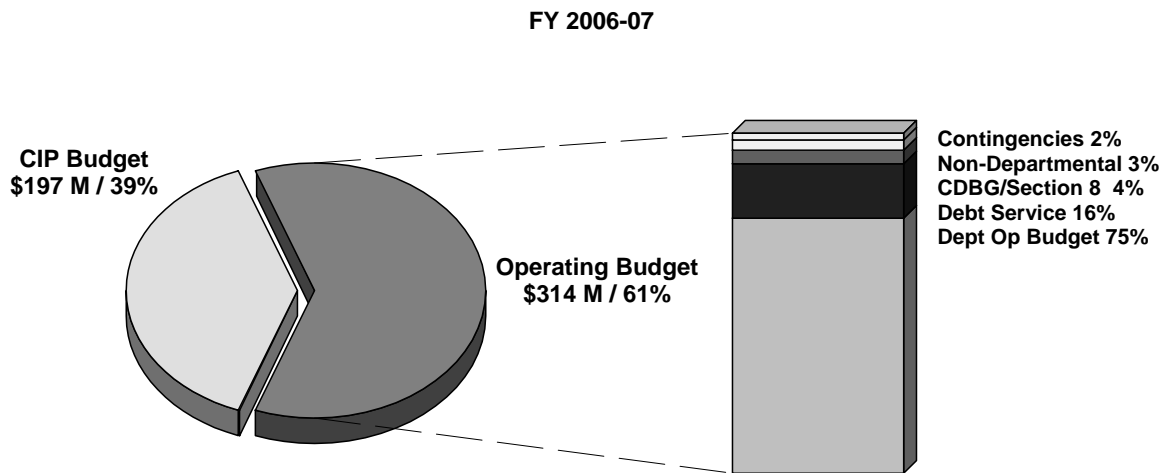
Notes:

- 1) Capital Improvements line includes Capital Improvements Reserves
- 2) Expenditures include a transfer to Community Facilities District

Total Financial Program



The Total Financial Program adopted for FY 2006-07 is \$511 million, representing a 9.8% increase from the FY 2005-06 Total Financial Program. The FY 2006-07 amount includes an Operating Budget of \$314 million and a \$197 million Capital Budget. The operating budget growth of 14.1% in FY 2006-07 is related primarily to an increase in funding for employee compensation, healthcare, retirement contributions, and additional capital outlay. The 3.6% increase in the Capital Budget is largely attributed to the construction of the Central Phoenix and East Valley Light Rail Transit System and Water/Wastewater plant capacity expansions.



Total Financial Program		
	FY 2005-06	FY 2006-07
OPERATING BUDGET		
Departmental Operating Budget	\$239,908,385	\$271,333,685
Debt Service	14,411,213	16,495,505
Non-Departmental	6,158,296	9,858,293
Contingencies	3,088,212	4,925,668
CDBG/Section 8 Housing	11,731,640	11,502,474
TOTAL OPERATING BUDGET	\$275,297,746	\$314,115,625
TOTAL CAPITAL BUDGET	\$189,971,703	\$196,728,491
TOTAL FINANCIAL PROGRAM	\$465,269,449	\$510,844,116

Financial Program Summary



The following tables summarize the revenues and expenditures for the City's Financial Program.

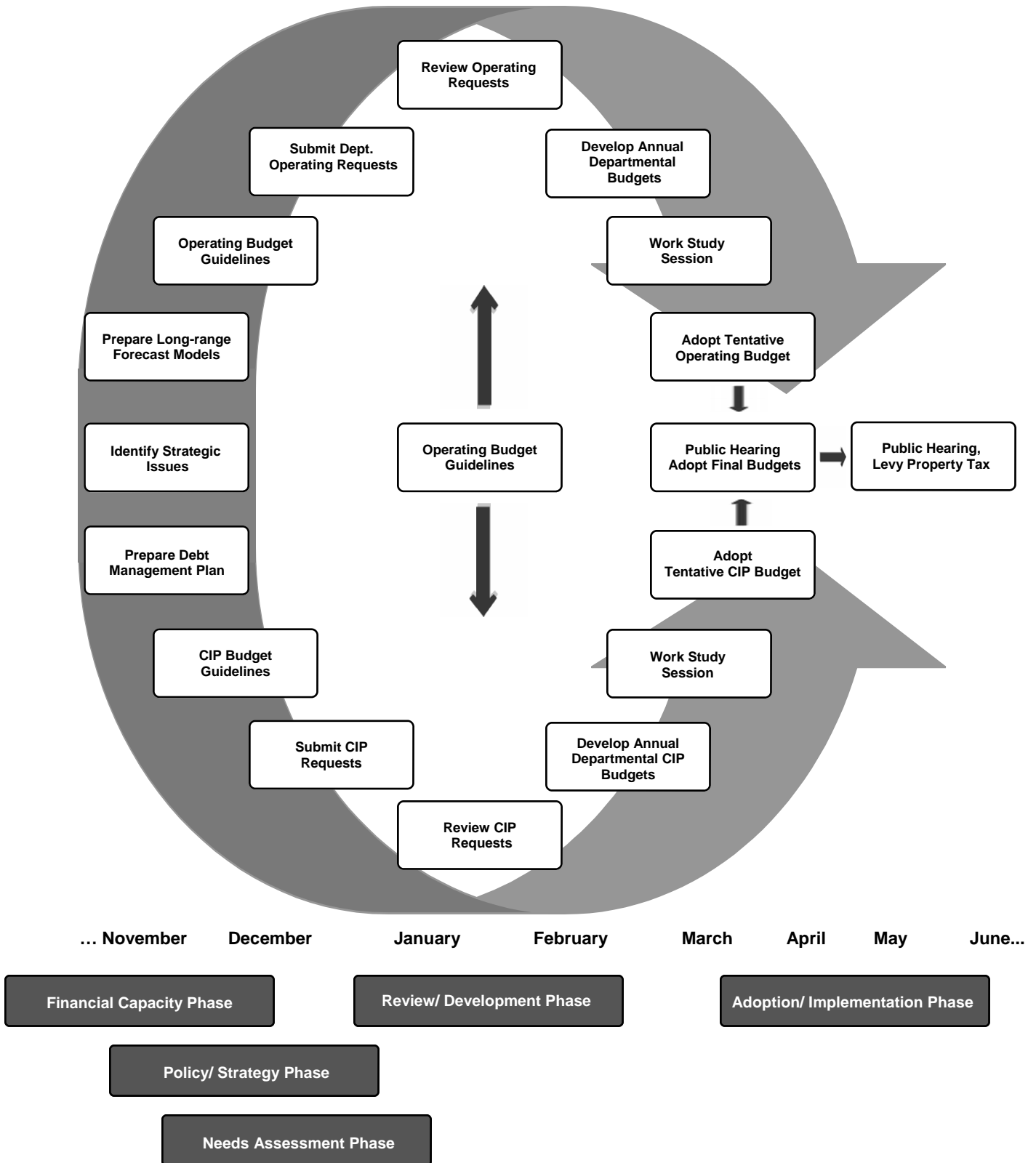
REVENUE		
<i>Operating Revenue</i>		
	FY 2005-06	FY 2006-07
General Governmental		
Local Taxes/Licenses	\$98,221,427	\$113,905,630
Intergovernmental	38,239,707	40,809,492
Charges for Services	7,477,396	10,922,429
Interest	3,569,155	3,534,039
Fines & Forfeitures	6,012,750	7,491,027
Other	2,137,095	2,445,450
Special Revenue		
Transit	37,922,748	42,976,399
Highway User Revenue Fund	13,789,041	12,427,820
CDBG/Section 8 Housing	11,731,640	11,502,474
Performing Arts	5,881,072	7,393,250
Rio Salado	735,500	1,052,747
Lottery Funds	535,456	524,700
Enterprise		
Water/Wastewater	45,953,569	47,345,297
Solid Waste	12,809,949	13,159,257
Golf	2,073,194	2,065,729
Cemetery	127,628	171,000
Subtotal Operating Revenue	\$287,217,327	\$317,726,740
Capital Revenue		
Bonds		
Water/Wastewater	50,598,544	51,844,979
Excise Tax	33,678,912	49,938,037
Tax-Supported General Obligation	18,024,605	20,320,727
CIP Outside Revenue		
Federal Funds	47,649,034	46,123,748
Development Fees	1,500,000	1,500,000
Other	26,601,027	23,389,885
Subtotal Capital Revenue	\$178,052,122	\$193,117,376
TOTAL PROGRAM	\$465,269,449	\$510,844,116

EXPENDITURES		
<i>Operating Budget</i>		
	FY 2005-06	FY 2006-07
General Governmental		
Public Safety	\$75,890,227	\$84,489,365
General Services	25,166,159	33,740,080
Community Services	25,451,975	26,868,171
Debt Service	14,411,213	16,495,505
Development Services	9,484,537	11,795,527
Transportation (Maintenance of Effort)	1,850,000	1,850,000
Environmental Health	430,606	251,145
Special Revenue		
Transit	31,118,922	35,313,568
Highway User Revenue Fund	8,656,870	9,413,469
Performing Arts	6,868,730	9,106,148
Section 8 Housing	8,882,632	9,048,759
CDBG	2,849,008	2,453,715
Rio Salado	1,551,834	1,983,090
Enterprise		
Water/Wastewater	47,720,279	54,797,488
Solid Waste	12,602,968	13,955,883
Golf	2,071,538	2,195,431
Cemetery	290,248	358,281
Subtotal Operating Budget	\$275,297,746	\$314,115,625
Capital Budget		
General Purpose		
Police	14,107,614	7,289,648
General Government	2,871,146	7,286,358
Park Improvements	11,110,000	1,172,000
Fire		1,089,400
Storm Drains	3,640,000	200,000
Special Purpose		
Transit	67,475,773	111,901,276
Rio Salado	99,090	3,700,000
Performing Arts	22,228,912	
Enterprise		
Water	17,936,000	31,257,580
Wastewater	42,064,688	24,959,000
Golf	50,000	50,000
Cemetery	1,400,000	
Transportation		
Transportation & Right-of-Way	6,043,480	6,703,229
Street Lighting & Traffic Signals	945,000	1,120,000
Subtotal Capital Budget	\$189,971,703	\$196,728,491
TOTAL PROGRAM	\$465,269,449	\$510,844,116

Budget Process Flowchart



The following flowchart depicts the City of Tempe's Annual Budget process and timeline.





Budget Process Overview

Budget preparation allows departments the opportunity to reassess goals and objectives and the means for accomplishing them. Even though the budget is heard by the Mayor and Council in May and adopted in June, its preparation begins at least six months prior with projections of City reserves, revenue, expenditure limit requirements, and financial capacity. It is with this "groundwork" that departmental expenditure requests are made and subsequently reviewed.

- **Financial Capacity Phase**

Forecasting is an integral part of our decision-making process. Both long-range and short-range projections are prepared. The City's Comprehensive Financial Plan is updated annually to assess our current financial condition and future financial capacity, given our long-range plans and objectives. A five-year financial forecast is prepared for each major fund, projecting both expenditures and revenue. As a part of this phase, alternative scenarios are examined for their fiscal impact on each respective fund.

Concurrent with the Comprehensive Financial Plan is the update of the Debt Management Plan, which provides a ten-year view of the City's debt capacity. This planning process gauges the capacity to incur debt in the upcoming Capital Improvement Program given the City's Financial Policy guidelines.

- **Policy/Strategy Phase**

The Council's goals and directives set the tone for the development of the budget. In fact, shortly after the budget is adopted, the Council meets to identify strategic priorities, issues, and projects impacting the next fiscal year budget. The Council identifies key strategic issues that will provide the direction and framework for the budget. It is within this general framework that departments' supplemental requests are formulated. Aside from the Council's own objectives, the departments identify and discuss their own policy issues with the City Manager.

Presentations by Budget Office staff at "budget kickoff" meetings include a discussion of citywide goals and objectives, budgeting guidelines for the operating and capital budgets, timelines, an overview of fiscal constraints, and resources available for allocation. The Budget Manual distributed at these meetings is designed to assist the departments in preparing all budget requests and forms.

- **Needs Assessment Phase**

The departments have an opportunity to assess

current conditions, programs, and needs.

Examination of current departmental programs or positions for possible trade-offs, reduction, or elimination is strongly suggested. During this phase, departments are encouraged to thoroughly review all programs and services, assessing their value and priority to the citizens of Tempe. Additionally, departments reassess service level standards and workload indicators. They then attempt to provide the "best fit" of resource allocation with service and workload estimates. From this process, they prepare preliminary departmental budgets.

- **Review/Development Phase**

Within the framework of the City's financial capacity, Council and City Manager priorities and departmental needs assessments, budget requests are reviewed and a preliminary Citywide operating budget takes shape. The departments initially prepare and submit base budget worksheets reflecting allocation targets. The amount of the allocation is based on the department's prior year budget.

Supplemental requests are evaluated and the budget is presented at various levels: (1) base budget level, and (2) recommended level providing monies to implement new programs or expand existing City programs.

- **Adoption/Implementation Phase**

Prior to May 1, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

The property tax levy must be adopted by the 3rd Monday in August. State law requires cities and towns with property taxes to adopt their tax rates annually.

Management control of the budget is maintained by conducting monthly budget performance reviews throughout the fiscal year. They are aimed at examining expenditure patterns, and recommending corrective action to be taken during the year.

Additionally, records are maintained to evaluate ongoing programs and services.

