

Fiscal Year 2004-05 Budget  
**City Sales Tax Revenue**

**Description:**

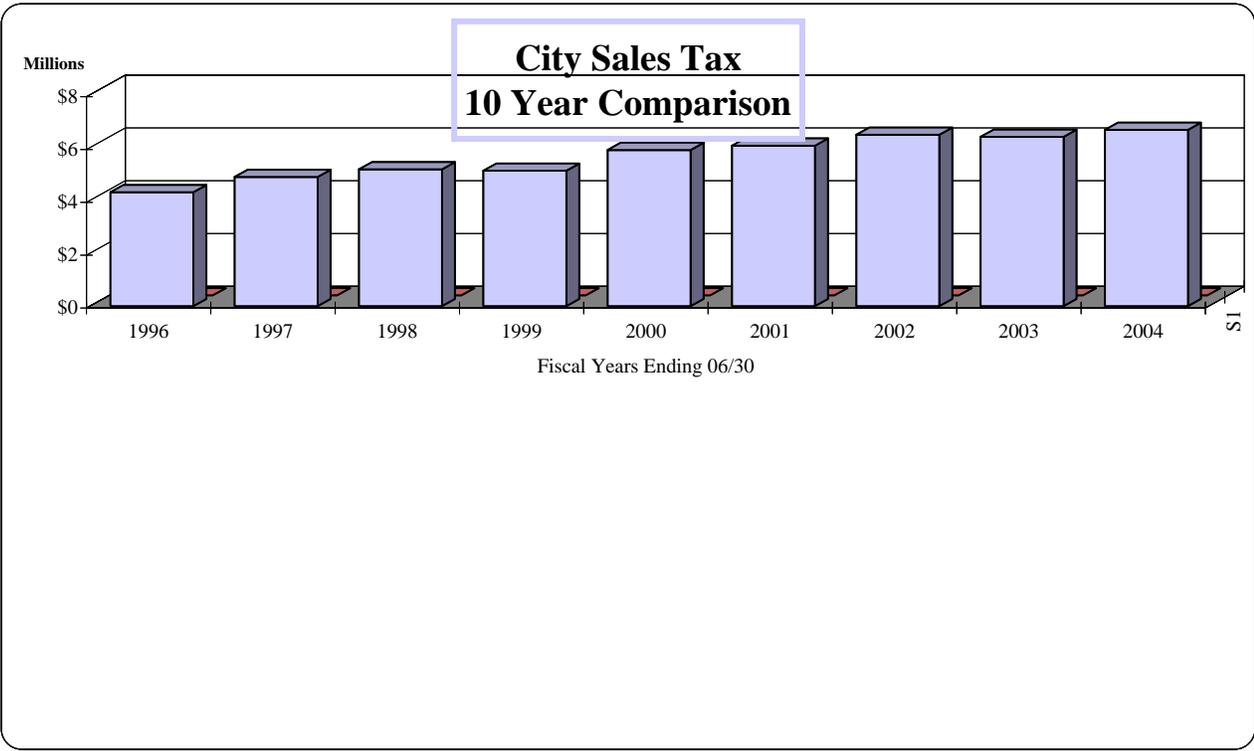
The transaction privilege tax (sales tax) is collected on the gross receipts of business activities. Until 1987 the tax rate was one percent. In 1987, the voters approved an increase of one percent to fund the construction of the wastewater collection/treatment system. Again, in 1992, the voters approved an additional two tenths percent increase to construct a new city library. The decrease in revenues in 1999 reflect an accrual change at the close of that fiscal year. The accrual was made for a 30-day period instead of a 60-day period in order to coincide when the State of Arizona collects the tax. That same change affects the following year. The current tax rate is two and two tenths of a percent (2.2%).

**Analysis:**

The City of Cottonwood serves as the retail center of the upper Verde Valley. Gross business sales continue to increase proportionally to the population increase in the upper Verde Valley Area. Most of the population growth continues to be in the unincorporated areas.

The decrease in Sales Tax for FY 2002-03 is reflective of the previous year's auto industry sales incentives. These incentives were very effective in FY 2001-02, however, have not done much to boost sagging sales in 02-03. The method in which the City accounts for sales tax accruals changed with the introduction of GASB 34. If the old method of accrual was still in place, the loss would have been over 4%. Revenues are projected to increase by approximately 6% for fiscal year 2003-04 as the economy improves and the City welcomes a Walmart Supercenter within its boundaries.

