



REVENUES

Total revenues available to the city in FY 2013 from all sources are estimated at \$466.3 million, of which \$155.3 million or 33.3% goes into the General Fund (GF). Table 1 shows changes expected in the revenue funds included in the table. Please note that numbers in parentheses denote a projected decrease in revenues in FY 2013 from FY 2012.

Table 1: Total Revenues by Fund—FY 2012 vs. FY 2013

(All Dollars in Thousands)

Fund	FY 2012 Estimate	FY 2013 Projection	Change FY 12 to FY 13
1000-General	\$127,376	\$155,317	\$27,941
1040-General Services	\$8,937	\$8,993	\$55
1100-Telephone Services	\$904	\$945	\$41
1120-Vehicle Replacement	\$1,966	\$1,892	(\$74)
1140-PC Replacement	\$1,750	\$2,082	\$332
1240-Court Security/Bonds	\$373	\$417	\$44
1281-Stadium Event Operations	\$861	\$862	\$1
1282-Arena Event Operations	\$380	\$407	\$28
1340-Highway User Gas Tax	\$10,550	\$12,759	\$2,209
1650-Transportation Grants	\$1,135	\$7,936	\$6,801
1660-Transportation Sales Tax	\$21,070	\$21,646	\$576
1700-Police Sales Tax	\$12,289	\$12,685	\$397
1720-Fire Sales Tax	\$6,120	\$6,318	\$198
1740-Civic Center	\$410	\$450	\$40
1770-Zanjero Special Revenue	\$1,227	\$1,735	\$508
1780-Arena Special Revenue	\$10,320	\$8,004	(\$2,316)
1790-Stadium City Sales Tax - AZSTA	\$1,600	\$2,400	\$800
2360-Water and Sewer	\$79,610	\$77,906	(\$1,703)
2440-Landfill	\$7,805	\$7,892	\$87
2480-Sanitation	\$14,757	\$14,835	\$79
2500-Pub Housing Budget Activities	\$13,243	\$14,219	\$976
2540-Risk Management Self Insurance	\$2,539	\$2,540	\$0
2560-Workers Comp. Self Insurance	\$1,023	\$1,023	\$0
2580-Benefits Trust Fund	\$21,896	\$22,313	\$418
Total Operating	\$348,143	\$385,578	\$37,435
Capital and Other Revenue	\$39,082	\$80,673	\$41,591
Grand Total	\$387,225	\$466,251	\$79,026



General Fund Group

General Fund (Fund 1000):

The city expects to collect \$155.3 million in total GF revenue in FY 2013. Of that amount, \$23 million is the additional revenue projected from the 7/10ths of one cent increase in the city's sales tax approved for FY 2013. As part of the FY 2013 budget, the City Council approved an increase of 7/10ths of one cent in the city's undesignated sales tax across all categories (such as retail and restaurants and bars) with the exception of the residential rental and mining categories. The 7/10ths of one cent increase includes food purchased for home consumption. However, food purchased for home consumption with food stamps and other government issued food instruments are exempt from the food sales tax. The sales tax rates increase will become effective on August 1, 2012. The last time the city increased the undesignated portion of its sales tax rate was in 1993.

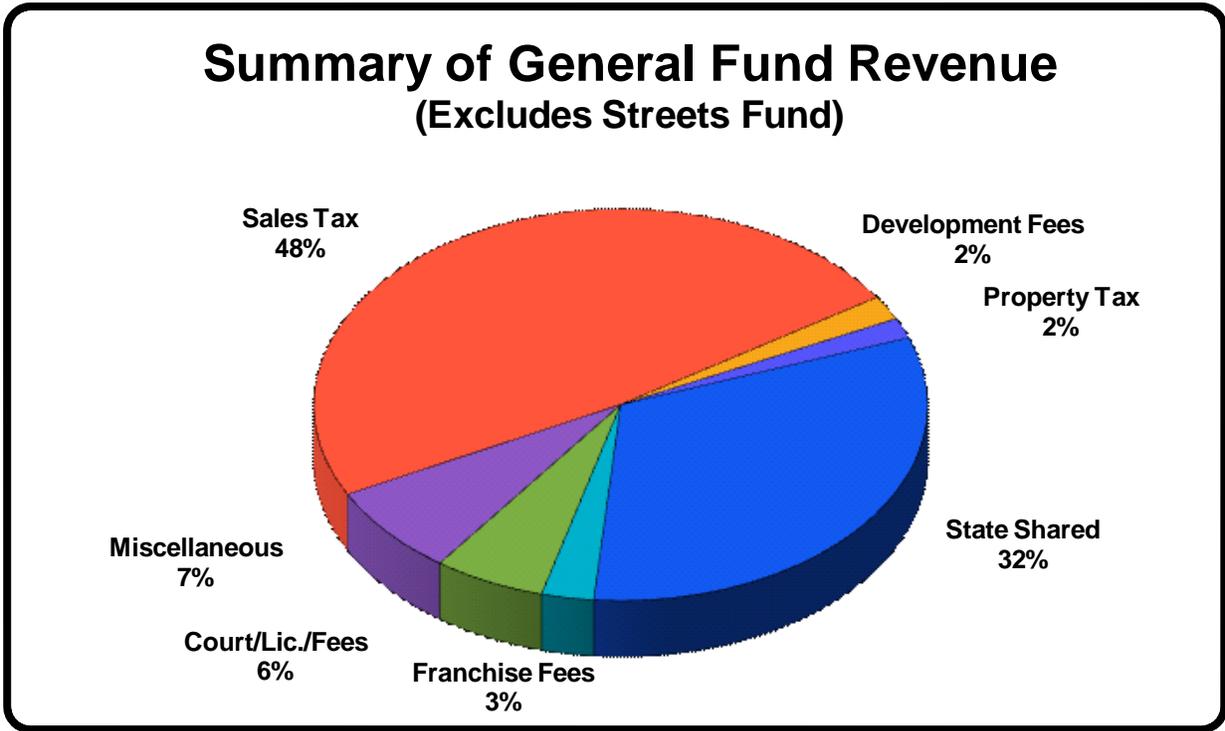
A five-year forecast of revenues and expenditures that included the additional revenue expected from this action show the GF operating budget will return to a healthier position in approximately five fiscal years (2017). This forecast shows a projected ending fund balance of \$14 million for the GF in 2017. Based on this forecast, staff recommended that Council should explore the possibility of repealing of all or some of the tax increase at that time.