- **Budget Roles and Responsibilities**

Every employee plays a role in budgeting, be it formulation, preparation, implementation, administration, or evaluation. Ultimately, of course, the department head, through the City Manager, is accountable to the City Council for the performance of departmental personnel in meeting specific objectives within resource allocation limits. Actual

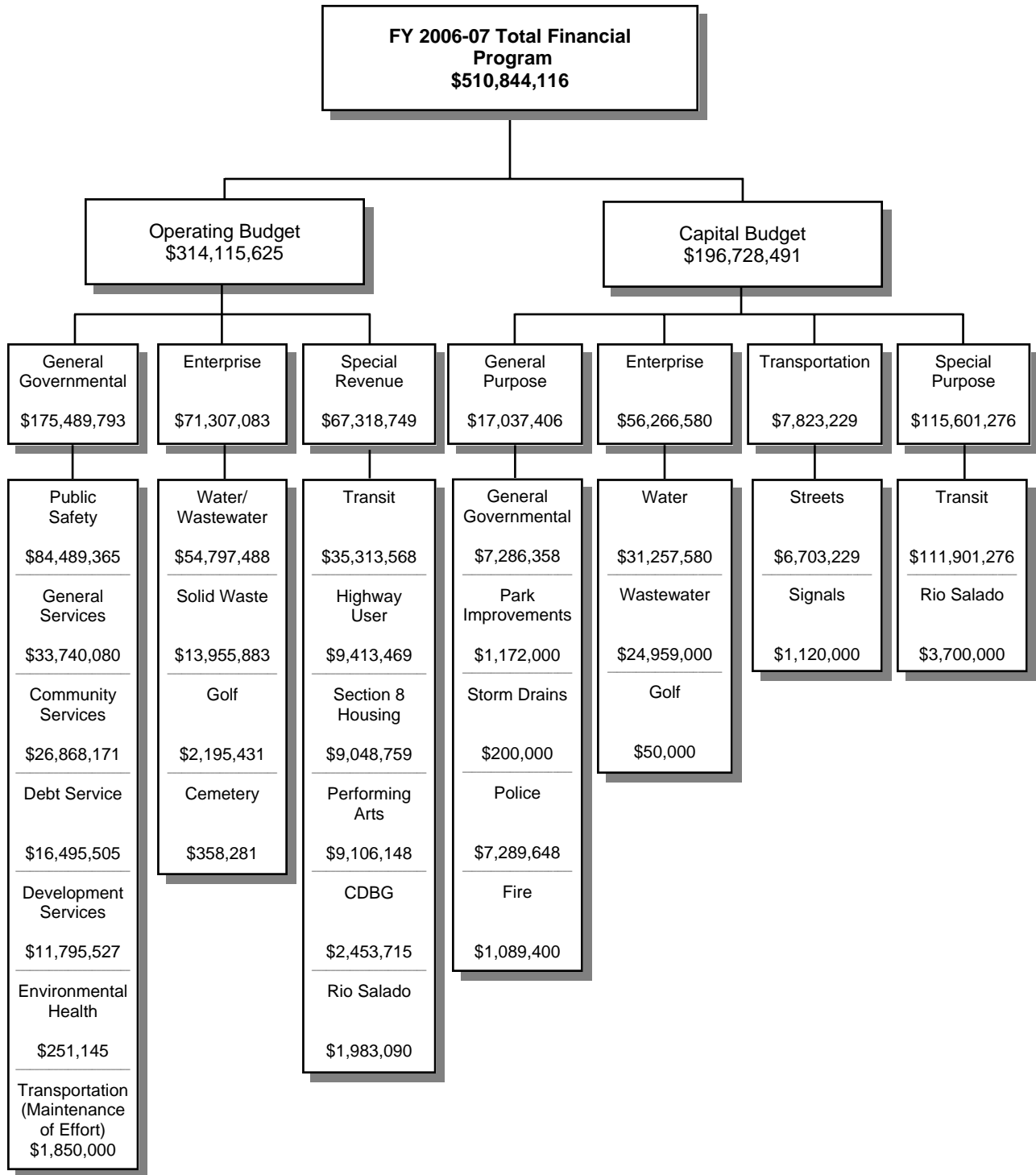


budget preparation responsibility can be identified more specifically:

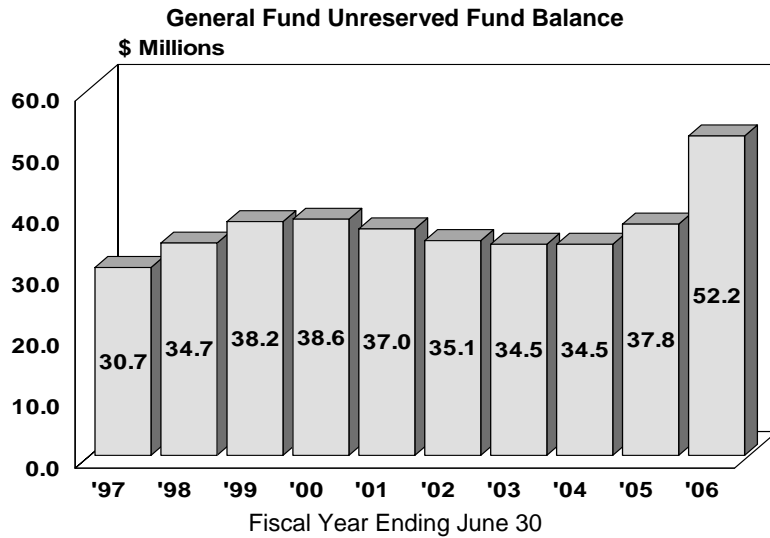
1. The program **cost center manager** is responsible for (a) preparing cost estimates for the remainder of the current fiscal year; (b) projecting base budget requirements for the next year; and (c) developing other requests that change or revise the program so that it will be more effective, efficient, productive and economical.
2. The **department manager** and the **division administrator** are responsible for reviewing, modifying and assembling their cost center data into a departmental request package. Department heads should critically evaluate departmental objectives and prioritize requests. The preparation of budget requests, goals and objectives should coincide with the strategic issues set forth by the Council.
3. **Internal Service Areas** (Fleet and Information Technology Areas) will contact each department to coordinate the initial needs assessment, cost estimates, and recommendations. Replacement equipment (i.e., vehicles, hardware/software and communication equipment) will be submitted to the Budget Office by the Internal Service areas. Any new equipment required by the departments should reflect the cost estimates and recommendations from the Internal Service areas and submitted by the departments to the Budget Office. Final review and recommendations for hardware/software and communication equipment will be the result of evaluating priorities within the departmental budget team process.
4. The **Budget Administrator and Analysts** within the Financial Services Department are responsible for (a) preparing short and long-range revenue and expenditure forecasts, (b) assisting departments as requested in the preparation of supplemental requests, (c) analyzing supplemental requests and presenting that analysis to the Budget Team (Department Managers and the Financial Services Manager), and (d) reviewing the linkage between budget requests and the City's strategic issues.
5. The **Budget Team** is responsible for reviewing departmental operating requests within the context of a set of evaluation criteria and preparing a recommended budget for review by the City Manager.
6. The **Capital Improvement Program Executive Committee** reviews program scopes, cost estimates and funding sources of CIP requests and prepares a recommended CIP budget for review by the City Manager.
7. The **City Council** is responsible for the review of the City Manager's tentative budget and approval of a final budget.
8. **Transfer of Appropriations**; at any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office, or agency (**Section 5.08, City of Tempe Charter**).
9. **Mid-Year Program/Personnel Adjustment Request**; should the need arise for additional personnel or program enhancements during the fiscal year to meet some unforeseen need, a mid-year program/personnel request is submitted to the Budget Office for a needs assessment and fiscal impact review. If, after evaluation, the request is approved and involves either additional personnel or the abolition of a position(s), the request is forwarded to either the relevant Council Committee or full Council with recommended action.
10. **Budget Transfers**; the department should process a budget transfer request form anytime a shortfall is anticipated in a departmental subtotal budget. Budget transfers are not necessary to address a shortfall within summary account groups as long as sufficient monies are available in the subtotal departmental budget. The subtotal budget includes salaries and wages, fringe benefits, materials and supplies, fees and services, travel and other expenses, contributions, and capital outlay, and excludes internal services.

Only as a last resort are contingency monies used to fund a shortfall. Alternative courses of action should be sought before contingency monies will be considered. Purchase orders and requisitions will be held until the budget shortfall is addressed.
11. **Permission to Exceed Budget**; in the event of an emergency, the Council may seek permission from the State Board of Tax Appeals (previously State Tax Commission) to exceed the adopted budget (**Section 5.09, City of Tempe Charter**).

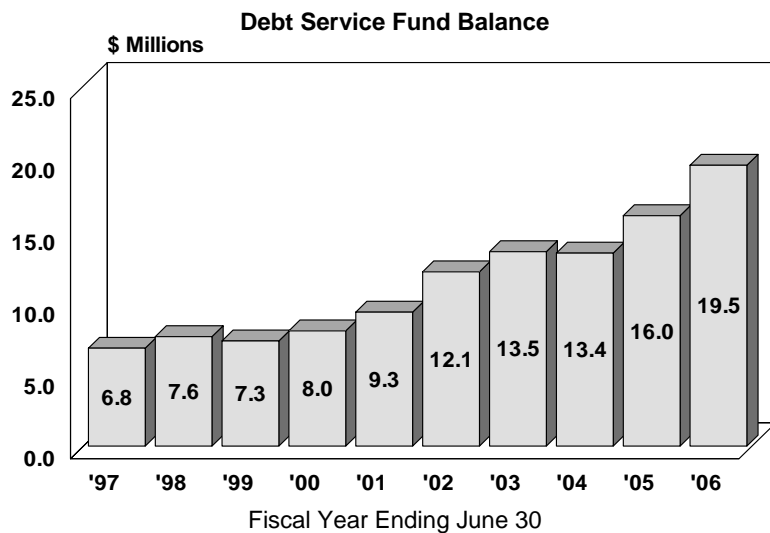
Components of Total Financial Program



General Governmental Funds: Ten Year Fund Balance Trends

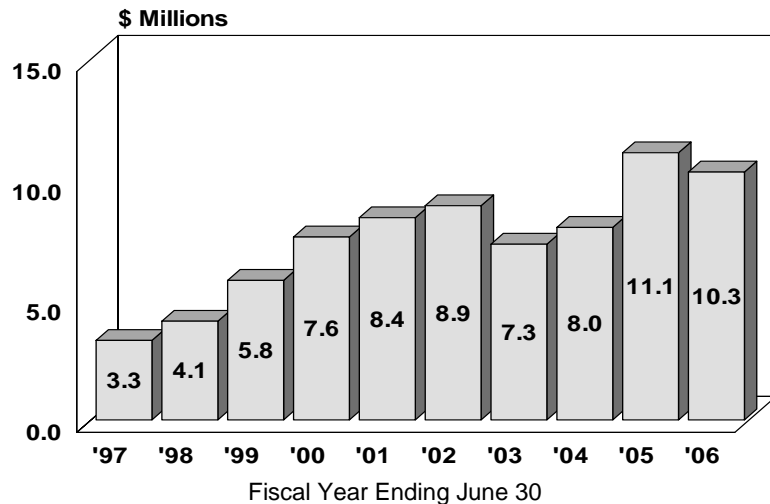


Over the ten year period, unreserved fund balances in the General Fund have been maintained at the policy guideline of 25% of revenue. At FYE 2006, the General Fund unreserved fund balance is estimated at \$52.2 million. This projected 38% increase is primarily the result of sales tax collections and building fees. The sales tax increase is reflective of an expanding and diverse retail base. Planning fees were raised to be comparable with other cities in the valley which resulted in a 58% increase in revenue collection.



The Debt Service reserve was established a number of years ago to address increasing debt service payments without impacting future operating budgets.

Highway User Revenue/Local Transportation Assistance Fund Balances

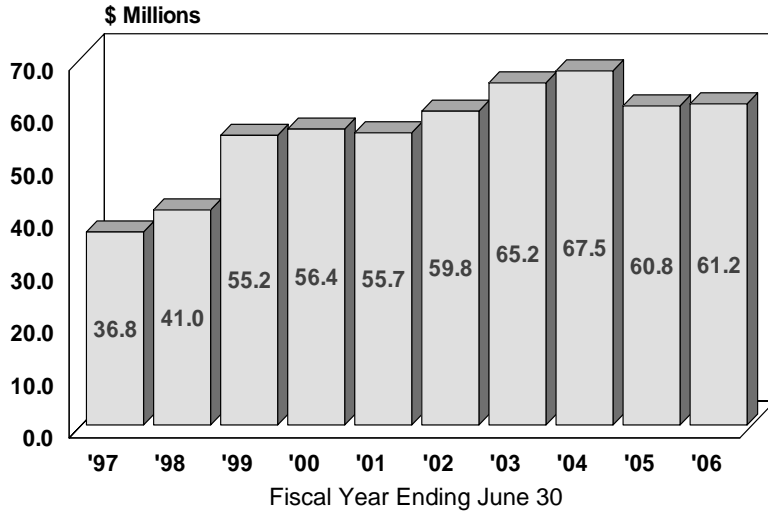


Planned drawdowns used to fund street infrastructure projects have contributed to the inconsistent trend in fund balances. The primary revenue source for these funds, state shared revenue, has grown at a modest pace, allowing the fund balance to rebound to a healthy level.