Fiscal Year		
Ending 6/30	Amount	% inc. / dec
1996	\$4,318,523	5.46%
1997	4,895,942	13.37%
1998	5,183,786	5.88%
1999	5,130,009	-1.04%
2000	5,917,582	15.35%
2001	6,079,682	2.74%
2002	6,491,930	6.78%
2003	6,412,152	-1.23%
Est. 2004	6,678,100	4.15%
Est. 2005	7,078,985	6.00%



Fiscal Year 2004-05 Budget  
**State Shared Income Tax Revenue**

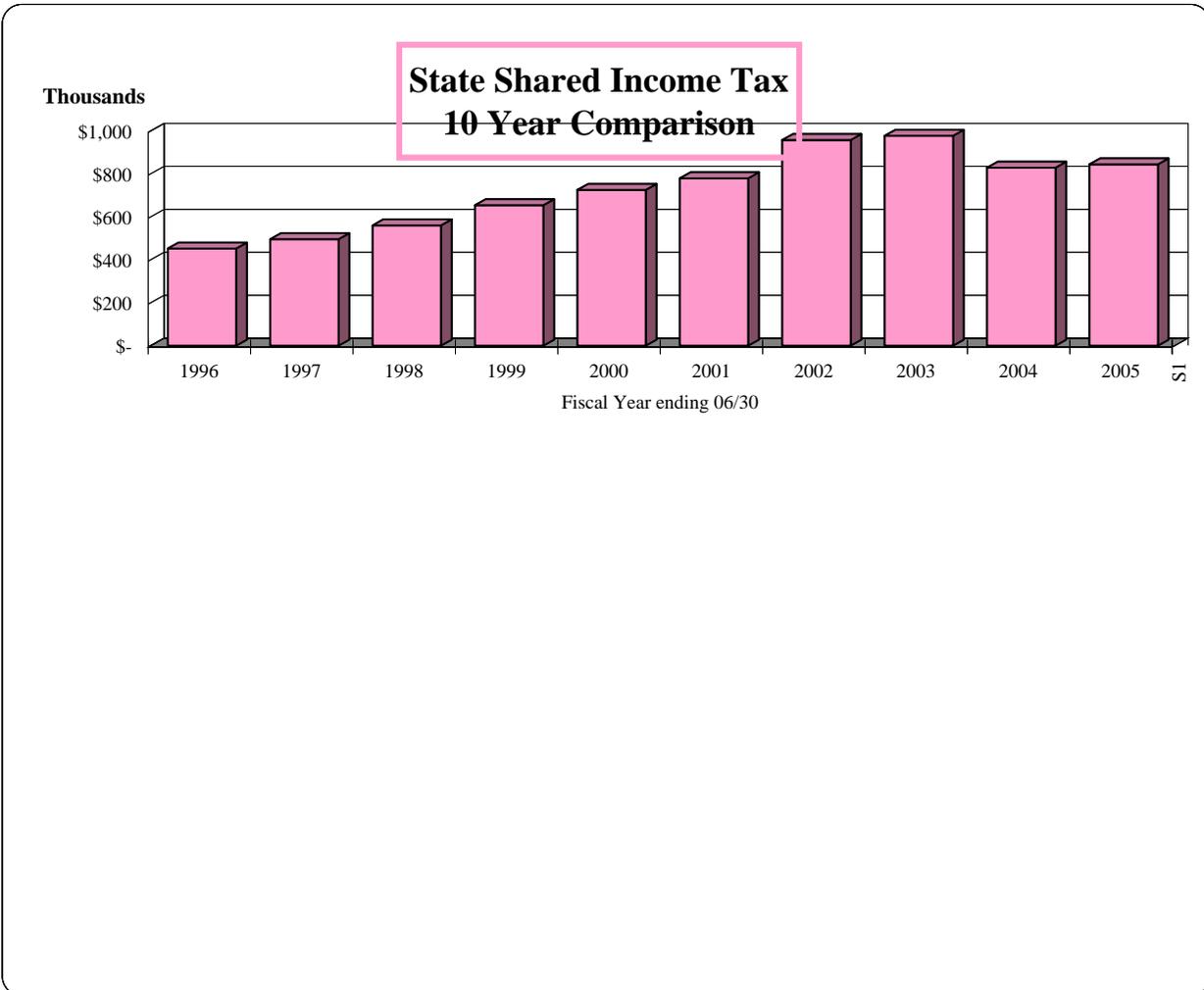
**Description:**

Arizona cities and towns share a portion of the total amount collected from the State Income Tax. A city's portion of the State Income Tax is based on the relationship of its population to the total population of all cities and towns within the state. These estimates are provided by the Arizona Department of Revenue and the League of Arizona Cities and Towns.