From FY 2008 through the end of FY 2012, total GF ongoing revenue, including HURF revenues, is expected to experience a decline of almost \$46.2 million or 25%, a clear reflection of the economic challenges brought on by the recession. For FY 2013, total ongoing general fund revenues are expected to increase primarily to due to the city sales tax rate increase and improved income tax revenue collections.

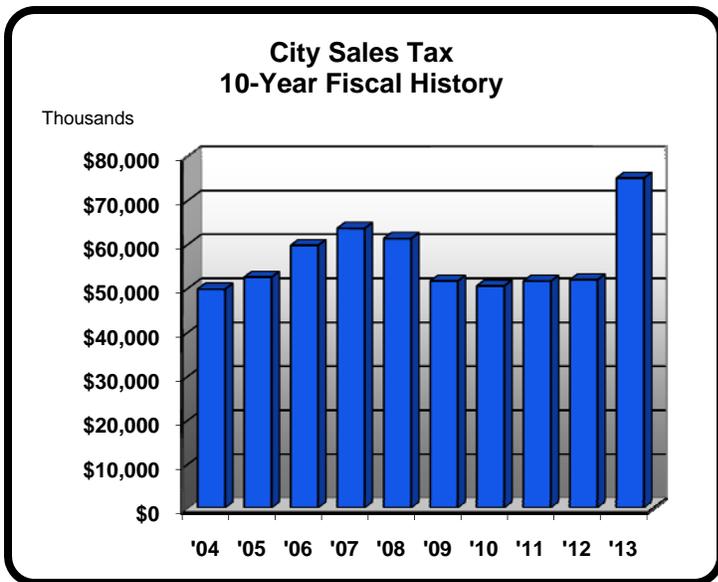
The two major sources of revenue for the GF continue to be city sales taxes and state-shared revenues. They have comprised between two-thirds and three-fourths of the GF revenue since FY 2002 and are expected to continue to do so for FY 2013.

The city's GF revenue projection is based on many factors including the following:

- historic trend data;
- projected changes in state and local population, disposable personal income, retail sales and inflation;
- economic forecasts of state and local economic activity provided by experts on the Arizona economy;
- economic forecasts of overall national economic activity; and
- statistical analyses.



City Sales Tax: City sales tax represents 48% of the GF revenue and is Glendale’s largest source of revenue for FY 2013. It also is the one significant revenue source over which the City Council has authority unlike the state sales tax, state income tax, the gas tax or vehicles license fees. The majority of sales tax revenues is derived from retail businesses (approximately 43% of total city sales tax collections). Other major classes of sales tax activity include transportation, communications and utilities, rental businesses and restaurants and bars.



As mentioned previously, City Council approved a rate increase in the undesignated portion of the city’s sales tax rate for FY 2013. As a result, general fund will receive 1.9% of the city’s 2.9% sales tax with the remaining 1.0% designated for public safety (0.5%) and transportation (0.5%).

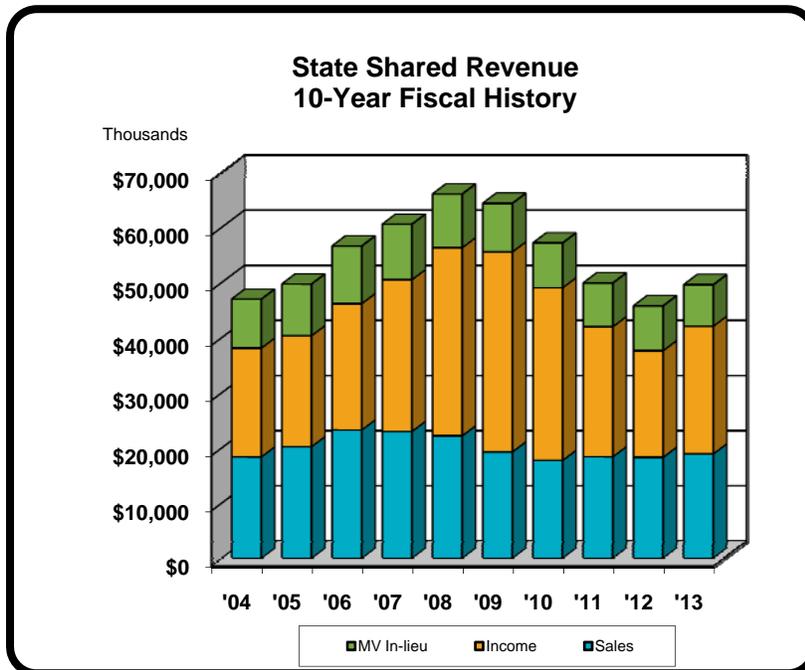
The city collected \$63.3 million in city sales tax revenue in FY 2007, the highest level of receipts over a ten-year period. In FY 2008, collections began declining with rapid deterioration occurring over the summer and fall of 2008. Since FY 2009, city sales tax receipts have leveled off at the \$50 million level, which was last experienced in FY 2004.

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The estimate for FY 2012 is \$51.9 million or almost even with the FY2011 actuals. The FY 2013 projection is \$75.1 million, or \$23.2 million higher than FY 2012 estimate. Almost all of the increase is from rates increase.

State-Shared Revenues: State-shared revenues include state income tax, state sales tax and motor vehicle in-lieu tax. These three revenue sources are shared with all cities and towns throughout the state. The average annual growth rate for the city’s share of state-shared revenue

was 6% between FY 2002 and FY 2008. However, starting in FY 2009, a decline started and resulted in four consecutive years of reductions. The FY 2012 estimate of \$45.8 million is based on the 2010 census figures and reflects an amount that is less than the FY 2002 distribution.



For FY 2013, the total state-shared revenue is budgeted to increase \$3.8 million or 8% to \$49.6 million. The increase is largely due to improved income tax collections. Total state-shared revenue for FY 2013 is comparable to the actual collection in FY 2011

(FY 2011 actual collection for state - shared revenue is \$49.9 million).