Enterprise Funds: Ten Year Fund Balance Trends

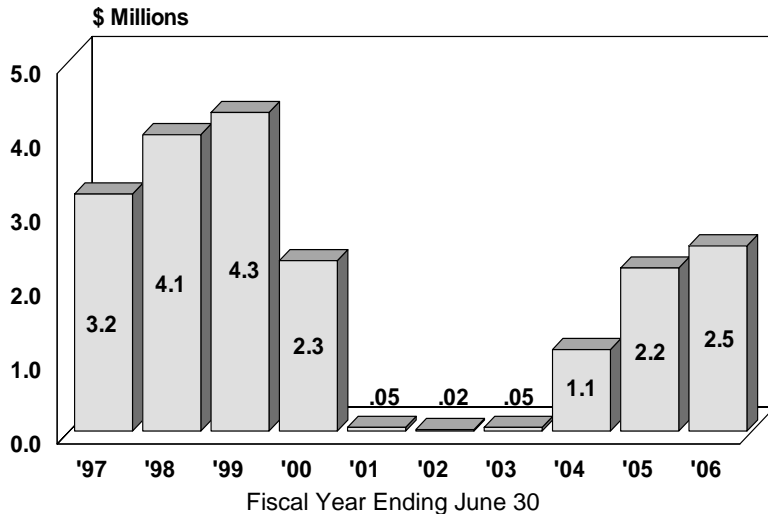


Water/Wastewater Fund Unreserved Retained Earnings



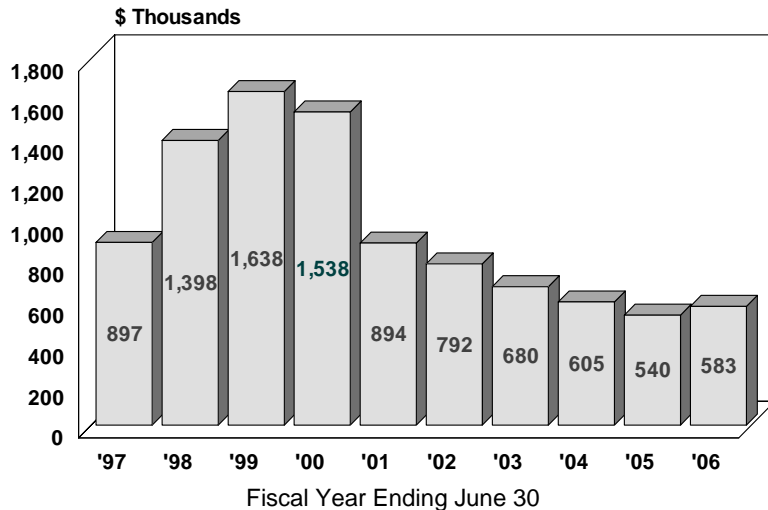
The large increase in FY 1998-99 is due to the reduction of an asset replacement reserve resulting in increased unreserved retained earnings. In FY 2004-05, a planned drawdown for pay-as-you-go financing of capital improvement projects was implemented. This reduction did not jeopardize the level of retained earnings, which is maintained at a level equal to one year of operating revenue. This is consistent with the City's Financial Policy.

Solid Waste Fund Unreserved Retained Earnings



A planned drawdown of unreserved retained earnings began in FY 1999-00, which resulted in the reserve's depletion to \$20,000 in FY 2001-02. In November 2005, a fee increase was implemented which has helped to restore the fund balance and meet the new financial guideline.

Golf Unreserved Retained Earnings



Expense growth has outpaced revenue growth since FY 1999-00, leading to the decline in reserves. Based on the Long-Range Forecast, this trend is not expected to reverse itself under the current operating plan. Therefore, a comprehensive study of Golf operations is ongoing.

Capital Budget Overview



Pursuant to City Charter, a five-year Capital Improvement Plan (CIP) is developed and updated annually. The first year's funding requirements of the plan are included in the Capital Budget, and are formally appropriated by the City Council. Capital expenditures included in the Capital Improvement Plan are defined as having the following characteristics:

- Relatively high monetary value (\$100,000 or more)
- Long life (minimum of 5 years)
- Results in the creation of a fixed asset, or the revitalization of a fixed asset

The following are some examples of items that are included within the definition of capital expenditures:

- Construction of new facilities
- Remodeling or expansion of existing facilities
- Purchase, improvement, or development of land
- Operating equipment and machinery for new and expanded facilities
- Planning and engineering costs related to specific capital improvements
- Street resurfacing, renovation, or reconstruction
- Emergency vehicles
- Information Technology infrastructure

The FY 2006-07 Capital Budget expenditures total \$196,728,491, a 3.6% increase from the FY 2005-06 amount. This increase in the budget is driven largely by capacity expansion in the Water/Wastewater

Program, continued construction of the Light Rail Transit System project and Transportation reconstruction and renovation projects. The Capital Improvement Program also continues the City's emphasis on quality of life programs, maintenance of capital assets, streets and highways, and coordinated land use planning and development.

The Capital Budget is grouped into four major programs. Expenditures for these programs in the FY 2006-07 budget include:

- \$56.3 million for Enterprise capital programs;
- \$115.6 million for Special Purpose capital programs;
- \$17.0 million for General Purpose capital programs; and
- \$7.8 million for Transportation capital programs.

Transit projects represent the largest appropriation area in FY 2006-07 at \$111.9 million, which accounts for 56.9% of the total Capital Budget. Other major areas include \$31.3 million for Water projects, \$25.0 million for Wastewater projects, and \$6.7 million for Transportation and Right-of-Way projects.

The table below compares the FY 2005-06 Capital Budget with the FY 2006-07 budget.

Comparison of FY 2005-06 and FY 2006-07 Capital Budgets

Capital Program	FY 2005-06 Budget	FY 2006-07 Budget
Enterprise		
Water	\$17,936,000	\$31,257,580
Wastewater	42,064,688	24,959,000
Golf	50,000	50,000
Cemetery	1,400,000	
Special Purpose		
Transit	67,475,773	111,901,276
Performing Arts	22,228,912	
Rio Salado	99,090	3,700,000
General Purpose		
Police	14,107,614	7,289,648
Fire		1,089,400
Storm Drains	3,640,000	200,000
Park Improvements	11,110,000	1,172,000
General Governmental	2,871,146	7,286,358
Transportation		
Transportation and R.O.W	6,043,480	6,703,229
Traffic Signals/ Street Lighting	945,000	1,120,000
Total	\$189,971,703	\$196,728,491



Enterprise Capital Program

Enterprise capital projects include Water, Wastewater, and Golf projects.

Water projects comprise \$31.3 million or 55.5% of the Enterprise Capital Budget in FY 2006-07. Major projects include \$19.0 million for expansion and membrane conversion at the Johnny G. Martinez Water Treatment Plant and \$2.5 million for construction of the Utility Services Warehouse Building.

Wastewater projects comprise \$25.0 million or 44.4% of the enterprise program in FY 2006-07. This includes \$21.6 million for the City's share of improvements at the 91st Avenue Wastewater Treatment Plant and \$2.0 million for the rehabilitation of the Southern Avenue Interceptor.

Golf projects represent only 0.1% or \$50,000 of the Enterprise program in FY 2006-07, with the entire amount for ongoing improvements at the City-owned golf courses.

The primary funding for the Enterprise capital projects comes from bond proceeds that total \$51.9 million or 92.2% in FY 2006-07.

The next largest funding source is Capital Improvement Project (CIP) Fund Balances, which represent \$2.9 million, or 5.1% of the Enterprise program funding. The balance of the Enterprise program is funded with development fee revenue, which contributes \$1.5 million or 2.7% in FY 2006-07.

Enterprise – Sources of Funds	
(\$ Millions)	FY 2006-07
Bonds	\$51.9
CIP Fund Balance	2.9
Development Fees	1.5
Total	\$56.3

Special Purpose Capital Program

Special Purpose capital projects include those for the Transit and the Rio Salado programs.

Transit projects represent \$111.9 million or 96.8% of the Special Purpose Capital Budget. Major projects include \$58.4 million for planning, design, and construction of the Central Phoenix and East Valley (C.P.& E.V.) Light Rail Transit System, \$33.9 million for the East Valley Regional Maintenance Facility, and \$13.1 million for the Tempe Transportation Center.

The Transit capital program is funded from Excise Tax bonds, transit taxes, capital projects fund balances, and outside revenue.

Rio Salado projects represent 3.2% of the Special Purpose Program. The primary project in this program includes \$3.6 million for the Playa del Norte Park construction.

The main funding for the Special Purpose capital projects comes from Excise Tax Bonds that total \$49.9 million or 43.2% in FY 2006-07. The next largest funding source is Outside Revenue, including Federal grants and Regional Participation, which represent \$45.3 million, or 39.2% of the Special Purpose program funding. The balance of the program is funded with Transit Tax Revenue, which contributes \$16.5 million or 14.3%, General Obligation Bonds, representing \$1.4 million or 1.2%, Capital Improvements Reserve, which contributes \$2.2 million or 1.9%, and CIP Fund Balance, representing \$250,000 or 0.3% in FY 2006-07.

Special Purpose – Sources of Funds	
(\$ Millions)	FY 2006-07
Excise Tax Bonds	\$49.9
Outside Revenue	45.3
Transit Tax Revenue	16.5
General Obligation Bonds	1.4
Capital Improvements Reserve	2.2
CIP Fund Balance	0.3
Total	\$115.6



General Purpose Capital Program

The General Purpose program includes Police Protection, Fire Protection, Storm Drains, Park Improvements, and General Governmental projects.

Police Protection accounts for \$7.3 million or 42.8% of the General Purpose Capital Budget in FY 2006-07. Of this amount, \$2 million is provided for completing the Apache Boulevard Police Substation and \$4.6 million is for various communications and technology projects.

Fire Protection accounts for \$1.1 million or 6.4% of the General Purpose Capital Budget in FY 2006-07. Of this amount, \$625,000 is for replacement of Self Contained Breathing Apparatus and \$420,000 is for a Fire Pumper Truck.

Storm Drains account for \$200,000 or 1.2% of the General Purpose Capital Budget in FY 2006-07. This amount provides for Storm Drain Improvements.

Park Improvements represent \$1.2 million or 6.9% of the total General Purpose Capital Budget. Principal projects include \$812,000 for development of Victory Acres Park and \$250,000 for Neighborhood Park Improvements.

General Governmental projects account for \$7.3 million or 42.8% of the General Purpose Capital Budget. Principal projects include \$2.5 million for the expansion of the Police Department Chiller, \$1.3 million for continued funding of Municipal Arts projects, and \$1.6 million for the renovation of the Tempe Public Library and the Tempe Historical Museum Exhibit Hall.

Funding for General Purpose capital projects comes from several sources, as shown in the following table.

General Purpose – Sources of Funds	
(\$ Millions)	FY 2006-07
General Obligation Bonds	\$11.3
Capital Improvements Reserve	2.4
Transfers from Other Funds	3.0
CIP Fund Balance	0.3
Total	\$17.0

Transportation Capital Program

The Transportation Capital Budget includes projects for Transportation and Right-of-Way (R.O.W.) and Street Lighting and Traffic Signals.

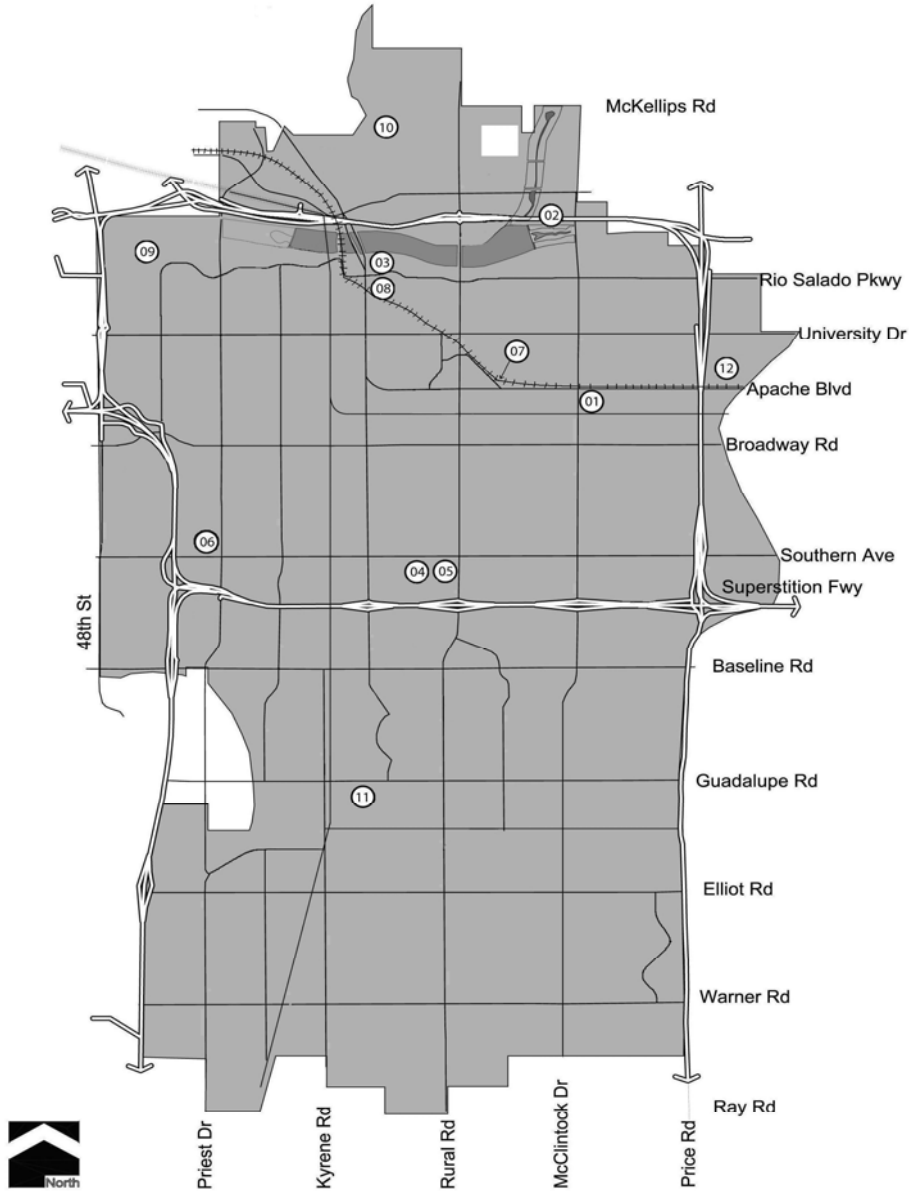
The majority of Transportation capital funding is for **Transportation and R.O.W.**, which represents \$6.7 million or 85.7% of the total Transportation Capital Budget. These amounts provide ongoing funding for local and major street renovation and reconstruction in accordance with the City's Pavement Management Program.