**Analysis:**

The growth of this revenue has not been very consistent over the past few years with the economy, however, the 2000 census increase is reflected in our receipts for the 01-02 fiscal year. These revenues are disbursed by the State two years after collection by the Arizona Department of Revenue. The past couple of years, this source has suffered due to the slowing of the economy forcing the loss of jobs and the many federal tax cuts initiated by the federal government. The FY 04-05 outlook is not looking good, however, this is reflective of economy in 02-03 as it was just beginning to turn.

Fiscal Year		
Ending 6/30	Amount	% inc. / dec
1996	\$452,009	5.97%
1997	495,559	9.63%
1998	559,889	12.98%
1999	654,123	16.83%
2000	725,294	10.88%
2001	779,108	7.42%
2002	957,382	22.88%
2003	976,932	2.04%
Est. 2004	828,450	-15.20%
Est. 2005	844,040	1.88%



Fiscal Year 2004-05 Budget  
**State Shared Sales Tax Revenue**

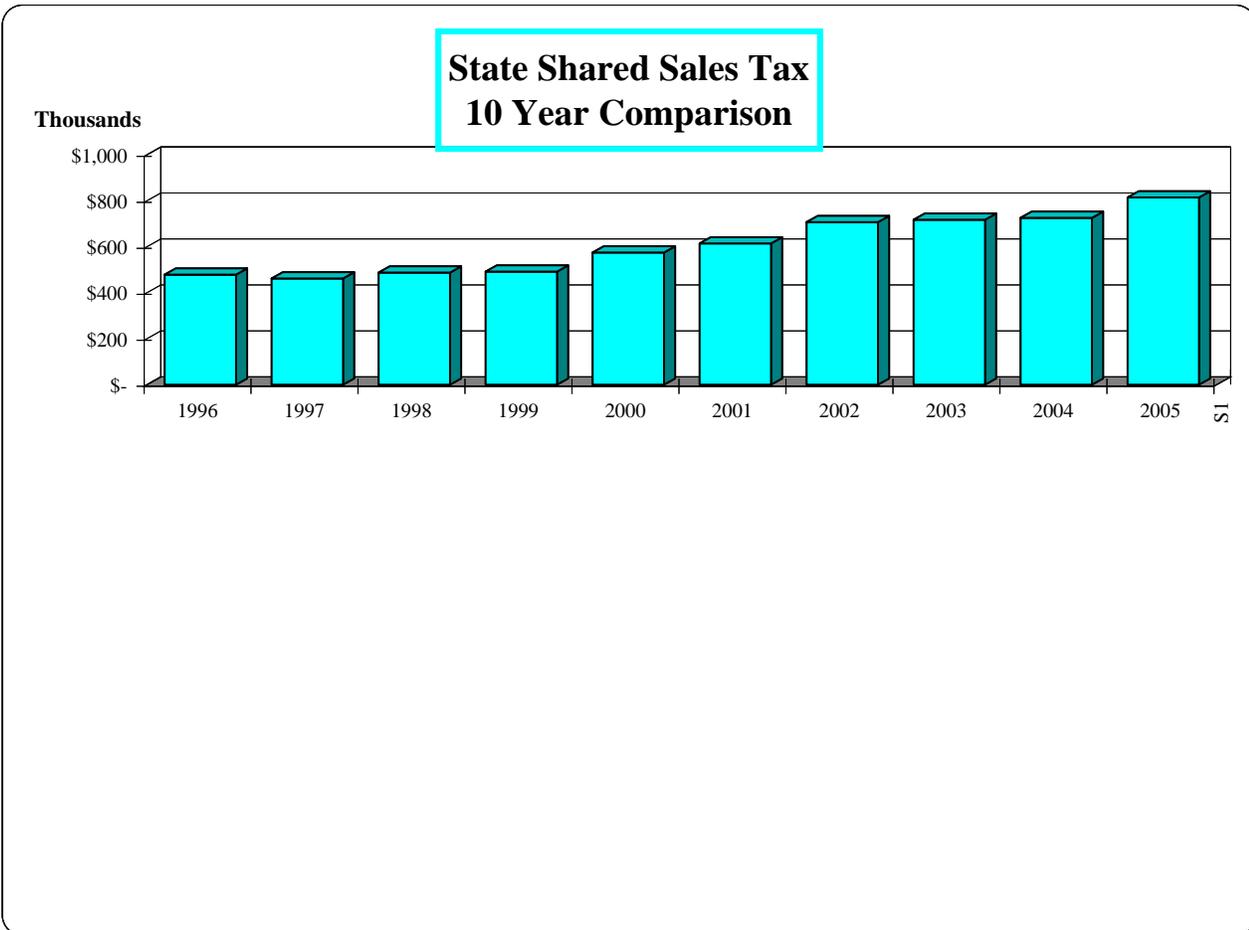
**Description:**

Arizona cities and towns share a portion of the total amount collected from the State Sales Tax. A city's portion of the State Sales Tax is based on the relationship of its population to the total population of all cities and towns within the state. The state has a separate tax code that differs from the city. For example, the state does not tax food whereas the city does. Correlations between the city sales tax projection and state shared sales tax do not relate. This estimate is provided by the Arizona Department of Revenue and the League of Arizona Cities and Towns.