The distribution of state sales and income tax revenue is based upon the relation of the city’s population to the total state population while the distribution of motor vehicle in-lieu revenue is based on the city’s population in relation to the total incorporated population of Maricopa County. Prior to the 2010 Census, Glendale was just under 5% of the state’s total population; with the 2010 Census, Glendale is now about 4.5% of the state’s population. While the distribution method is proportional on a per person basis, more mature cities like Glendale typically experience a decrease in their portion of state-shared tax revenues as growing cities tend to receive a greater share of the revenue distribution.

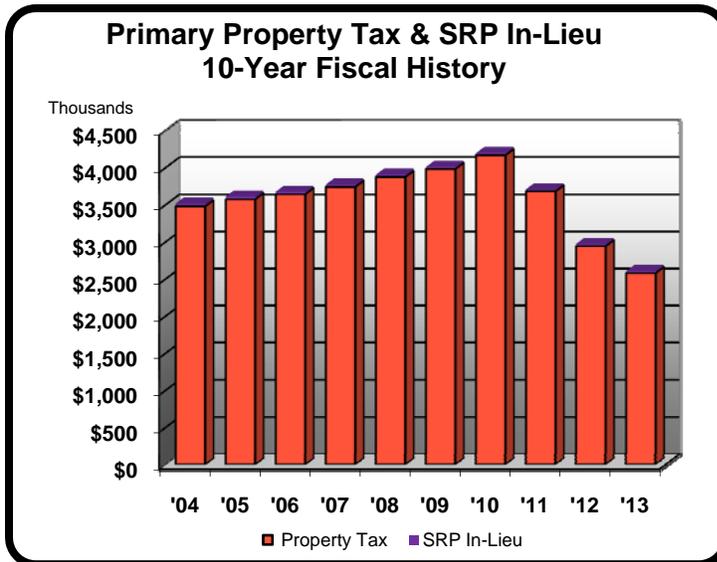
The most significant component of state-shared revenue is income tax and it is primarily driven by personal income rather than business income as personal income tax receipts comprise about two-thirds of all Arizona income tax receipts. Income tax revenue distribution to the cities lags by two years. This means the state income tax distribution for FY 2013 will reflect the income tax the state collected in FY 2011. The state’s 2011 income tax receipts were higher than the 2010 receipts. As a result, Glendale’s share of state income tax revenue is expected to increase by \$3.9 million or 20.2% from \$19.3 million in FY 2012 to \$23.2 million in FY 2013. The city last had income tax receipts at the \$23.2 million level in FY 2011.



State sales tax and motor vehicle in lieu revenues are distributed to cities and towns based on current year collections. State sales tax distribution is based on a formula by which varying percentages of different types of sales taxes – such as retail – are used to calculate the distribution amount. The FY 2012 estimate is \$18.3 million and is almost even with the FY 2011 actuals. The projection for FY 2013 is \$19 million, a modest growth of \$700,000 or 3.8% from FY 2012. The city last had state sales tax receipts in the \$19 million range in FY 2009.

The FY 2013 motor vehicle in lieu tax projection of \$7.5 million is 7.4% less than the \$8.1 million estimate for FY 2012 and represents the lowest level in the last ten years for this revenue source. This revenue is based on fees collected for the licensing of vehicles, with the value of the vehicle used as the basis for the license cost.

Primary Property Tax: Arizona’s property tax system consists of two tiers. The primary property tax levy has state-mandated maximum limits, and a city can adopt a rate anywhere between \$0.0000 and the rate that yield the maximum limit under state law. Primary property



tax revenue can be used by a city for any purpose. The primary property tax revenue is included in the GF operating budget.

The secondary property tax revenue can be used only to pay the principal, interest and redemption charges on bonded indebtedness or other lawful long-term obligations that are issued or incurred for a specific capital purpose. The secondary property tax revenue funds the city’s General Obligation bond portion of the city’s capital improvement plan (CIP).

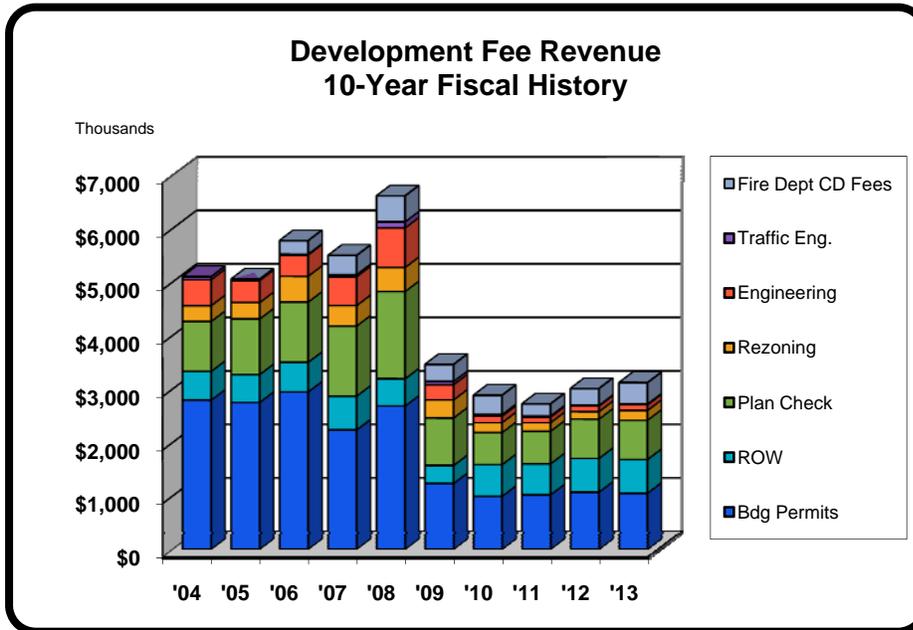
The city primary property tax rate will remain at \$0.2252 in FY 2013. With an unchanged primary rate, Glendale will lose approximately \$361,000 because of continued declines in the primary assessed valuation of existing property (excludes the impact of new construction, which was minor). The city’s primary property tax revenue began declining in FY2011; the FY2013 projection reflects a decline of \$1.6 million from the \$4.2 million collected in FY 2010.