The remaining funding is for **Street Lighting and Traffic Signals**, which combined represent \$1.1 million or 14.3% of the total Transportation Capital Budget in FY 2006-07. These amounts provide funding for street light upgrades, new signals, and the undergrounding of overhead utility lines.

The Transportation Capital Budget is funded from General Obligation Bonds and CIP Fund Balances.

Transportation – Sources of Funds	
(\$ Millions)	FY 2006-07
General Obligation Bonds	\$7.6
CIP Fund Balance	0.2
Total	\$7.8

The locations of some key capital improvements projects are shown on the map of Tempe provided on the following page.



Location	Project Description
1	Apache Boulevard Substation
2	Playa del Norte
3	Police Department Chiller Expansion
4	Tempe Public Library Renovation
5	Renovation of the Tempe Historical Museum
6	Southern Avenue Interceptor Rehabilitation

Location	Project Description
7	Central Phoenix & East Valley Light Rail Transit System
8	Transit Center
9	Transit Regional Maintenance Facility
10	Johnny G. Martinez Water Treatment Plant: Expansion
11	Utility Services and Warehouse Building
12	Development of Victory Acres Park

Capital Improvements Program Summary



Program	Funded Program		Additional Needs			Total 5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY2010-11	
Enterprise Program						
Water	\$31,257,580	\$21,884,800	\$3,843,357	\$1,476,000	\$1,476,000	\$59,937,737
Wastewater	24,959,000	24,550,000	20,950,000	11,272,802	7,120,000	88,851,802
Golf	50,000	50,000	50,000	50,000	50,000	250,000
Subtotal Enterprise	56,266,580	46,484,800	24,843,357	12,798,802	8,646,000	149,039,539
Special Purpose Program						
Transit	111,901,276	97,121,084	24,782,445	18,950,000	1,100,000	253,854,805
Rio Salado	3,700,000	3,743,500	11,250,000	4,925,500	2,246,000	25,865,000
<i>Total Special Purpose</i>	<i>115,601,276</i>	<i>100,864,584</i>	<i>36,032,445</i>	<i>23,875,500</i>	<i>3,346,000</i>	<i>279,719,805</i>
General Purpose Program						
Police	7,289,648	10,977,622	5,213,649	1,435,800	150,000	25,066,719
Fire	1,089,400	2,158,088	290,400	4,232,730	4,833,752	12,604,370
Storm Drains	200,000	250,000	250,000	250,000	250,000	1,200,000
Park Improvements	1,172,000	4,882,000	4,052,000	4,102,000	3,147,000	17,355,000
General Governmental						
City Attorney	100,438					100,438
Community Development	862,750	862,750	862,750	862,750	862,750	4,313,750
Community Services	2,886,170	3,792,131	3,975,870	4,093,212	407,685	15,155,068
Neighborhood Program	225,000	225,000	225,000	225,000	225,000	1,125,000
Public Works	3,212,000	712,000	712,000	712,000	712,000	6,060,000
<i>Total General Purpose</i>	<i>17,037,406</i>	<i>23,859,591</i>	<i>15,581,669</i>	<i>15,913,492</i>	<i>10,588,187</i>	<i>82,980,345</i>
Transportation Program						
Transportation and R.O.W.	6,703,229	6,526,634	5,929,379	7,512,527	8,157,031	34,828,800
Traffic Signals/Street						
Lighting	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000	5,600,000
<i>Total Transportation</i>	<i>7,823,229</i>	<i>7,646,634</i>	<i>7,049,379</i>	<i>8,632,527</i>	<i>9,277,031</i>	<i>40,428,800</i>
<i>Total General/Transportation</i>	<i>24,860,635</i>	<i>31,506,225</i>	<i>22,631,048</i>	<i>24,546,019</i>	<i>19,865,218</i>	<i>123,409,145</i>
Subtotal Tax Supported	140,461,911	132,370,809	58,663,493	48,421,519	23,211,218	403,128,950
TOTAL PROGRAM	\$196,728,491	\$178,855,609	\$83,506,850	\$61,220,321	\$31,857,218	\$552,168,489

Capital Improvements Program Source of Funds



Program	Funded Program		Additional Needs			Total 5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Enterprise Supported						
Water/Wastewater						
Water/Wastewater Bonds	\$51,844,979	\$44,934,800	\$23,293,357	\$11,248,802	\$7,096,000	\$138,417,938
Capital Projects Fund Balance	2,871,601					2,871,601
Development Fees	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
<i>Total Water/Wastewater</i>	<i>56,216,580</i>	<i>46,434,800</i>	<i>24,793,357</i>	<i>12,748,802</i>	<i>8,596,000</i>	<i>148,789,539</i>
Golf						
Excise Tax Bonds - Golf Fund	50,000	50,000	50,000	50,000	50,000	250,000
Subtotal Enterprise Supported						
	56,266,580	46,484,800	24,843,357	12,798,802	8,646,000	149,039,539
Special Purpose						
Transit						
Transit Tax Revenues	16,451,257	38,836,748	4,177,445	728,220	300,000	60,493,670
Excise Tax Bonds	49,888,037	15,000,000	1,020,000	2,660,500		68,568,537
Valley Metro Rail Inc.		26,930,311				26,930,311
Capital Projects Fund Balance	250,234					250,234
Regional Participation	30,515,925	13,229,000	14,105,000			57,849,925
Grants	14,795,823	3,125,025	5,480,000	15,561,280	800,000	39,762,128
<i>Total Transit</i>	<i>111,901,276</i>	<i>97,121,084</i>	<i>24,782,445</i>	<i>18,950,000</i>	<i>1,100,000</i>	<i>253,854,805</i>
Rio Salado						
Land Sales/Rio Salado Reserve	2,230,000	243,500	10,400,000	4,825,500	2,146,000	19,845,000
General Obligation Bonds	1,370,000					1,370,000
Grants		3,400,000	750,000			4,150,000
Capital Projects Fund Balance	100,000	100,000	100,000	100,000	100,000	500,000
<i>Total Rio Salado</i>	<i>3,700,000</i>	<i>3,743,500</i>	<i>11,250,000</i>	<i>4,925,500</i>	<i>2,246,000</i>	<i>25,865,000</i>
<i>Total Special Purpose</i>	<i>115,601,276</i>	<i>100,864,584</i>	<i>36,032,445</i>	<i>23,875,500</i>	<i>3,346,000</i>	<i>279,719,805</i>
General Purpose & Transportation						
General Obligation Bonds	18,950,727	23,790,177	18,404,915	21,211,170	17,222,783	99,579,772
Capital Improvements Reserve	2,397,720	1,243,399	1,157,803	1,176,891	1,132,725	7,108,538
Water/Wastewater Fund	762,166	714,348	497,934	377,488	335,960	2,687,896
Transit Fund	535,022	95,551	82,000	189,500	11,000	913,073
Transfers from Other Funds	862,750	862,750	862,750	862,750	862,750	4,313,750
Capital Project Fund Balances	540,250					540,250
Community Development Block Grant	812,000	800,000				1,612,000
COPS Grant		4,000,000	1,625,646			5,625,646
<i>Total General/Transportation</i>	<i>24,860,635</i>	<i>31,506,225</i>	<i>22,631,048</i>	<i>24,546,019</i>	<i>19,865,218</i>	<i>123,409,145</i>
Subtotal Tax Supported	140,461,911	132,370,809	58,663,493	48,421,519	23,211,218	403,128,950
TOTAL PROGRAM	\$196,728,491	\$178,855,609	\$83,506,850	\$61,220,321	\$31,857,218	\$552,168,489

Capital Improvements Program Changes in Fund Balances



Program	Estimated Fund Balance 06-30-06	Transfers from Other Funds	Outside Revenue	Bond Proceeds	Appropriation	Estimated Fund Balance 06-30-07
Enterprise						
Water/Wastewater	\$3,618,741		\$1,500,000	\$51,844,979	\$56,216,580	\$747,140
Golf	42,425			50,000	50,000	42,425
Cemetery	14,289					14,289
Subtotal Enterprise	3,675,455		1,500,000	51,894,979	56,266,580	803,854
Special Purpose						
Transit	784,781	16,451,257	45,311,748	49,888,037	111,901,276	534,547
Performing Arts	453,540					453,540
Rio Salado	876,374	2,230,000		1,370,000	3,700,000	776,374
Subtotal Special Purpose	2,114,695	18,681,257	45,311,748	51,258,037	115,601,276	1,764,461
General Purpose						
Police Protection	(1,030,535)	80,000		7,209,648	7,289,648	(1,030,535)
Fire Protection	3,166	1,045,000		41,234	1,089,400	
Storm Drains		200,000			200,000	
Park Improvements	225,232		812,000	222,274	1,172,000	87,506
General Governmental	199,945	3,232,658		3,853,824	7,286,358	69
Subtotal General Purpose	(602,192)	4,557,658	812,000	11,326,980	17,037,406	(942,960)
Transportation						
Transp. & R.O.W. Improvements	127,406			6,663,137	6,703,229	87,314
Traffic Signals/Street Lighting	159,390			960,610	1,120,000	
Subtotal Transportation	286,796			7,623,747	7,823,229	87,314
Total Program	\$5,474,754	\$23,238,915	\$47,623,748	\$122,103,743	\$196,728,491	\$1,712,669

Capital Improvements Program Project Listings and Descriptions



Water Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
JGMWTP Expansion and Membrane Conversion	\$19,000,000	\$17,000,000	\$2,367,357			\$38,367,357
Utility Services and Warehouse Building	2,521,580					2,521,580
New Production Wells	2,500,000	1,258,800				3,758,800
University Drive Waterline Replacement	2,410,000					2,410,000
Water Utilities Department Security Improvements	2,000,000	1,550,000				3,550,000
Enterprise Geographical Information System	900,000					900,000
Water Line Upgrades/ Extensions	850,000	850,000	850,000	850,000	850,000	4,250,000
Well #9 Building Security/ System Piping	450,000					450,000
Distribution System Fittings	200,000	200,000	200,000	200,000	200,000	1,000,000
STWTP Capital Equipment Replacement	150,000	150,000	150,000	150,000	150,000	750,000
JGMWTP Capital Equipment Replacement	150,000	150,000	150,000	150,000	150,000	750,000
CAP Capital Charge	126,000	126,000	126,000	126,000	126,000	630,000
SCADA Remote Terminal Units Replacement		600,000				600,000
Total Recommended	\$31,257,580	\$21,884,800	\$3,843,357	\$1,476,000	\$1,476,000	\$59,937,737

Water Program Project Descriptions

JGMWTP: Expansion and Membrane Conversion

This project will provide the increased water treatment capacity at the Johnny G. Martinez Water Treatment Plant (JGMWTP) needed to meet the projected growth resulting from in-fill development, development of remaining vacant land, and redevelopment of existing parcels.

06-07 Source of Funds

W/WW Bonds 19,000,000

Utility Services & Warehouse Building

This project provides for design and construction of new facilities on the site of the Kyrene Water Reclamation Facility to house the staff of the Utility Services workgroup and Water User Department Warehouse.

06-07 Source of Funds

W/WW Bonds 2,521,580



New Production Wells

This project funds the construction of new water production wells to provide additional groundwater production capacity of approximately 13.0 million gallons per day to the City system.

06-07 Source of Funds

W/WW Bonds	1,000,000
Development Fees	1,500,000

Water Utilities Department Security Improvements

This project funds new security improvements and upgrades of existing components at well sites, water production plants, wastewater reclamation facilities, reservoirs, and the Household Products Collection Center.

06-07 Source of Funds

W/WW Bonds	2,000,000
------------	-----------

Water Line Upgrades/Extensions

This project funds replacement of water lines that break during normal operation or that have reached their useful life as identified in the Water Utilities Department Integrated Master Plan.

06-07 Source of Funds

W/WW Bonds	850,000
------------	---------

Distribution System Fittings

This project provides for the acquisition, assembly, and installation of water works infrastructure including meters, valves, hydrants, and water lines.

06-07 Source of Funds

W/WW Bonds	200,000
------------	---------

JGMWTP Capital Equipment Replacement

This project provides funding for replacement of pumps, valves, and other operating equipment due to unforeseen failures at the Johnny G. Martinez Water Treatment Plant (JGMWTP).

06-07 Source of Funds

W/WW Bonds	150,000
------------	---------

University Drive Waterline Replacement

This project funds the relocation or replacement of older water lines along University Drive.

06-07 Source of Funds

W/WW Bonds	2,410,000
------------	-----------

Enterprise Geographical Information System

This project funds a Geographical Information System in the Water Department to provide a new view of spatial information to both internal and external customers.

06-07 Source of Funds

W/WW Bonds	900,000
------------	---------

Well #9 Building Security/System Piping

This project provides funding for structural improvements at Well #9, including a building for the electrical gear, a new system connection from the well, a new building for chlorination equipment, and a new block wall.

06-07 Source of Funds

W/WW Bonds	450,000
------------	---------

STWTP Capital Equipment Replacement

This project provides funding for replacement of pumps, valves, and other operating equipment due to unforeseen failures at the South Tempe Water Treatment Plant (STWTP).

06-07 Source of Funds

W/WW Bonds	150,000
------------	---------

CAP Capital Charge

This project funds the annual repayments to the Central Arizona Water Conservation District (CAWCD) to reimburse construction costs of the Central Arizona Project (CAP) Canal.

06-07 Source of Funds

W/WW Bonds	126,000
------------	---------



Wastewater Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
91st Avenue Wastewater Treatment Plant	\$21,600,000	\$21,300,000	\$18,200,000	\$8,522,802	\$5,000,000	\$74,622,802
Southern Avenue Interceptor (SAI) Rehabilitation/ All Phases	2,000,000	2,000,000	2,000,000	2,000,000	1,370,000	9,370,000
Sewer Line Upgrades and Extension	750,000	750,000	750,000	750,000	750,000	3,750,000
Metering Station Improvements	405,000					405,000
48th Street Meter Station	204,000					204,000
SRO 10 MGD Diversion (Priest - 48th St.)		500,000				500,000
Total Recommended	\$24,959,000	\$24,550,000	\$20,950,000	\$11,272,802	\$7,120,000	\$88,851,802

Wastewater Program Project Descriptions

91st Avenue Wastewater Treatment Plant

This project represents Tempe's share of all expansion activities at the jointly-owned, regional 91st Avenue Wastewater Treatment Plant.