**Analysis:**

The substantial growth in the Verde Valley, as reflected in the 2000 Census, is substantiated the projections made by the state for fiscal year 2001-02. The economy, until recently, had been showing signs of stagnation as shown in the FY 02-03 and 03-04 figures. The estimate for FY 2004-05, as received from the State, depicts an optimistic view of the economy's growth in the next year.

		Fiscal Year		
		Ending 6/30	Amount	% inc. / dec
		1996	\$479,018	5.08%
		1997	461,962	-3.56%
		1998	487,913	5.62%
		1999	492,275	0.89%
		2000	574,901	16.78%
		2001	614,270	6.85%
		2002	707,338	15.15%
		2003	717,869	1.49%
	Est.	2004	726,190	1.16%
	Est.	2005	814,460	12.16%



Fiscal Year 2004-05 Budget  
**Motor Vehicle In-Lieu Revenue**

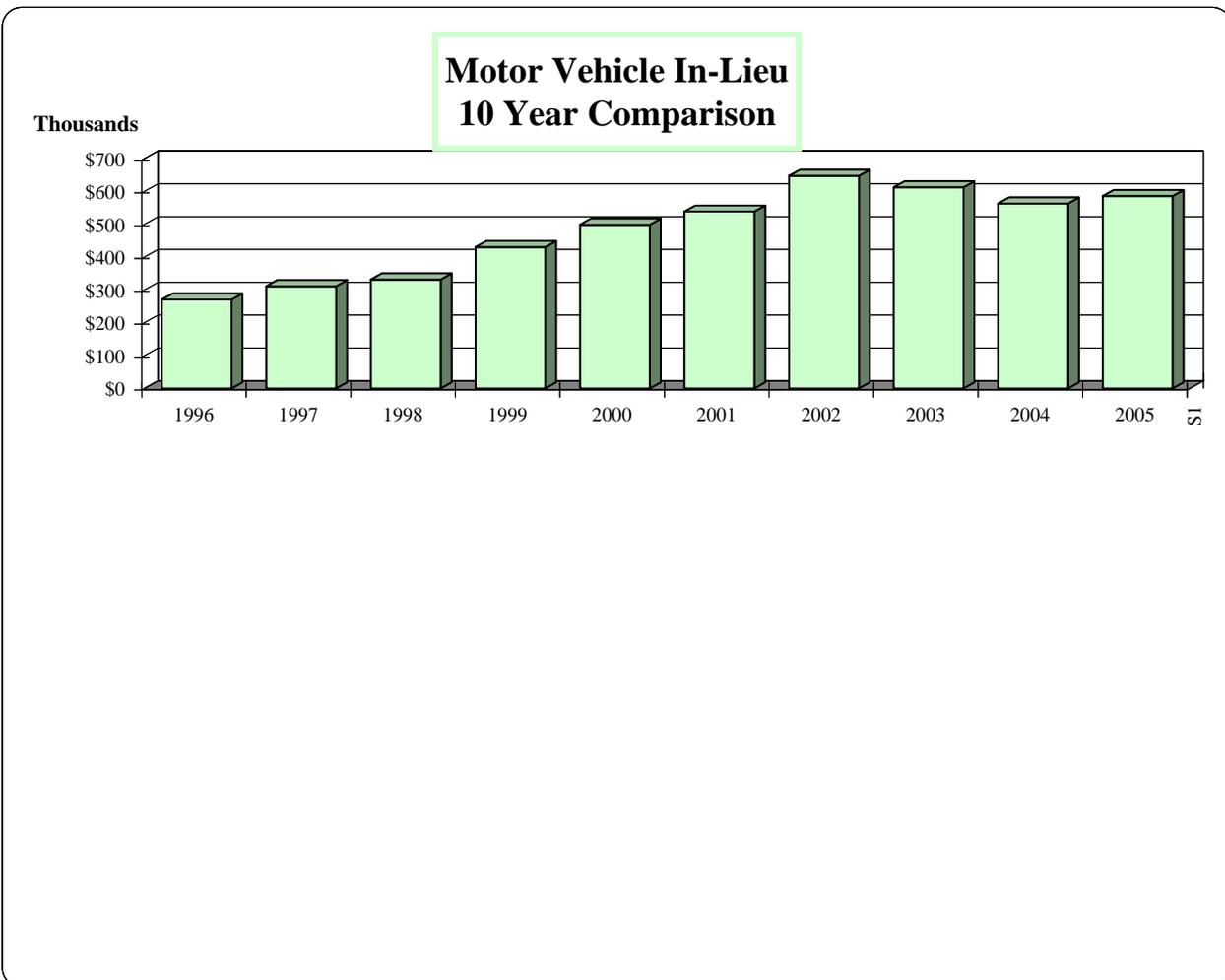