The city primary property tax rate

Salt River Project (SRP) in-lieu revenue represents the quasi-governmental agency’s payment in lieu of a property tax, which it is exempt from paying. This revenue source amounts to a projected \$26,747 for FY 2013 and represents approximately 1% of the primary property tax and SRP in-lieu revenue grouping.

Development Fees: Development-related fees include building permits, right-of-way permits, plan check fees, planning and zoning fees, engineering and traffic engineering plan check fees, fire service related development fees and miscellaneous development related fees. These sources

essentially reflect a range of activities related to commercial and residential development and construction. The city experienced its peak collection of development fees in FY 2008 with \$6.1 million in receipts. The FY 2013 projection is \$3.2 million and is flat with the FY 2012 estimate.

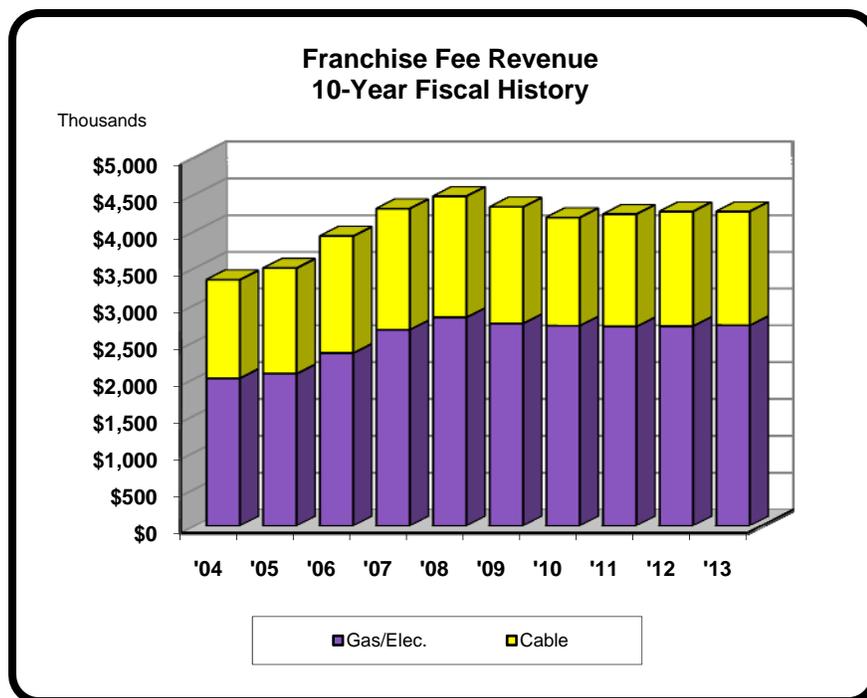


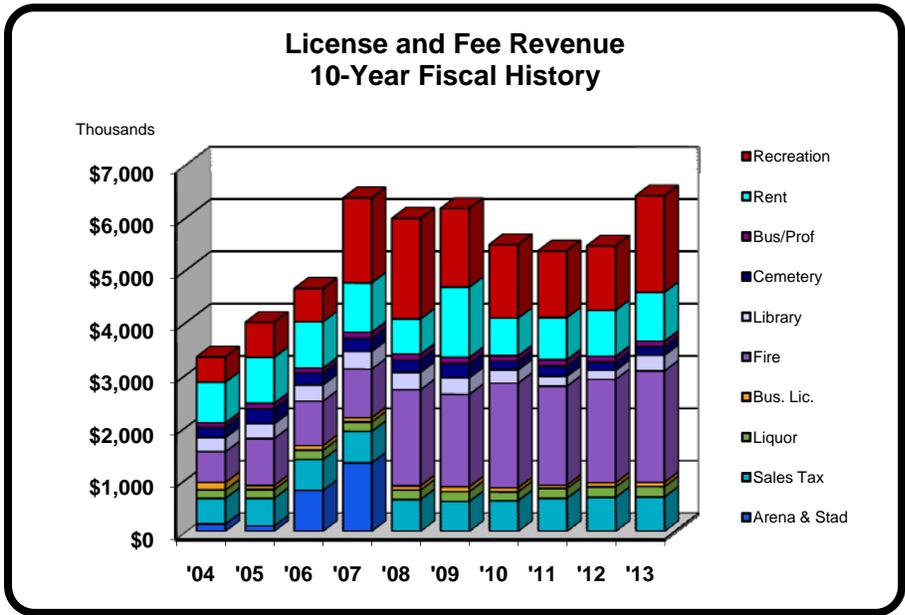
For the development fees category, the largest revenue source in prior years was building permit fees. The same is true for FY 2012 and FY 2013 with just over \$1 million expected in each of the two years. The next largest source of revenue in this category was, and is expected to continue to be, plan check fees.

The decline of over 55% from the peak collection in FY 2008 is the result of the sizeable drop off in commercial and residential construction activity across the metropolitan Phoenix area as a result of the recession.

Franchise Fees:

Franchise fees are paid to the city by the electric, gas and cable companies operating within the city. These fees increase in response to rate increases by the various utilities and, to a lesser extent, population growth. In all cases, the fees due to the city are based on gross receipts for the franchised organization. The FY 2012 estimate is \$4.3 million and is almost even with the FY 2011 actuals. These revenues are projected to remain essentially flat for FY 2013.



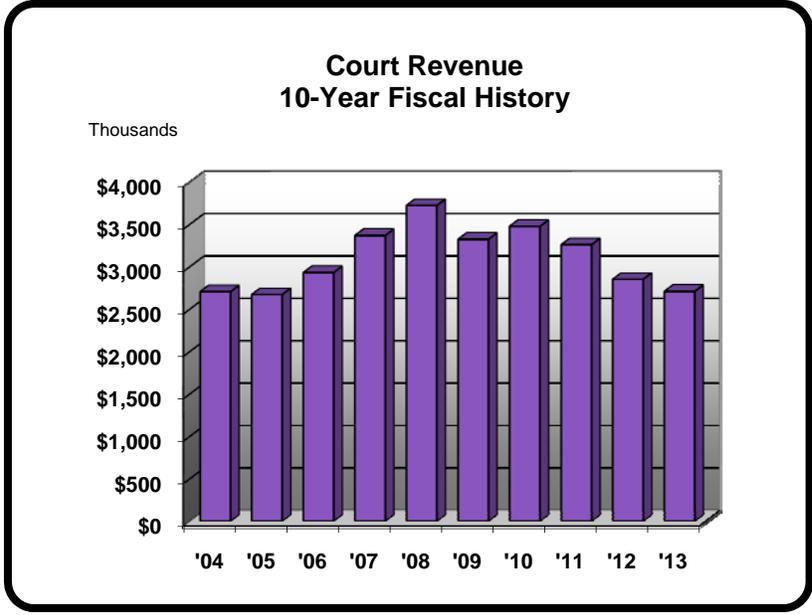


License and Fee Revenues: This revenue category includes business and professional licenses, business regulatory licenses, sales tax licenses, liquor licenses, recreation fees, fire department fees not related to construction development, library fines and fees, cemetery fees, and rental income from the use of city facilities. Miscellaneous arena and stadium