06-07 Source of Funds

W/WW Bonds 18,728,399
CIP Fund Balances 2,871,601

SAI Rehabilitation – All Phases

This project funds the phased rehabilitation or replacement of a jointly-owned regional sewer line that runs through Tempe.

06-07 Source of Funds

W/WW Bonds 2,000,000

Sewer Line Upgrades and Extensions

This project provides a recurring funding source to replace sewer lines that break during normal operation, as identified in the Water Utilities Department Integrated Master Plan (IMP).

06-07 Source of Funds

W/WW Bonds 750,000

Metering Station Improvements

This project provides funding for modifications to existing meter station access at the Priest Road Metering Station and the Southern Avenue Metering Station.

06-07 Source of Funds

W/WW Bonds 405,000

48th Street Meter Station

This project provides funding for construction of a facility to allow dewatering of solids following the wastewater collection system cleaning process.

06-07 Source of Funds

W/WW Bonds 204,000



Golf Program Project Listings

Project Description	Funded		Additional Needs			5-Year
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Program
Golf Course Improvements	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Total Recommended	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000

Golf Program Project Descriptions

Golf Course Improvements

This ongoing project provides funds for small annual renovation and improvement projects at both golf courses.

06-07 Source of Funds

Excise Tax Bonds 50,000



Transit Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Central Phoenix & East Valley						
Light Rail Transit System	\$58,399,037	\$87,566,059	\$16,582,445			\$162,547,541
East Valley Regional Maintenance						
Facility	33,867,239					33,867,239
Tempe Transportation Center	13,100,000					13,100,000
Bus-Midlife Scheduled Fleet						
Maintenance	3,619,000	1,470,000				5,089,000
Bus Purchase-Fleet Replacement	1,600,000		6,000,000	15,650,000		23,250,000
Mid-Block Crossing						
Treatments	616,000					616,000
College Avenue Streetscape & Pedestrian Improvements	235,000	2,615,000				2,850,000
Crosscut Canal Multi-Use Path, Phase II	200,000		1,900,000			2,100,000
Rio Salado South Bank Multi-Use Path (Priest/Hardy)	140,000					140,000
Tempe Canal Multi-Use Path: Phase I	100,000					100,000
Transportation Management						
Center-Equipment	25,000	670,025				695,025
Western Canal Multi-Use Path		4,600,000				4,600,000
Broadway Road Streetscape & Pedestrian Improvements			300,000	3,000,000		3,300,000
Rio Salado Multi-Use Path- Tempe/Phoenix (Priest/SR 143)				300,000	1,100,000	1,400,000
Apache Boulevard Street Improvements (Mill/Terrace)		200,000				200,000
Total Recommended	\$111,901,276	\$97,121,084	\$24,782,445	\$18,950,000	\$1,100,000	\$253,854,805



Transit Program Project Descriptions

Central Phoenix & East Valley Light Rail Transit System

This project provides funding for design, engineering and construction of a light rail transit corridor that would link downtown Phoenix and downtown Mesa to Tempe.

06-07 Source of Funds

Excise Bonds	49,888,037
Regional Participation	8,511,000

Tempe Transportation Center

This project funds the design and construction of a transit center, including parking, commercial and office space, and 15 bus bays.

06-07 Source of Funds

Transit Tax	11,465,691
Federal Grants	1,634,309

Bus Purchase-Fleet Replacement

This project funds the replacement of 52 fixed route buses in the Tempe fleet.

06-07 Source of Funds

Transit Tax	1,600,000
-------------	-----------

College Ave. Streetscape & Pedestrian Improvements

This project funds two miles of pedestrian improvements and traffic calming for a collector street.

06-07 Source of Funds

CIP Fund Balance	225,234
Transit Tax	9,766

Rio Salado South Bank Multi-Use Path (Priest/Hardy)

This project funds a multi-use path that would be located on City of Tempe right-of-way on the south bank of the Rio Salado Town Lake between Hardy and Priest Drive.

06-07 Source of Funds

Transit Tax	140,000
-------------	---------

Transportation Management Center -Equipment

This project funds the purchase of equipment to manage and monitor traffic and transit operations in an increasingly dynamic environment.

06-07 Source of Funds

CIP Fund Balances	25,000
-------------------	--------

East Valley Regional Maintenance Facility

This project funds design and construction costs for a cooperative multi-jurisdictional regional maintenance center located in Tempe.

06-07 Source of Funds

Regional Participation	22,004,925
Federal Grants	11,862,314

Bus Midlife Scheduled Fleet Maintenance

This project funds maintenance of the Tempe bus fleet and associated operational equipment.

06-07 Source of Funds

Transit Tax	2,819,800
Federal Grant	799,200

Mid-Block Crossing Treatments

This project funds the design and construction of up to six mid-block arterial street crossings at various locations throughout the City.

06-07 Source of Funds

Federal Grants	500,000
Transit Tax	116,000

Crosscut Canal Multi-Use Path, Phase II

This project will build a one mile non-motorized path that will connect to the recently completed, award winning 1.25 mile Crosscut Canal Multi-Use Path Phase I.

06-07 Source of Funds

Transit Tax	200,000
-------------	---------

Tempe Canal Multi-Use Path, Phase I

This project funds design and construction of a one mile segment of concrete off-street pathway that will include lighting, landscaping, and art elements along the Tempe Canal.

06-07 Source of Funds

Transit Tax	100,000
-------------	---------



Rio Salado Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Playa Del Norte Park	\$3,600,000					\$3,600,000
Rio Salado Ancillary Construction Projects	100,000	100,000	100,000	100,000	100,000	500,000
Town Lake Rubber Dam Replacement			9,400,000	4,740,000	2,060,000	16,200,000
Tempe Town Lake Pedestrian Bridge		3,643,500	1,750,000	85,500	86,000	5,565,000
Total Recommended	\$3,700,000	\$3,743,500	\$11,250,000	\$4,925,500	\$2,246,000	\$25,865,000

Rio Salado Program Project Descriptions

Playa Del Norte Park

This project funds enhancements to the Playa Del Norte Park, including patio shade structure, mature tree planting, and construction of a water fountain.

06-07 Source of Funds

Capital Improvements Reserve	2,230,000
G.O. Bonds	1,370,000

Rio Salado Ancillary Project

This project funds the various projects that become necessary at Tempe Town Lake, the Tempe Beach Park, and the linear park system.

06-07 Source of Funds

CIP Fund Balances	100,000
-------------------	---------



Police Protection Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Police/City Radio System						
Replacement	\$2,559,648	\$6,777,622	\$3,663,649	\$1,285,800		\$14,286,719
Apache Boulevard Substation	2,500,000					2,500,000
Police CAD/RMS/FRWS						
System	2,000,000	4,000,000				6,000,000
TIPS (Technology Integrated						
Police System)	150,000	200,000	150,000	150,000	150,000	800,000
Detention Facility Improvements	80,000					80,000
Laptop Refresh			1,400,000			1,400,000
Total Recommended	\$7,289,648	\$10,977,622	\$5,213,649	\$1,435,800	\$150,000	\$25,066,719

Police Protection Program Project Descriptions

Police/City Radio System Replacement

This project will replace the City's analog radio system with an interoperable digital system, allowing communication with other jurisdictions in the Phoenix metro area.

06-07 Source of Funds

G.O. Bonds 2,559,648

Apache Boulevard Substation

This project funds the construction of a Police Substation and Property/Evidence Facility on Apache Boulevard.

06-07 Source of Funds

G.O. Bonds 2,500,000

Police CAD/RMS/FRWS System

This project funds replacement of the Department's existing Computer Aided Dispatch (CAD) System, Records Management System (RMS), and Field Report Writing System (FRWS).

06-07 Source of Funds

G.O. Bonds 2,000,000

TIPS (Technology Integrated Police System)

This project funds new technology in the Police Department, and adds resources to upgrade and interface with existing systems.

06-07 Source of Funds

G.O. Bonds 150,000

Detention Facility Improvements

This project funds the replacement of the Police Department's graphic enunciator system in the Detention Facility.

06-07 Source of Funds

Capital Improvements 80,000
Reserve



Fire Protection Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Replacement of Self Contained Breathing Apparatus	\$625,000					\$625,000
Replacement Pumper Truck	420,000					420,000
Renovations to Fire Station 4	44,400	394,000				438,400
New Support Services Facility		1,424,200	290,400	3,825,160		5,539,760
Fire Station 2 Classroom Addition at Fire Training Center		199,888		407,570	4,833,752	5,241,322
Radio Replacement for Conversion to 800 MHz		140,000				140,000
Total Recommended	\$1,089,400	\$2,158,088	\$290,400	\$4,232,730	\$4,833,752	\$12,604,370

Fire Protection Program Project Descriptions

Replacement of Self-Contained Breathing Apparatus

This project funds replacement of the Fire Department's current self-contained breathing apparatus units.

06-07 Source of Funds

Capital Improvements Reserve	625,000
------------------------------	---------

Replacement Pumper Truck

This project provides funding to replace pumper truck #E273.

06-07 Source of Funds

Capital Improvements Reserve	420,000
------------------------------	---------

Renovations to Fire Station 4

This project funds the renovation of Fire Station 4, including adding a women's restroom, rebuilding the kitchen area, construction of an exercise room, and upgrades to the truck room.

06-07 Source of Funds

G.O. Bonds	41,234
CIP Fund Balances	3,166



Storm Drains Program Project Listings

Project Description	Funded		Additional Needs			5-Year
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Program
Storm Drain Improvements	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,200,000
Total Recommended	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,200,000

Storm Drains Program Project Descriptions

Storm Drain Improvements

This project funds the construction of minor storm drain extensions to relieve localized problems for replacement and/or upgrades associated with various storm water retention facilities.

06-07 Source of Funds

Water/Wastewater Fund 200,000



Park Improvements Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Development of Victory Acres						
Property	\$812,000	\$800,000				\$1,612,000
Neighborhood Park Improvements	250,000	300,000	300,000	350,000	350,000	1,550,000
Sports Facility Relamping	60,000	60,000	60,000	60,000	60,000	300,000
Park Landscaping Improvements	50,000	75,000	75,000	75,000	75,000	350,000
Park Renovation and Restoration		2,312,000	2,012,000	2,012,000	2,262,000	8,598,000
Kiwanis Park Sprinkler System						
Replacement		240,000	1,255,000	1,255,000		2,750,000
Athletic Field Lighting						
Improvements		300,000	350,000	350,000	400,000	1,400,000
Kiwanis Recreation Center Tennis						
Court Resurfacing		795,000				795,000
Total Recommended	\$1,172,000	\$4,882,000	\$4,052,000	\$4,102,000	\$3,147,000	\$17,355,000

Park Improvements Program Project Descriptions

Development of Victory Acres Property

This project funds the development of a park in the Victory Acres section of Tempe

06-07 Source of Funds

Community Dev. Block Grant 812,000

Sports Facility Relamping

This project provides funding for the maintenance of sports facility lighting.

06-07 Source of Funds

G.O. Bonds 60,000

Neighborhood Park Improvements

This project funds the replacement of playground equipment, picnic equipment, fencing, signage, and other improvements in the various neighborhood parks.

06-07 Source of Funds

G.O. Bonds 154,699
Capital Improvements Reserve 95,301

Park Landscaping Improvements

This project provides funding for the repair and replacement of neighborhood park landscaping.

06-07 Source of Funds

G.O. Bonds 7,575
CIP Fund Balances 42,425



General Governmental Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
City Attorney						
Security Enhancement-City Attorney's Office/Criminal Division	\$100,438					\$100,438
Community Development						
AWA - 1st Street Redevelopment	862,750	862,750	862,750	862,750	862,750	4,313,750
Community Services						
Municipal Arts Program	1,332,470	866,298	550,737	556,879	292,685	3,599,069
Renovation of the Tempe Historical Museum Exhibit Hall	926,000	2,625,000				3,551,000
Tempe Public Library Renovation	627,700	300,833	3,425,133	3,536,333	115,000	8,004,999
Maryanne Corder Neighborhood Improvement Program						
	225,000	225,000	225,000	225,000	225,000	1,125,000
Public Works						
Police Department Chiller Expansion	2,500,000					2,500,000
City Facilities Rehabilitation	500,000	500,000	500,000	500,000	500,000	2,500,000
Historic Properties Preservation	100,000	100,000	100,000	100,000	100,000	500,000
HVAC Equipment Replacement	50,000	50,000	50,000	50,000	50,000	250,000
Energy Upgrade and Retrofit	32,000	32,000	32,000	32,000	32,000	160,000
Roof Maintenance Program	30,000	30,000	30,000	30,000	30,000	150,000
Total Recommended	\$7,286,358	\$5,591,881	\$5,775,620	\$5,892,962	\$2,207,435	\$26,754,256

General Governmental Program Project Descriptions

Security Enhancement-City Attorney's Office/Criminal Division

This project improves the ergonomics of support staff workstations and enhances security at the City Attorney's Office.

06-07 Source of Funds

Capital Improvements Reserve 100,438

America West Airlines (AWA)-1st Street Redevelopment

This project provides funding for the development agreement between America West Airlines and the City.

06-07 Source of Funds

Other Funds 862,750

**Municipal Arts Program**

This project provides for various municipal arts projects as determined by the Municipal Arts Commission and the City Council.

06-07 Source of Funds

Water/Wastewater Fund	562,166
Capital Improvements Reserve	235,282
Transit Fund	535,022

Tempe Public Library Renovation

This project provides funds to enhance and renovate the Tempe Public Library. Enhancements will include upgrading the computer network, remodeling existing space, and purchase of new furniture.