**Description:**

Arizona cities receive a 25% share of the net revenues collected for the licensing of vehicles in the county. Each city's share within their county is determined based on the city's population in relation to the county as a whole. These revenues are distributed by the County Treasurer.

**Analysis:**

Fiscal year 2001-02 was a banner year for auto sales with the zero percent financing incentives helping boost vehicle taxes over the 20% mark. The substantial drop in FY 2002-03 and again in FY 2003-04 is a reflection of the dramatic after effect of these incentives. There is a small increase planned for FY 2004-05 as sales begin to come back in line.

Fiscal Year			
Ending 6/30	Amount	% inc. / dec	
1996	\$270,400	17.56%	
1997	310,978	15.01%	
1998	331,770	6.69%	
1999	430,338	29.71%	
2000	498,623	15.87%	
2001	538,498	8.00%	
2002	647,294	20.20%	
2003	612,487	-5.38%	
Est. 2004	563,200	-8.05%	
Est. 2005	585,730	4.00%	



Fiscal Year 2004-05 Budget  
**Investment Revenues**

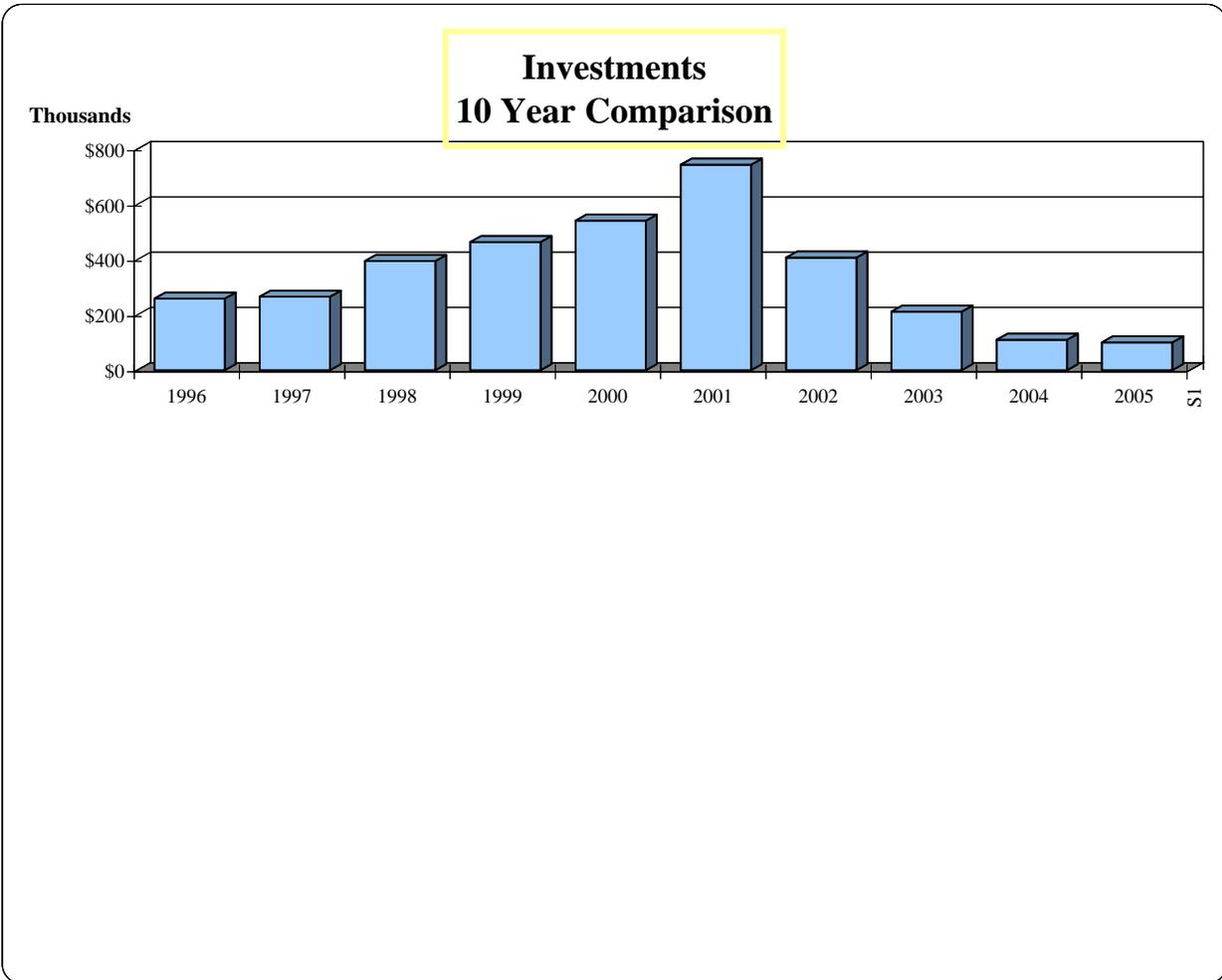
Description:

Investment income is derived from idle funds which include the proceeds from bonds during the time of construction, planned reserves, fund balances and operating funds received in advance of required needs.

Analysis:

Interest revenues had been increasing since 1993 with the establishment of a fund balance policy for the General Fund, the capital accumulation fund, the excess .2% library sales tax reserve and debt service reserves. Revenue decreases continue to be projected for FY 2004-05 as have been the previous three fiscal years. Loan proceeds and investments of \$3,755,000 were consumed by the construction of the Public Safety Building in 2002 & 2003. These drops in investments and the very low interest income return continues to dramatically affect this revenue source.

Fiscal Year	Ending 6/30	Amount	% inc. / dec
	1996	259,636	12.24%
	1997	266,368	2.59%
	1998	395,824	48.60%
	1999	464,122	17.25%
	2000	541,933	16.77%
	2001	744,570	37.39%
	2002	407,996	-45.20%
	2003	212,205	-47.99%
	Est. 2004	110,480	-47.94%
	Est. 2005	101,120	-8.47%



Fiscal Year 2004-05 Budget  
**Building Permits Revenue**

Description:

Building permits are assessed based on the City's building codes. Fees are charged for building, plumbing, mechanical and electrical activities. Inclusive, fees are assessed for plan checks and signs.

Analysis:

This City revenue fluctuates each year based on commercial and residential development. Construction increased steadily from 1993 to peak out in 1998. Low interest rates and the need for services due to rapid growth in the area played a major factor in this expansion. The City boomed in 1997 with the expansion of the local hospital and the development of three new subdivisions. In FY 2003-04 the City, again saw growth as the local hospital and medical facilities expanded their buildings. Included in the growth for the year was a Super Walmart Supercenter that has begun construction and anticipates to open its doors early the third calendar quarter. With these projects coming to fruition in 03-04 the trend is expected to taper off again in fiscal year 2004-05.

Fiscal Year	Ending 6/30	Amount	% inc. / dec
	1996	114,167	4.32%
	1997	223,485	95.75%
	1998	280,361	25.45%
	1999	252,060	-10.09%
	2000	223,942	-11.16%
	2001	222,851	-0.49%
	2002	200,576	-10.00%
	2003	198,971	-0.80%
	Est. 2004	290,000	45.75%
	Est. 2005	285,000	-1.72%