related fees were included in this category for FY 2004 to FY 2007 but are now accounted for in a separate fund. Stadium security fees were included in FY 2007 only.

As a group, license and fee revenues are expected to generate \$6.4 million in FY 2013, which is an increase of \$955,000 or 18% from FY 2012. Almost all of the revenue increase will be in parks, recreation and libraries revenues as a result of fee adjustments effective for FY 2013. For example, starting in FY 2013, the Adult Center will increase its annual facility use fees, fitness/billiard fees and other miscellaneous fees; the Glendale Recreation After-school Program (GRASP) will establish a fee-based program; aquatic and several recreation facilities fees will be increased; and libraries will generate an additional \$126,000 in revenue from its rental fees.

Court Revenues: The Glendale City Court collects fines for parking and traffic violations and civil and misdemeanor criminal cases. Traffic fines represent the largest portion of court revenues. The revenue generated from fines is subject to statutory changes made by the Arizona state legislature and can be affected by changes in traffic enforcement practices. Court collected \$3.1 million in FY 2011. However, this revenue is projected to decline in FY 2012 and FY 2013 as a result of a decline in traffic fines cases. The court projected to collect \$2.7 million in FY 2013.



Other Revenues: This revenue category includes interest earnings, staff and administrative chargebacks, capital lease proceeds (if any), sale of assets (if any) and miscellaneous revenues. The projection calls for FY 2013 revenues of approximately \$11.5 million, compared to \$11.1 million expected to be generated in FY 2012. The city collected \$33.3 million in FY 2011 and included \$12.6 million in one-time revenue from the amended parking agreement for the mixed use development in the sports and entertainment district (City Council approved in January 2011) and \$11.8 million in lease proceeds from a refinancing of outstanding leases.

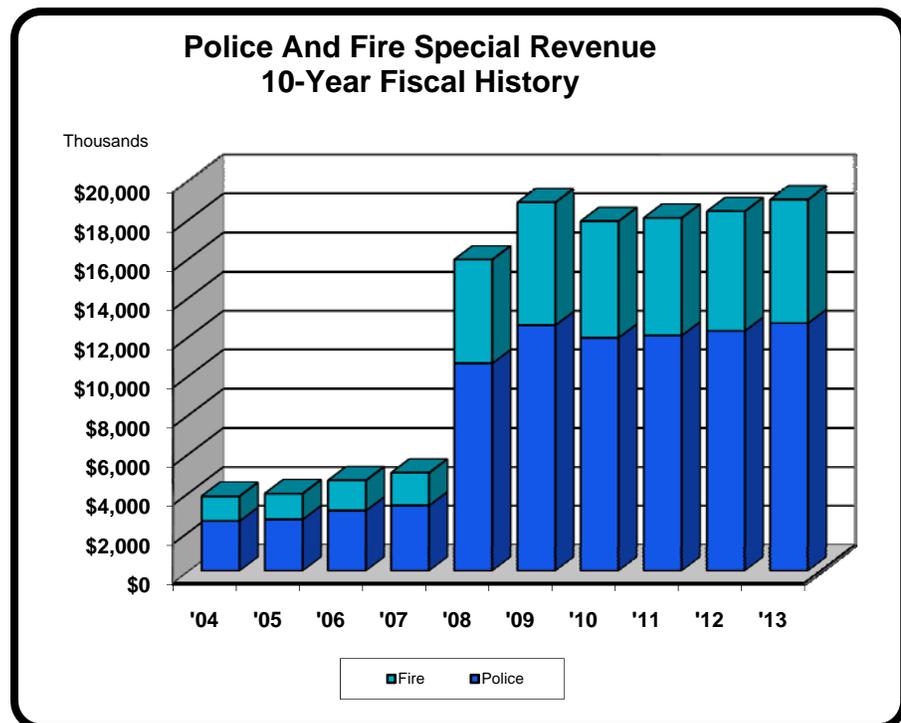
Special Revenue Fund Group:

Police and Fire Sales Tax (Funds 1700 & 1720):

The source of revenue for these funds is the 0.5% designated sales tax for police and fire services. The sales tax was originally adopted by voters in 1994 at a 0.1% rate. In September 2007 Glendale voters approved an increase to 0.5% effective November 1, 2007.

The original one-tenth rate includes food for home consumption (e.g., groceries) while the additional four-tenths rate excludes food for home consumption. Two-thirds of the revenue is allocated to police and one-third to fire.

This revenue is subject to the same fluctuations as the general sales tax although the performance can be somewhat different because 80% of the rate excludes food for home consumption.



The FY 2013 projection is \$19.0 million with \$12.7 million for police and \$6.3 million for fire. The FY 2013 projection reflects growth of 3.0% from the FY 2012 estimate of \$18.4 million.