06-07 Source of Funds

G.O. Bonds	627,700
------------	---------

Police Department Chiller Expansion

This project will provide redundant cooling capacity for the Municipal District Cooling Loop.

06-07 Source of Funds

G.O. Bonds	2,500,000
------------	-----------

Historic Properties Preservation

This project provides funding to preserve the structural and aesthetic value of City owned historical properties.

06-07 Source of Funds

Capital Improvements Reserve	100,000
------------------------------	---------

Energy Upgrade and Retrofit

This project funds the retrofit of lighting City facilities to improve energy efficiency throughout the City.

06-07 Source of Funds

Capital Improvements Reserve	32,000
------------------------------	--------

Renovation of the Tempe Historical Museum Exhibit Hall

This project funds the complete renovation of the exhibit gallery of the Tempe Historical Museum Exhibit Hall, and funds the addition of 4,000 square feet of artifact storage.

06-07 Source of Funds

G.O. Bonds	726,124
CIP Fund Balances	199,876

Maryanne Corder Neighborhood Improvement Program

This project provides funding for small neighborhood initiated projects.

06-07 Source of Funds

Capital Improvements Reserve	225,000
------------------------------	---------

City Facilities Rehabilitation

This project provides funding for the rehabilitation and repair to aging City owned building infrastructure.

06-07 Source of Funds

Capital Improvements Reserve	500,000
------------------------------	---------

HVAC Equipment Replacement

This project funds the replacement of City owned A/C equipment.

06-07 Source of Funds

Capital Improvements Reserve	50,000
------------------------------	--------

Roof Maintenance Program

This project provides funding for the maintenance and repair of the roofs on City buildings.

06-07 Source of Funds

Capital Improvements Reserve	30,000
------------------------------	--------



Transportation and Right-of-Way Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
Major Street Renovation	\$1,384,614	\$1,082,409	\$1,190,650	\$2,000,000	\$2,200,000	\$7,857,673
Local and Major Street Reconstruction	1,234,142	955,142	459,729	477,628	525,391	3,652,032
Local Street Renovation	1,218,685	1,331,099	877,400	1,237,500	1,361,250	6,025,934
Arterial Resurfacing	874,481	961,929	1,058,122	1,163,934	1,280,328	5,338,794
Neighborhood Rehabilitation	650,000	715,000	786,500	865,150	951,665	3,968,315
Intersection Reconstruction	600,000	660,000	726,000	798,600	878,460	3,663,060
Minor Concrete Improvements	393,250	432,575	475,832	523,415	575,757	2,400,829
Neighborhood Transportation Management	200,000	200,000	200,000	200,000	200,000	1,000,000
Bridge Maintenance	100,000	100,000	100,000	100,000	100,000	500,000
City Facilities Parking Lots	26,057	66,480	33,146	124,300	62,180	312,163
Minor Street and Alley Improvements	22,000	22,000	22,000	22,000	22,000	110,000
Total Recommended	\$6,703,229	\$6,526,634	\$5,929,379	\$7,512,527	\$8,157,031	\$34,828,800

Transportation and Right-of-Way Program Project Descriptions

Major Street Renovation

This project provides funds for ongoing preventative maintenance and resurfacing of major arterial and collector streets throughout the city in accordance with the City's Pavement Management Program.

06-07 Source of Funds

G.O. Bonds 1,384,614

Local and Major Street Reconstruction

This project provides for the reconstruction, resurfacing, and rehabilitation of isolated and/or small groups of streets that have exceeded their design life or that were never part of the City's street system.

06-07 Source of Funds

G.O. Bonds 1,234,142

Local Street Renovation

This project will provide the ongoing preventative maintenance of local/residential streets throughout the city in accordance with the City's Pavement Management Program.

06-07 Source of Funds

G.O. Bonds 1,218,685

Arterial Resurfacing

This project provides funding for the resurfacing and localized reconstruction of the arterial street system in the City.

06-07 Source of Funds

G.O. Bonds 874,481

Neighborhood Rehabilitation

This project provides for the reconstruction, resurfacing, and/or rehabilitation of residential streets in Tempe Neighborhoods

06-07 Source of Funds

G.O. Bonds 650,000

Intersection Reconstruction

This project provides for the reconstruction, resurfacing, and rehabilitation of intersections throughout the City.

06-07 Source of Funds

G.O. Bonds 600,000



Minor Concrete Improvements

This project provides funds for the emergency replacement of broken curbs, gutters, and sidewalks throughout the City.

06-07 Source of Funds

G.O. Bonds	393,250
------------	---------

Neighborhood Transportation Management

This project will provide the Transportation Division with resources to plan and identify effective neighborhood specific traffic calming measures, including speed humps.

06-07 Source of Funds

G.O. Bonds	200,000
------------	---------

Bridge Maintenance

This project funds maintenance of City bridges.

06-07 Source of Funds

G.O. Bonds	59,908
CIP Fund Balances	40,092

City Facilities Parking Lots

This project will provide for the sealing, resurfacing, and reconstruction of City parking lots in accordance with the Pavement Management Program.

06-07 Source of Funds

G.O. Bonds	26,057
------------	--------

Minor Street and Alley Improvements

This project provides for the improvement or dust control of minor streets and alleys throughout the City.

06-07 Source of Funds

G.O. Bonds	22,000
------------	--------



Traffic Signals/Street Lighting Program Project Listings

Project Description	Funded		Additional Needs			5-Year Program
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	
New Signals/Modular						
Upgrades	\$320,000	\$320,000	\$320,000	\$320,000	\$320,000	\$1,600,000
Streetlight Upgrades/New						
Installation	300,000	300,000	300,000	300,000	300,000	1,500,000
Street Light Pole Structural						
Replacement	300,000	300,000	300,000	300,000	300,000	1,500,000
Utility Undergrounding	150,000	175,000	175,000	175,000	175,000	850,000
Installation of ADA Pedestrian						
Push Buttons	25,000	25,000	25,000	25,000	25,000	125,000
Antique Street Sign Face and						
Frames Replacement	25,000					25,000
Total Recommended	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$5,600,000

Traffic Signals/Street Lighting Program Project Descriptions

New Signals/Modular Upgrades

This project provides funds for the installation of new traffic signals and/or the conversion of existing signals to modular standards.

06-07 Source of Funds

G.O. Bonds 320,000

Street Light Upgrades/ New Installation

This project provides for the installation of new street lights at various locations as well as the upgrading of streetlights from mercury vapor luminaries to high pressure luminaries.

06-07 Source of Funds

G.O. Bonds 300,000

Street Light Pole Structural Replacement

This project funds the replacement of existing rusted street light poles that are direct buried with those that meet current street light pole foundation standards.

06-07 Source of Funds

G.O. Bonds 140,610
CIP Fund Balances 159,390

Utility Undergrounding

This project provides funding for the undergrounding of overhead utility lines.

06-07 Source of Funds

G.O. Bonds 150,000

Installation of ADA Pedestrian Push Buttons

This project provides for the installation of pedestrian push buttons in compliance with the Americans With Disabilities Act.

06-07 Source of Funds

G.O. Bonds 25,000

Antique Street Sign Face and Frame Replacement

This project provides for the replacement of the Antique Street Sign Faces and Frames in the downtown business district.

06-07 Source of Funds

G.O. Bonds 25,000

Relationship Between Operating and Capital Budgets



Pursuant to City Charter, all current and future operating and maintenance impacts associated with capital improvements are to be identified and reviewed in the Capital Budget process. These impacts can include increased costs, new revenues, and cost savings. Examples of increased costs include new staffing needs, supplies and services, operating equipment purchases, facility maintenance contracts, and utility costs. To ensure that these costs are accurately identified for each project, department staff work in tandem with Facilities Maintenance and the Information Technology Department staff in preparing operating budget impact projections.

In addition to cost considerations, any new operating revenue generated by a capital project is to be identified. Examples of new revenue can include user fees, charges for services, taxes, and permit fees. A final operating consideration is expenditure offsets achieved by building

a capital project. Examples of these offsets can include reduced office rental or land lease costs and reductions in miscellaneous fees and service charges.

Current Operating and Maintenance Impacts

The table below summarizes the operating and maintenance impacts for the FY 2006-07 Capital Budget. These costs totaled \$508,822 in FY 2006-07, and include funding for five new full-time positions. As is evident from the table, no new operating revenues nor offsetting expenditure reductions were identified for these projects. These impacts were included in the FY 2006-07 Operating Budget.

In terms of specific projects, the **Apache Boulevard Police Substation** project contributes by far the largest operating cost, with \$396,698 in equipment and

Current Operating and Maintenance Impacts of Capital Budget							
FY 2006-07							
Offsets							
	FTE	Total Cost	Expenditure Reductions	New Revenue	Net Fiscal Effect	Recurring	Non-Recurring
General Fund							
Police							
Apache Boulevard Substation	4.00	\$396,698			\$396,698	\$338,198	\$58,500
Community Services							
Tempe Historical Museum Renovation		9,920			9,920	9,920	
Tempe Public Library Renovation		5,000			5,000	5,000	
Total - General Fund	4.00	411,618			411,618	353,118	58,500
Transit Fund							
Public Works							
East Valley Regional Maintenance Facility	1.00	81,784			81,784	80,295	1,489
Total - Transit Fund	1.00	81,784			81,748	80,295	1,489
Highway User Revenue Fund							
Public Works							
Street Light Upgrades/New Installation		8,940			8,940	8,940	
New Signals/Modular Upgrade		6,480			6,480	6,480	
Total - Highway User Revenue Funds		15,420			15,420	15,420	
Grand Total - All Funds	5.00	\$508,822			\$508,822	\$448,833	\$59,989



operating costs in FY 2006-07. Of this amount, \$338,198 is budgeted for the recurring costs of hiring four new full-time positions, including two Custodians, a Facility Technician II, and an Administrative Assistant I for the lobby of the Substation. The nonrecurring amount is for office furnishings and vehicles. These costs will be paid from the City's General Fund.

Other General Fund impacts include \$9,920 for increased utility and custodial costs associated with adding 4,000 square feet of storage space in the **Tempe Historical Museum Renovation** and \$5,000 for information technology hardware maintenance expenses associated with upgrading the computer network as part of the **Tempe Public Library Renovation**. The impacts for both of these projects are recurring in nature.

The **East Valley Regional Maintenance Facility** will have an \$81,784 impact on the Transit Fund associated with hiring a Transit Maintenance Administrator to oversee the construction and operations of the facility. Of this amount, \$80,295 is ongoing in nature and the remainder is for non-recurring equipment costs.

The remaining current year operating impacts include pole painting, electricity, and contracted services costs related to the **Street Light Upgrades/New Installation** and **New Signal/Modular Upgrade** projects in the Transportation Program. These recurring costs total \$8,940 and \$6,480 respectively, and will be paid from the Highway User Revenue Fund.

Future Operating and Maintenance Impacts

In addition to current year impacts, future operating costs, savings, and revenue associated with current and planned projects are identified in the Capital Budget process to aid in long range planning. As the City Council only formally adopts Operating and Capital Budgets on an annual basis, it is important to note that these 'out-year' impacts merely represent a forecast based on the current scope of the project and inflation assumptions. As such, they will be subject to upward and/or downward revision in future years based on changes in inflation, the scope of the project and/or Council and Community priorities.

As shown in the table on the following page, the total operating costs for all projects are estimated to grow from \$2.4 million in FY 2007-08 to \$10.2 million in FY 2010-11. Transit projects in the Special Purpose program are the primary driver of this growth, as the **Central Phoenix and East Valley Light Rail Transit System**, the **East Valley Regional Maintenance Facility**, and the **Tempe Transportation Center** projects become fully operational. Operating costs

associated with these projects will be paid with monies from the Transit Fund.

With the exception of the **Apache Boulevard Substation**, which represents an ongoing operating impact of approximately \$400,000 per year in the forecast period, the remaining impacts represent relatively minor operating and maintenance impacts.

Projected Impact of Capital Improvements on Future Operating Budgets



Capital Improvements Plan Net Operating Impact Forecast: FY 2007-08 to FY 2010-11					
Capital Project	Fund	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Enterprise Program					
Utility Services and Warehouse Building	Water	\$38,582	\$38,582	\$38,582	\$38,582
Water Utilities Department Security Improvements	Water	93,941			
Enterprise Subtotal		132,523	38,582	38,582	38,582
Special Purpose Program					
East Valley Regional Maintenance Facility	Transit	1,141,078	1,170,226	1,200,205	1,231,044
CP/EV Light Rail Transit System	Transit		3,545,000	7,214,000	7,466,000
Western Canal Multi-Use Path	Transit	28,600	28,600	28,600	28,600
Rio Salado Multi-Use Path: Tempe/Phoenix	Transit				10,400
Crosscut Canal Multi-Use Path, Phase II	Transit				5,200
Rio Salado S. Bank Multi-Use Path Priest/Hardy	Transit	2,600	2,600	2,600	2,600
Tempe Canal Multi-Use Path, Phase I	Transit	5,200	5,200	5,200	5,200
Tempe Transportation Center	Transit	513,840	517,887	491,975	496,105
Tempe Town Lake Pedestrian Bridge	Rio Salado		43,590	85,501	86,001
Playa Del Norte Park	Rio Salado	95,641			
Special Purpose Subtotal		1,786,959	5,313,103	9,028,081	9,331,150
General Purpose Program					
Apache Boulevard Police Substation	General	382,249	402,662	431,818	463,307
TIPS (Technology Integrated Police Systems)	General	10,000	10,000	10,000	10,000
Laptop Refresh	General		15,000	15,000	15,000
Police CAD/RMS/FRWS System	General		55,000	55,000	55,000
Police/City Radio System Replacement	General	9,000	9,000	49,000	49,000
Detention Facility Improvements	General		7,000	7,000	7,000
New Support Services Facility	General			63,030	63,030
Classroom Addition at Fire Training Center	General	3,934	3,934	3,934	3,934
Renovation of the Tempe Historical Museum Exhibit Hall	General	9,920	9,920	9,920	9,920
Tempe Public Library Renovation	General	20,000	38,400	38,400	48,400
Development of Victory Acres Property	General	10,150	20,300	20,300	20,300
General Purpose Subtotal		445,253	571,216	703,402	744,891
Transportation Program					
Streetlight Upgrades/New Installations	HURF	8,940	16,440	8,940	16,440
New Signals/Modular Upgrades	HURF	6,480	6,480	6,480	6,480
Transportation Subtotal		15,420	22,920	15,420	22,920
Total		\$2,380,155	\$5,945,821	\$9,785,485	\$10,137,543



The objective of the City of Tempe debt management policy is to maintain the City's ability to incur present and future debt at the most beneficial interest rates in amounts needed for financing the adopted Capital Improvements Program without adversely affecting the city's ability to finance essential City services.