Fiscal Year 2004-05 Budget  
**Fines And Forfeitures**

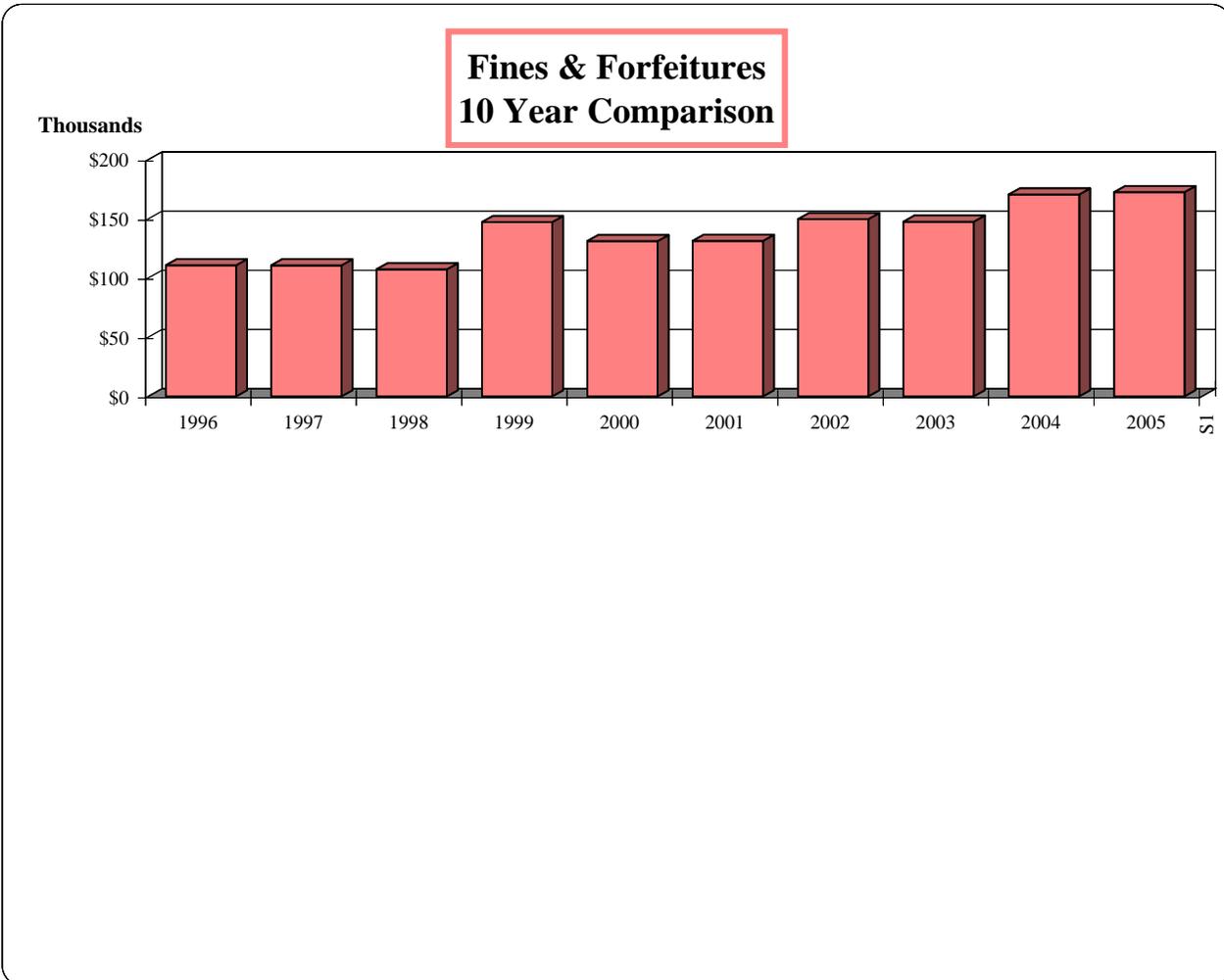
**Description:**

Fines and forfeitures are generated as a result of imposed fines for the violation of various state laws and city ordinances. They include traffic violations, violations of city code and other criminal misdemeanors.

**Analysis:**

This City revenue fluctuates each year based on traffic enforcement. Enforcement dropped off in fiscal year 1995 with the reduction of traffic enforcement by the motorcycle officer. The motorcycle officer returned to full time in 1996 reflecting an increase in traffic safety. The hiring of a new municipal court judge is reflective in the 1999 revenues. That same judge moved the offices to the county court building and shared county staff which is also reflected in the FY 2001-02 revenues. That again tapered off until yet another judge was seated in late 2003 and he began clearing up a large case log. This situation is reflected in the FY 03-04 revenue growth, however, as in previous years, the revenues are expected to stabilize and that situation is depicted in FY 2004-05.

Fiscal Year	Ending 6/30	Amount	% inc. / dec
	1996	110,764	27.85%
	1997	110,665	-0.09%
	1998	107,272	-3.07%
	1999	147,230	37.25%
	2000	131,147	-10.92%
	2001	131,335	0.14%
	2002	149,726	14.00%
	2003	147,505	-1.48%
	Est. 2004	170,470	15.57%
	Est. 2005	172,410	1.14%