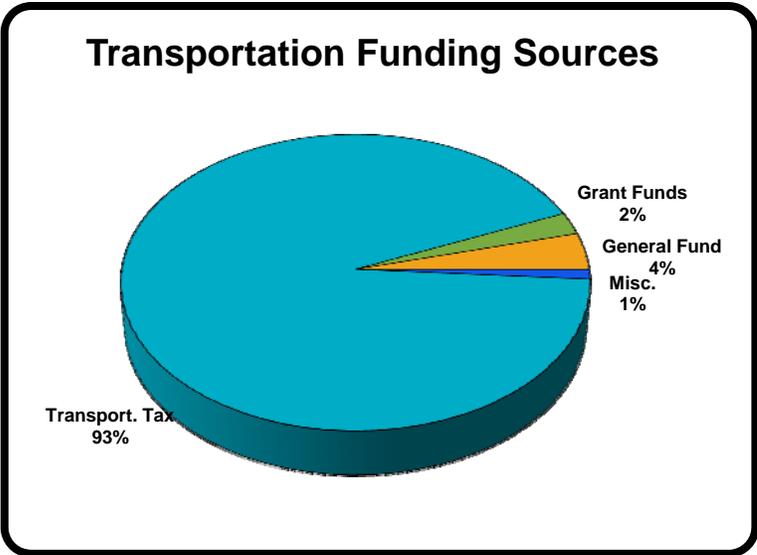
Transportation Sales Tax (Fund 1660): The primary source of this fund’s revenue for operations is sales tax receipts from the designated transportation sales tax (0.5%) that voters approved in 2001. This dedicated sales tax funds the Glendale Onboard (GO) Transportation Program, and is expected to generate an estimated \$20.9 million in FY 2013 as compared to \$20.2 million estimated for FY 2012. This is an increase of \$622,000 or 3.0%. This revenue source is dedicated to funding various transportation and transit-related projects.

BUDGET SUMMARY

Revenues



Other sources of FY 2013 revenue within the Transportation Sales Tax Fund include \$130,000 in transit revenues, \$544,000 in grant revenues and \$110,000 in interest earnings and miscellaneous revenues. In total, transportation sales tax fund revenues are projected to be \$21.6 million in FY 2013 or about \$576,000 more than the FY2012 estimated revenue. This fund is supplemented with \$900,000 from the General Fund, as required by the 2001 election, to help sustain the delivery of transportation services.

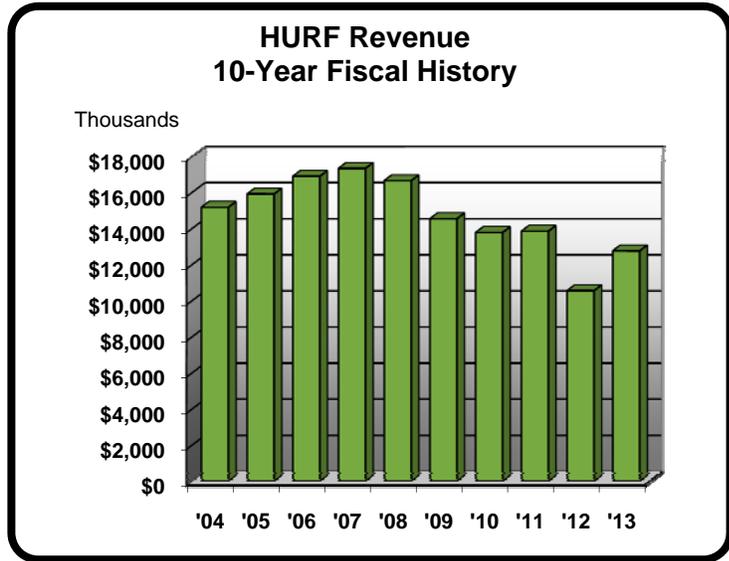


For FY 2012 and FY 2013, the state reinstated the Local Transportation Assistance II (LTAF II) monies for the cities in Maricopa County. As a result, the City of Glendale will receive \$665,000 in FY2012 and the similar amount in FY 2013. LTAF I monies have not been reinstated. The city uses LTAF revenue to pay for Dial-A- Ride and fixed route bus services.

Streets (Fund 1340): The source of this fund’s revenue is the state’s Highway User Revenue Fund (HURF). HURF is commonly called the gasoline tax although there are several additional transportation-related fees that comprise this revenue source, including a portion of vehicle license taxes. Overall, much of this revenue source is based on the volume of fuel sold rather than the price of fuel. The state distributes the revenue based on a complex distribution formula that spreads a portion of the money across the state solely on the basis of population while the remaining money flows to those areas with the highest gasoline and other fuel sales. This revenue must be

accounted for separately and used only for eligible street and highway purposes.

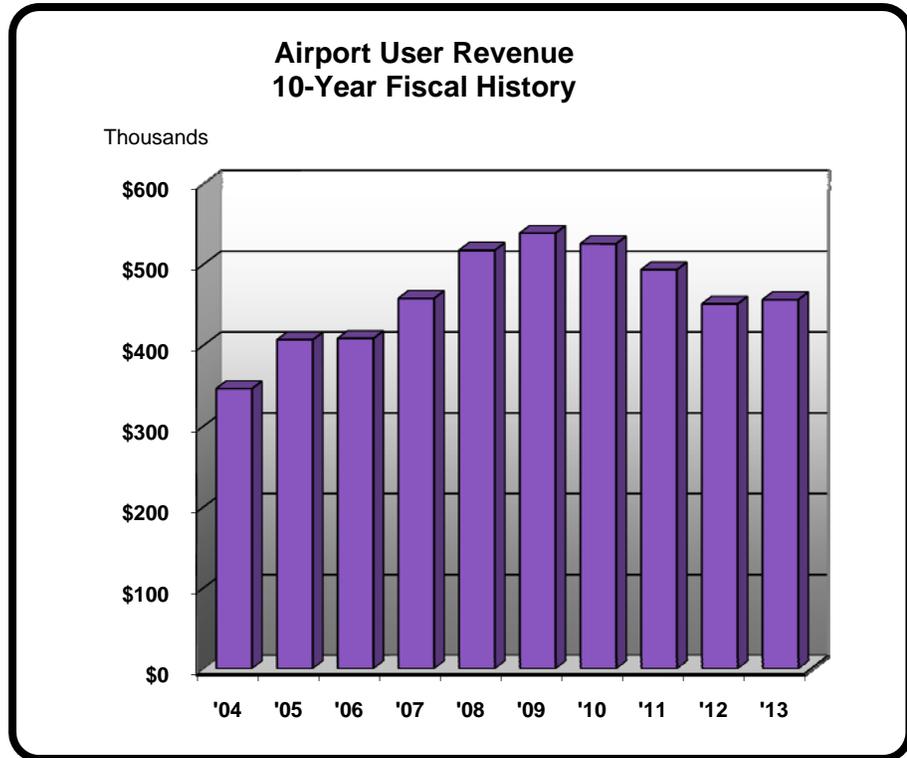
HURF collections are affected by the general health of the economy, as well as the vigor of specific industries such as tourism and trucking. The Arizona state legislature has made formula modifications from time to time that have affected Glendale’s share of HURF dollars. Over the past few FYs, the state legislature reallocated a portion of HURF revenues for other purposes



resulting in a decline of the portion distributed to municipalities and counties. For FY 2013, this reallocation changed so the overall estimate amount of HURF dollars to cities and towns has increased by almost 10%. The city will receive \$12.8 million of HURF revenue in FY13, an additional \$2.2 million from the FY 2012 estimate. However, the amount is still less than the actual revenue of \$13.8 million received in FY 2011.