Policy Statements:

- Debt will only be used to finance long term capital improvements and not be used to finance recurring operating expenses.
- In accordance with state law, the total value of General Obligation bonds issued for the purposes of water, wastewater, artificial light, open space preserves, parks, playgrounds, and recreational facilities cannot exceed 20% of assessed valuation. The total value of General Obligation bonds issued for all other purposes other than those listed above cannot exceed 6% of assessed valuation.
- Debt term should match the useful life of the capital project funded.
- Debt service schedules will be based upon level annual principal and interest payments.

- Overlapping debt issues shall be included in the City's financial reports.
- Authorized debt shall be limited as follows unless authorization is obtained from the City Council to exceed these limits:
 - General obligation bonds shall follow the guidelines established in the debt management plan
 - Excise tax bonds shall maintain revenue coverage limits of at least 3 times debt service
 - Improvement District bonds shall not exceed 5% of the City's secondary assessed valuation
 - Short-term borrowing or lease/purchase contracts must be budgeted within the Operating Budget
- Benchmark ratios of per capita debt, debt service to operating revenue, and outstanding debt as a percent of full cash value will be updated regularly and incorporated into the Debt Management Plan.

Bonded Debt Limits July 1, 2006

	FY 2006-07	
	6%	20%
Bond Limit ⁽¹⁾	\$120,402,199	\$401,340,666
Outstanding Bonded Debt-Previously Issued	(83,490,000)	(201,835,000)
Proposed Bonds to be Sold in FY 2006-07:		
Water/Wastewater		(51,844,979)
Park Improvements		(1,592,274)
All Others	(18,728,453)	
Debt Margin Available	\$18,183,746	\$146,068,413

Notes: (1) The FY 2006-07 Bond Limit is based upon an estimated secondary assessed value of \$2,006,703,332, compared to the FY 2005-06 secondary assessed value of \$1,904,426,188.

Under Arizona law, cities may issue general obligation bonds for purposes of water, wastewater, artificial light, open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of the secondary assessed value. Cities may also issue general obligation bonds for all other purposes

not included in the 20% Debt Margin category up to an amount not exceeding 6% of the secondary assessed value.

Capital Budget, Debt Service and Property Tax Rate: Ten Year Historical Trends



Fiscal Year	Budgeted Capital Improvements Program	Outstanding Principal Debt	Debt Service Requirements P & I	Net Secondary Assessed Value	% Change in Secondary Assessed Valuation	Property Tax Rate (\$)		
						Primary	Secondary	Total
1997-98	\$79,717,004	\$173,470,000	\$24,533,678	\$993,270,348	8.8	.56	.84	1.40
1998-99	87,651,929	203,495,000	24,297,657	1,098,826,160	10.6	.54	.86	1.40
1999-00	85,587,326	197,735,000	31,836,932	1,240,471,800	12.9	.55	.85	1.40
2000-01	67,408,152	200,805,000	29,772,986	1,356,429,397	9.3	.54	.81	1.35
2001-02	85,541,430	205,950,000	26,675,235	1,456,361,617	7.4	.53	.82	1.35
2002-03	95,318,794	252,480,000	23,996,164	1,556,492,294	6.9	.52	.83	1.35
2003-04	117,968,707	280,525,000	27,243,978	1,688,452,415	8.5	.55	.80	1.35
2004-05	177,118,222	339,960,000	27,696,707	1,768,877,385	4.8	.53	.82	1.35
2005-06	189,971,703	484,860,000	36,218,409	1,904,426,188	7.7	.52	.88	1.40
2006-07	196,728,491	553,202,321	53,474,507	2,006,703,332	5.4	.52	.88	1.40

Summary:

(1) The increase from \$86 million to \$197 million between FY 2001-02 and FY 2006-07 primarily comes from the addition of light-rail construction within the Transit program, an expansion of the Water/Wastewater capital program, and the building of the Performing Arts Center. The increase in outstanding principal is due to an increasing utilization of bonded debt in the Capital Budget.

Debt Service Requirements by Fund

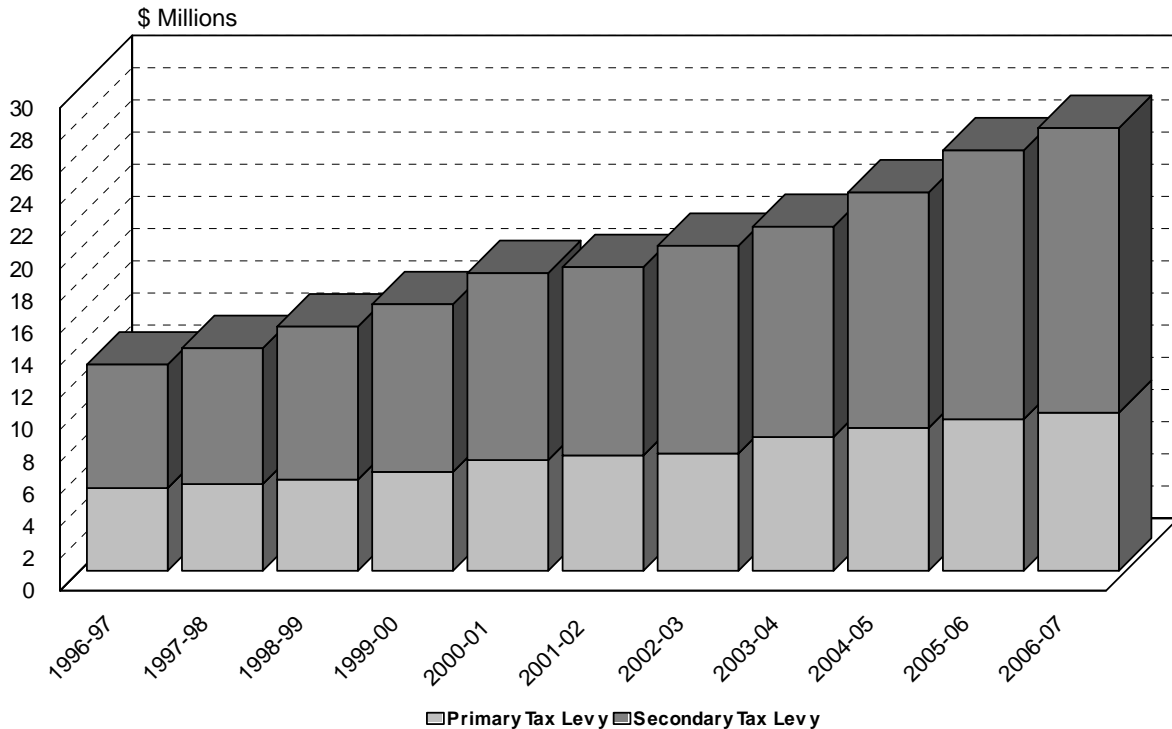
	FY 2006-07			
	Principal	Interest	Fiscal Agent Fees	Total
Debt Service Fund	\$9,101,344	\$7,064,161	\$330,000	\$16,495,505
Transit Fund	2,144,973	3,128,000	210,000	5,482,973
Water/Wastewater Fund	12,221,840	10,320,298	2,500	22,544,638
Golf Fund	144,326	11,703	70,000	226,029
Performing Arts Fund	3,445,000	2,624,026	40,000	6,109,026
Cemetery Fund	80,000	99,738	25,000	204,738
Total	\$27,137,483	\$23,247,926	\$677,500	\$51,062,909

Property Taxes



Beginning with FY 1980-81, property taxes were divided into two distinct levies, primary and secondary. The primary tax levy may be imposed for any type of municipal expenditure while the secondary tax levy may only be used to retire principal and interest charges on bonded indebtedness.

Primary levy increases are restricted by state statute. However, secondary levy increases are “unlimited” in that they may be increased to the level necessary to retire bonded indebtedness. In FY 2005-06, the City raised the levy rate to \$1.40 to increase debt capacity for capital improvement projects.



Fiscal Year	Primary Tax Levy	Secondary Tax Levy	Total	Tax Rate/ \$100
1996-97	\$5,141,986	\$7,666,645	\$12,808,631	\$1.40
1997-98	5,382,818	8,449,186	13,832,004	1.40
1998-99	5,665,500	9,506,788	15,172,288	1.40
1999-00	6,145,600	10,416,336	16,561,936	1.35
2000-01	6,879,783	11,615,100	18,414,400	1.35
2001-02	7,169,352	11,695,228	18,864,580	1.35
2002-03	7,291,549	12,897,095	20,188,644	1.35
2003-04	8,313,398	13,059,814	21,373,212	1.35
2004-05	8,878,734	14,631,500	23,510,234	1.35
2005-06*	9,413,934	16,707,531	26,121,465	1.40
2006-07*	9,822,845	17,693,103	27,515,948	1.40

* Amounts reflect estimated receipts



Total Operating Budget and Debt Service

Budget Data	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
Operating Budget	\$275,193,835	\$275,297,746	\$264,032,225	\$314,115,625
Cost Per Capita	1,698	1,675	1,606	1,895
% Change (cost per capita)		(0.8%)	(4.1%)	13.1%
Debt Service*	10,589,230	14,411,213	13,244,199	16,495,508
Cost Per Capita	65	88	81	99
% Change (cost per capita)		35%	(8%)	22%

* Tax-Supported

Total Operating Revenue by Source

Source	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
General Fund	\$138,420,327	\$138,273,504	\$150,534,665	\$160,525,688
Debt Service Fund	15,561,772	17,384,026	17,834,026	18,580,379
Transportation/Transit Funds	50,950,767	52,247,245	54,886,281	55,928,919
CDBG/Section 8 Funds	11,574,472	11,731,640	11,730,640	11,502,474
Rio Salado Fund	1,607,864	735,500	1,014,443	1,054,747
Performing Arts Fund	6,103,402	5,881,072	6,897,355	7,393,250
Enterprise Funds	54,170,056	60,964,340	59,844,284	62,741,283
Total	\$278,388,660	\$287,217,327	\$302,741,694	\$317,726,740

Staffing Summaries Citywide: Full-Time Authorized Positions

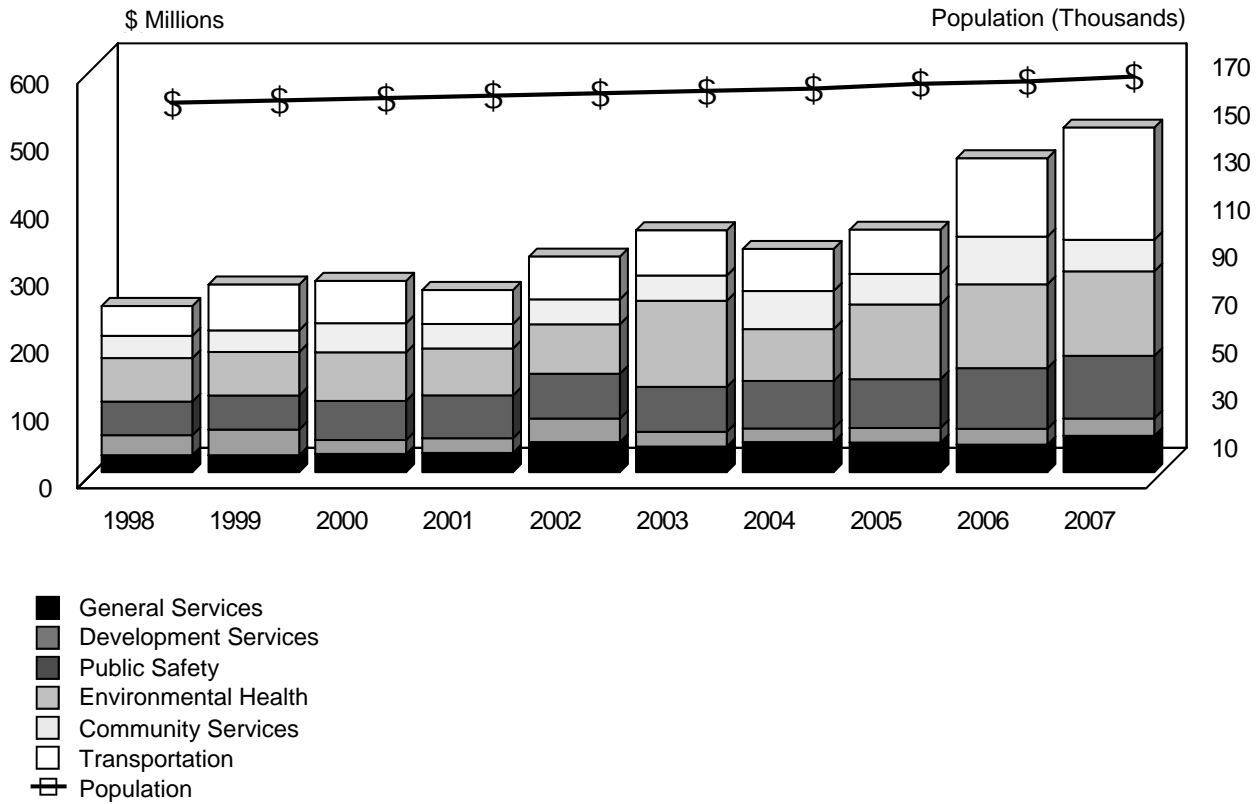
Source	FY 2003-04 Actual	FY 2004-05 Actual	FY 2005-06 Revised	FY 2006-07 Budget
Total Personnel	1,643	1,645	1,700	1,731
Employees/1,000 Population	10.3	10.1	10.4	10.4
% Change (Employees/1,000 Population)		(2.0%)	3.0%	0.0%

Program Budget at a Glance



The City's Total Financial Program consists of six major areas: (1) General Services, (2) Development Services, (3) Public Safety, (4) Environmental Health, (5) Community Services, and (6) Transportation.