Airport (Fund 1760):

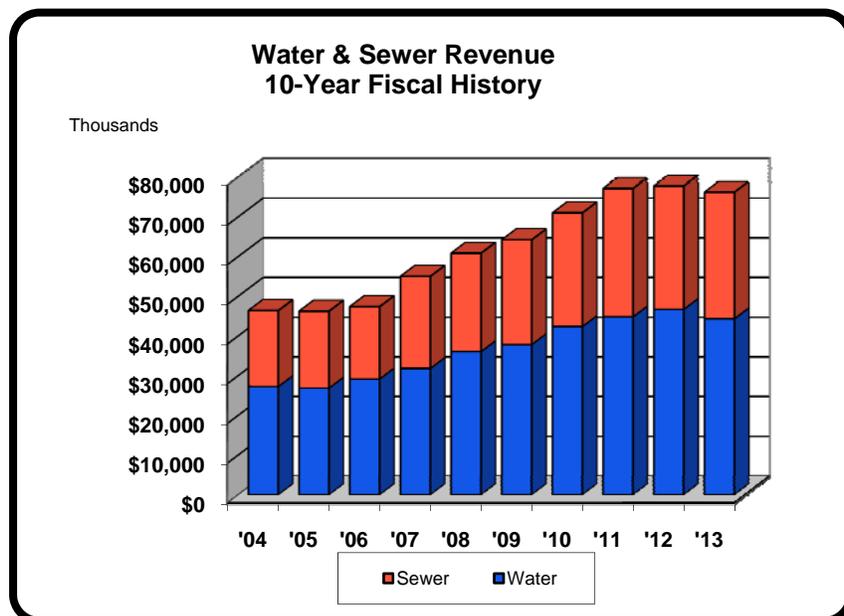
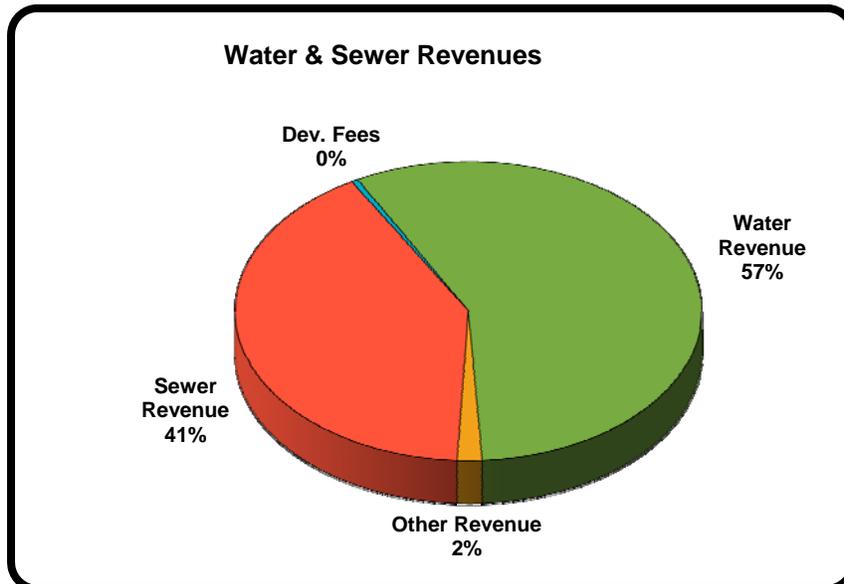
Airport revenues consist of user fees, lease proceeds, commercial activities and other fees and are projected to generate \$456,000 in FY 2013. This fund is supplemented with \$144,000 from the General Fund to assist with the airport operation. Airport user fee revenue comes from activities such as transient tie down fees and conference room fees from tenants. The majority of revenue comes from lease activities such as land rental and office rental.



Glendale is aggressively pursuing additional airport facility users with an ultimate goal of airport self-sufficiency. Sporting events as well as concerts that are being held at Jobing.com Arena and University of Phoenix Stadium continue to attract corporate jet customers and are expected to provide additional business opportunities for the airport.

Enterprise Fund Group

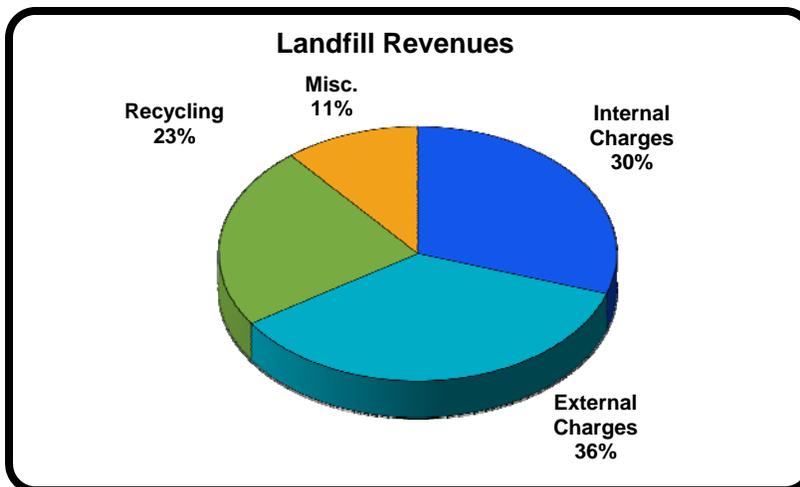
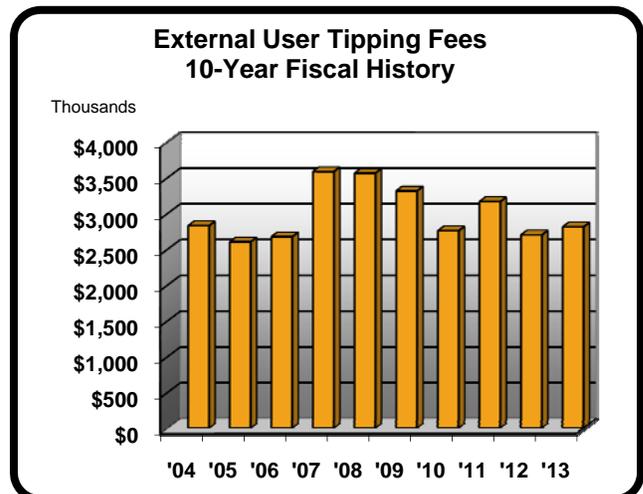
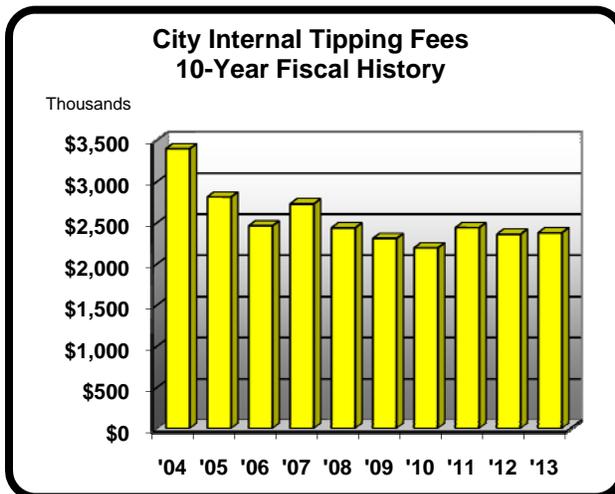
Water/Sewer (Funds 2360, 2400 & 2420): In FY 2013, water sales and sewer fees will make up \$76.2 million of total revenues for this fund. No bond sale is planned for FY 2013. Development impact fees (DIF) revenue is projected at \$350,000 for FY 2013. Other revenue sources totaling about \$1.3 million include interest earnings and miscellaneous fees and charges. Overall revenues for the Water/Sewer Fund amount to \$77.9 million in FY 2013, just \$300,000 more than the FY 2012 estimate of \$79.6 million.



The city annually hires an independent consulting firm to review the utilities’ financial status and recommend rate adjustments if needed. As a result of the study undertaken during FY 2012, there will not be any rate increases for FY 2013. The median single family customer rate will remain at \$61.14 per month.

Landfill (Fund 2440): The city annually reviews the five-year financial plan for the Landfill Enterprise Fund. This annual evaluation takes into account operating and capital costs, equipment replacement, rate structures and service demands. Budget decisions are largely based on this long-range plan.

Glendale city departments are charged an internal rate of \$18.00 per ton for the use of the city landfill. Glendale residents pay a tipping fee of \$15.79 per ton for a load weighing more than one ton in waste material. These internal and residential tipping fees are projected to generate \$2.4 million in revenue for the Landfill Fund in FY 2013, the same as the FY 2012 revenue estimate.



The tipping fees paid by private haulers, as well as businesses and individuals not located in Glendale, will continue to pay \$32.25 per ton in FY 2013. This tipping fee will generate \$2.8 million in revenue for the Landfill Fund in FY 2013, about \$100,000 more than the \$2.7 million expected for FY 2012. In FY 2013, the recycling sales program is projected to bring in \$1.8 million. This amount is slightly

lower than the actual recycling sales revenue of \$2.3 million collected in FY 2011. The decline is mostly related to a decline in the amount of tonnage processed and sold at the recyclables processing facility.

Additional miscellaneous revenue comes from interest earnings, DIF's, chargebacks and other fees, and accounts for \$867,000. Total projected revenues for FY 2013 are \$7.9 million.

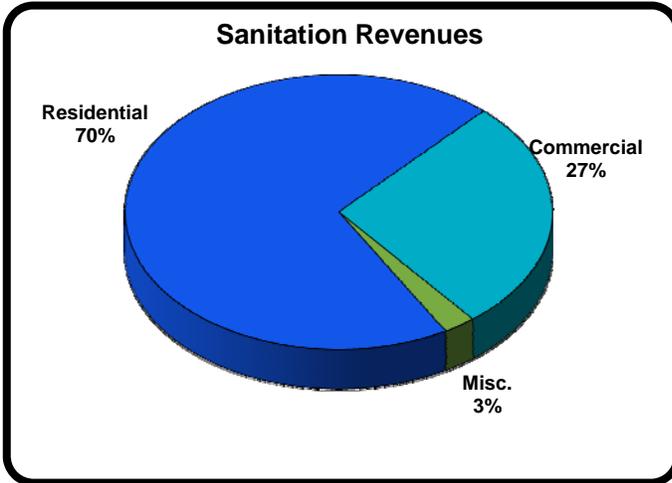
Sanitation (Fund 2480): The city annually reviews the five-year financial plan for the Sanitation Enterprise Fund. This annual evaluation takes into account operating and capital costs, equipment replacement, rate structures and service demands. Budget decisions are largely



based on this long-range plan. Landfill fees for the disposal of the solid waste collected from residences and businesses represent a significant part of the expenses incurred by the sanitation enterprise operation. Consequently, adjustments to landfill rates have a major impact on sanitation rates.

Glendale's residential sanitation rate for FY 2012 is \$16.30 and includes weekly trash and recycling collection as well as monthly loose trash collection. The last rate change occurred in

January 2005. Due to a healthy fund balance and significantly lower equipment repair and replacement costs, the sanitation rate for FY 2013 will remain at \$16.30.



The FY 2013 total revenues of \$14.8 million come primarily from two sources: residential collection fees, projected at \$10.4 million, and commercial collection fees, projected at \$4 million. The residential and commercial collection programs account for 97% of the sanitation revenues.