Historically, Environmental Health has always consumed the largest share of program expenditures. For FY 2006-07, Transportation now constitutes the largest share with 33% of total program expenditures. This reflects the commitment to construct the transit light rail project and regional maintenance facility. Environmental Health represents 24% of the budget, reflecting funding for plant capacity expansions for water and wastewater facilities.



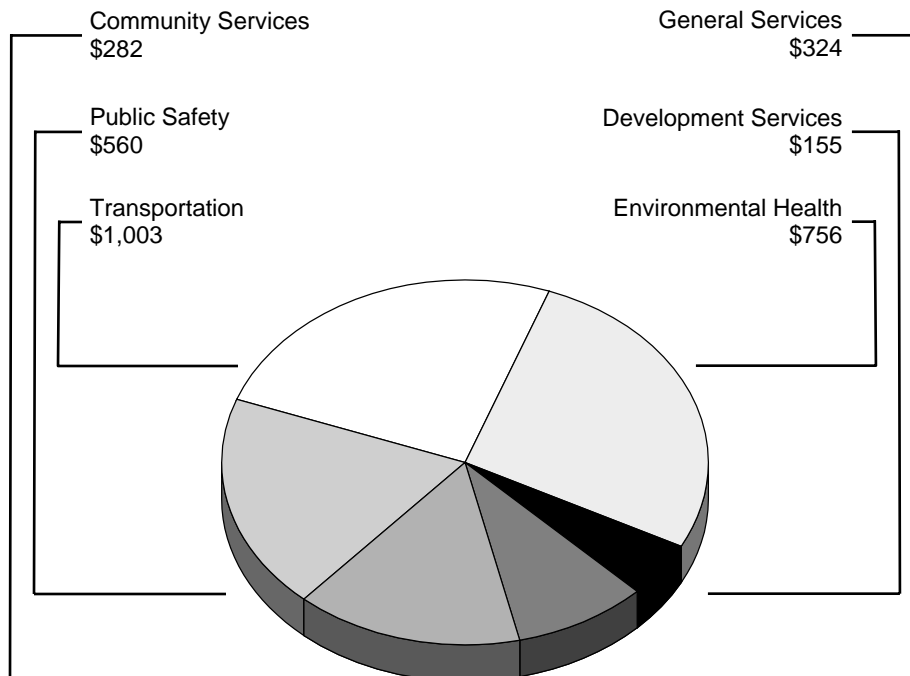
Program (Thousands)	FYE 98	FYE 99	FYE 00	FYE 01	FYE 02	FYE 03	FYE 04	FYE 05	FYE 06	FYE 07
General Services	\$25,096	\$25,138	\$27,024	\$28,427	\$44,517	\$37,819	\$44,547	\$43,779	\$40,785	\$53,773
Development Services	29,563	37,949	20,483	21,842	35,036	21,958	20,287	21,659	23,454	25,767
Public Safety	49,853	50,509	58,040	63,479	66,277	66,618	70,515	72,421	89,998	92,868
Environmental Health	64,665	64,472	72,022	69,586	73,406	127,686	76,678	110,865	124,395	125,421
Community Services	32,982	32,138	43,320	36,232	37,070	37,544	56,500	45,126	70,547	46,713
Transportation	44,186	67,905	62,624	50,508	63,251	67,055	62,389	65,461	116,090	166,302
Total	\$246,345	\$278,111	\$283,513	\$270,074	\$319,557	\$358,680	\$330,916	\$359,311	\$465,269	\$510,844

Per Capita Expenditures by Program



In FY 2006-07, the total per capita cost is \$3,080, representing a 7% increase over FY 2005-06. In this fiscal year, for every \$1 of expenditure, 33¢ is earmarked for Transportation, 24¢ for Environmental Health and the remainder for Public Safety, General Services, Community Services, and Development Services.

FY 2006-07



Per Capita Expenditures				
Program	FY 2005-06	Percentage of Total	FY 2006-07	Percentage of Total
General Services	\$259	9%	\$324	11%
Development Services	144	5%	155	5%
Public Safety	547	19%	560	18%
Environmental Health	777	27%	756	24%
Community Services	432	15%	282	9%
Transportation	720	25%	1,003	33%
Total Per Capita Expenditures	\$2,879	100%	\$3,080	100%

Program By Fund Summary



From a funding perspective, it is evident that the majority of funding for the City's two largest program areas, Environmental Health and Transportation, comes from enterprise, special revenue, and capital revenues. In terms of General Governmental revenues, the Public Safety program receives the majority of funding.

FY 2006-07							
Fund	General Services	Development Services	Public Safety	Environmental Health	Community Services	Transportation	Total
General	\$33,740,080	\$11,795,527	\$84,489,365	\$251,145	\$26,868,171	\$1,850,000	\$158,994,288
Rio Salado		1,606,654			376,436		1,983,090
HURF						9,413,469	9,413,469
Transit						35,313,568	35,313,568
Debt Service	16,495,505						16,495,505
Performing Arts					9,106,148		9,106,148
Golf					2,195,431		2,195,431
Solid Waste				13,955,883			13,955,883
Water Utilities				54,797,488			54,797,488
CDBG/Section 8		11,502,474					11,502,474
Cemetery					358,281		358,281
Total Operating	50,235,585	24,904,655	84,489,365	69,004,516	38,904,467	46,577,037	314,115,625
Capital Improvements	3,537,438	862,750	8,379,048	56,416,580	7,808,170	119,724,505	196,728,491
TOTAL PROGRAM	\$53,773,023	\$25,767,405	\$92,868,413	\$125,421,096	\$46,712,637	\$166,301,542	\$510,844,116

Public Safety represents the largest program in the General Fund.

Program By Department Summary



FY 2006-07							
Department	General Services	Development Services	Public Safety	Environmental Health	Community Services	Transportation	Total
Mayor and Council	\$399,696						\$399,696
City Manager	422,762						422,762
Community Relations	2,952,643						2,952,643
City Clerk	621,974						621,974
City Court			3,943,906				3,943,906
Human Resources	2,932,056						2,932,056
City Attorney	2,786,507			322,402			3,108,909
Financial Services	4,674,269						4,674,269
Diversity Program	732,197						732,197
Internal Audit	464,381						464,381
Development Services		6,310,149					6,310,149
Community Development		16,688,062					16,688,062
Police			59,512,347				59,512,347
Fire			20,063,940				20,063,940
Community Services			969,172		15,109,150		16,078,322
Parks and Recreation					16,859,088		16,859,088
Water Utilities				30,930,448			30,930,448
Public Works	6,665,302	1,906,444		14,207,028		38,794,832	61,573,606
TOTAL DEPT	22,651,787	24,904,655	84,489,365	45,459,878	31,968,238	38,794,832	248,268,755
Non-Departmental	7,988,293				20,000	1,850,000	9,858,293
Debt Service	16,495,505			22,544,638	6,539,793	5,482,973	51,062,909
Contingency	3,100,000			1,000,000	376,436	449,232	4,925,668
TOTAL OPERATING	50,235,585	24,904,655	84,489,365	69,004,516	38,904,467	46,577,037	314,115,625
Capital Improvements	3,537,438	862,750	8,379,048	56,416,580	7,808,170	119,724,505	196,728,491
TOTAL PROGRAM	\$53,773,023	\$25,767,405	\$92,868,413	\$125,421,096	\$46,712,637	\$166,301,542	\$510,844,116

Public Works represents 100% of the total Transportation program, while Police comprises 78% of the total Public Safety program budget.

Impact of Total Budget on Residents



The City maintains three utility services for water, sewer, and solid waste. For FY 2006-07, an increase in water and sewer rates has been approved and will be effective November 1, 2006. Rate reviews for each of the utility services will continue annually.

Local Taxes

Sales Tax

The City Sales Tax is currently 1.8%. Of this tax, 1.2% is dedicated to the General Fund, 0.5% goes to fund Transit, and 0.1% is devoted to the Visual and Performing Arts.

Property Tax

The property tax rate for FY 2006-07 will remain at \$1.40/\$100 assessed valuation. The primary tax rate is \$0.52 and the secondary tax rate is \$0.88. The primary levy is used to offset General Fund services such as police, fire, parks, libraries, while the secondary tax levy is used to repay debt.

Utility Charges for Services

Water/Sewer

Effective November 1, 2005, water rates increased by 3.9%, sewer rates increased by 7.7%, and irrigation rates increased by 9%. Per Council approval, water and sewer rates will be adjusted again in the fall of 2006 to attain full cost recovery, as customer charges are based upon water consumption and strength of discharge into the sewer system. The impact to water and sewer customers will be 4.6% and 6.7%, respectively.

Solid Waste

Effective November 1, 2005, solid waste rates were changed. The rate for residential services increased by 9.5%, while commercial services increased by 7.5%. Upon finalizing FY 2005-06 financial statements, solid waste rates will be reviewed to determine if fee adjustments are required.

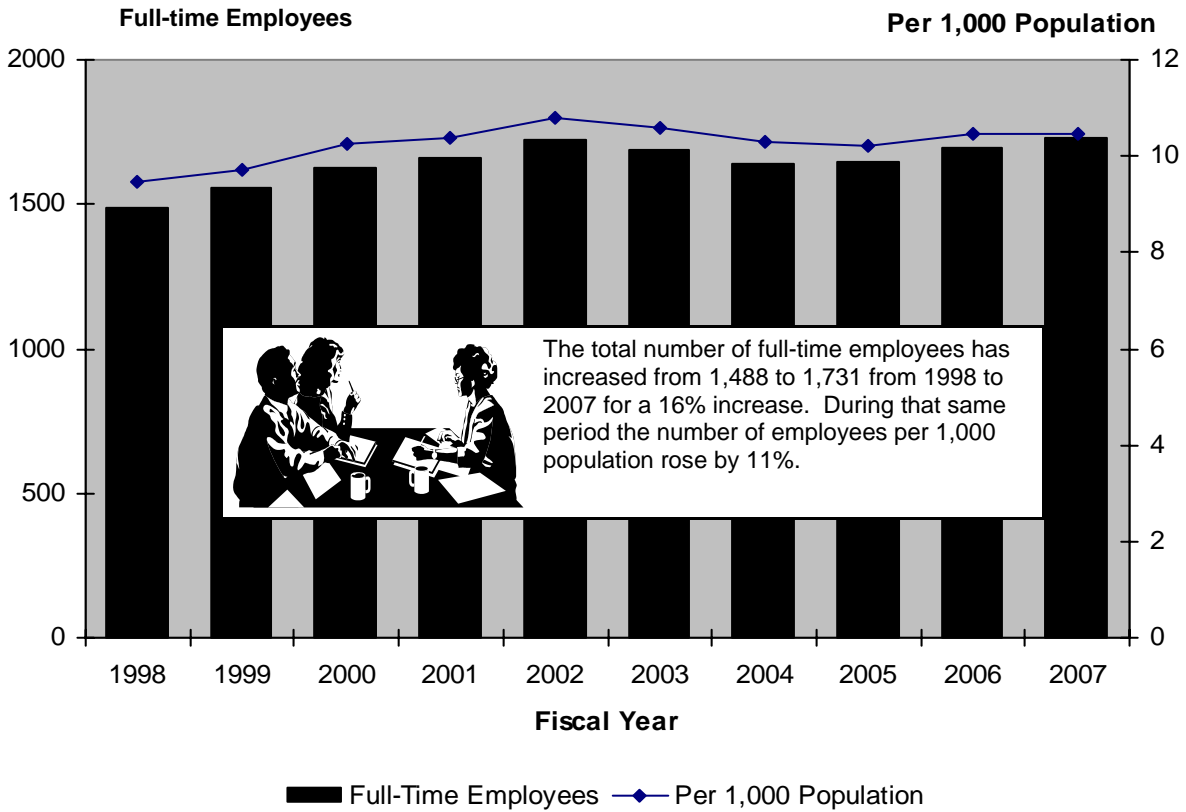
Fiscal Year	Local Taxes		Average Utility Charges for Services (monthly) ¹		
	Sales Tax	Property Tax	Water	Sewer	Solid Waste
2005-06	1.8%	\$1.40	\$22.15	\$13.38	\$15.29
2006-07	1.8%	\$1.40	\$23.01	\$14.41	\$16.74

¹ Charges reflect rates effective July 1

Personnel Summary: Ten Year History



The number of full-time employees, which does not include permanent full-time equivalents or temporary full-time equivalents, for FY 2006-07 totals 1,731, a 2.2% increase from the FY 2005-06 budget. Total employees per 1,000 population for FY 2006-07 is estimated at 10.44, a 1.4% increase from the previous fiscal year. The increase in personnel can primarily be attributed to increased development activity within the City. Of this increase, fourteen positions have been hired to address the increase in development, while five positions were requested in conjunction with the City's light rail construction project.



Fiscal Year End	Full-Time Employees	Employees Per 1,000 Population
1998	1,488	9.45
1999	1,556	9.71
2000	1,628	10.27
2001	1,661	10.36
2002	1,722	10.80
2003	1,692	10.61
2004	1,643	10.29
2005	1,645	10.10
2006	1,693	10.30
2007	1,731	10.44