Fiscal Year 2004-05 Budget  
**Franchise Tax Revenues**

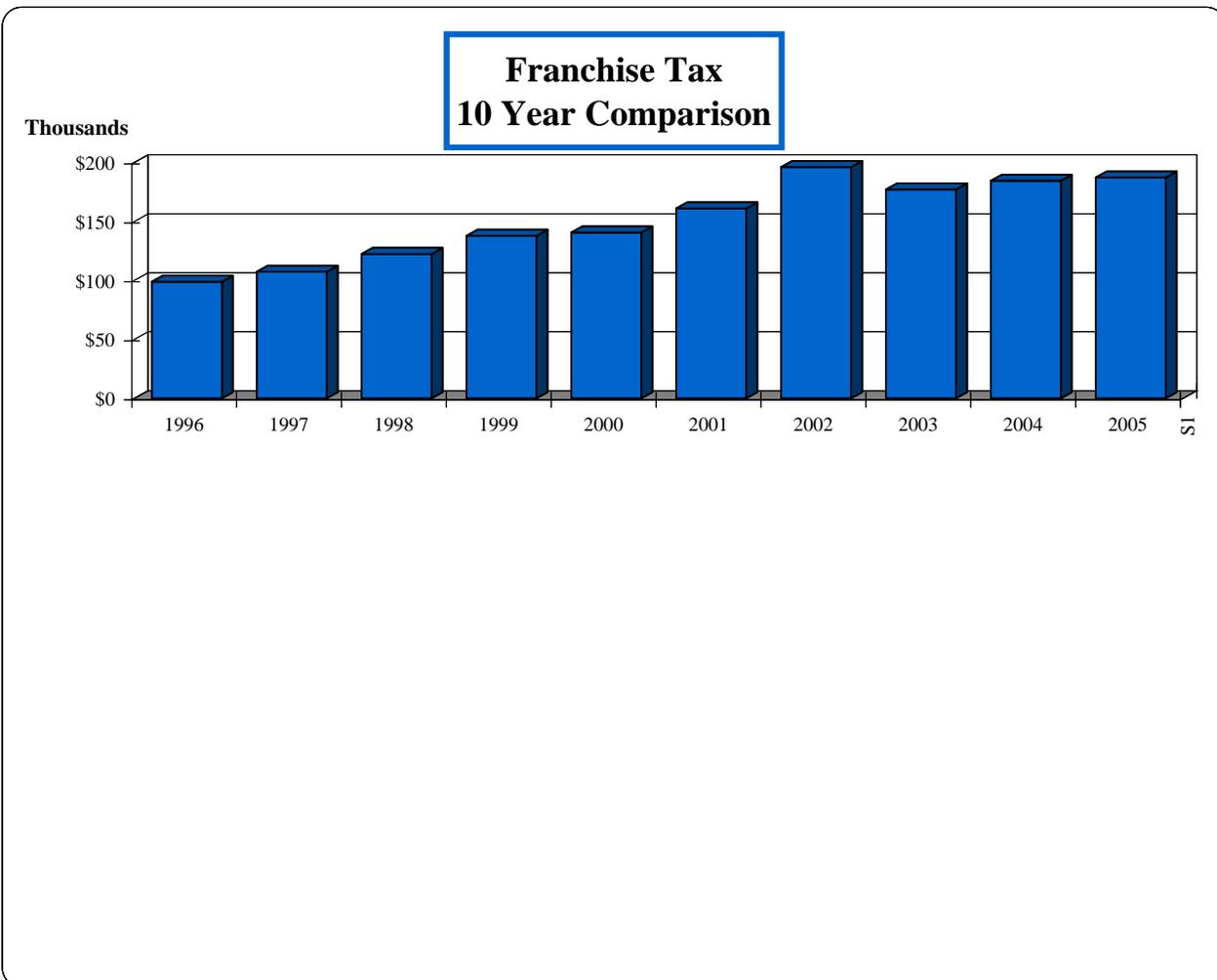
Description:

The franchise tax is based on the gross sales of the utility companies. Those currently paying the tax are: Arizona Public Service (1%), Citizens Gas (2%), Cottonwood Water Company (1%), Cordes Lakes Water Company (1%), Clemenceau Water Company (1%), Cable One (3%), and CableComm (1%).

Analysis:

Franchise revenues have increased an average of 8.5% over the past six years. This year's budget reflects a conservative growth estimate for this revenue source. The sharp increase in 2002 is due to additional franchise fees submitted by A.P.S. in annexed areas that they had not recorded as part of the corporate boundaries of the City. This revenue is affected by fluctuations in weather patterns.

Fiscal Year			
Ending 6/30	Amount	% inc. / dec	
1996	98,897	-3.65%	
1997	107,326	8.52%	
1998	122,386	14.03%	
1999	137,814	12.61%	
2000	140,680	2.08%	
2001	161,022	14.46%	
2002	196,115	21.79%	
2003	177,065	-9.71%	
Est. 2004	184,470	4.18%	
Est. 2005	187,250	1.51%	



Fiscal Year 2004-05 Budget  
**Highway User Revenue Funds - HURF**

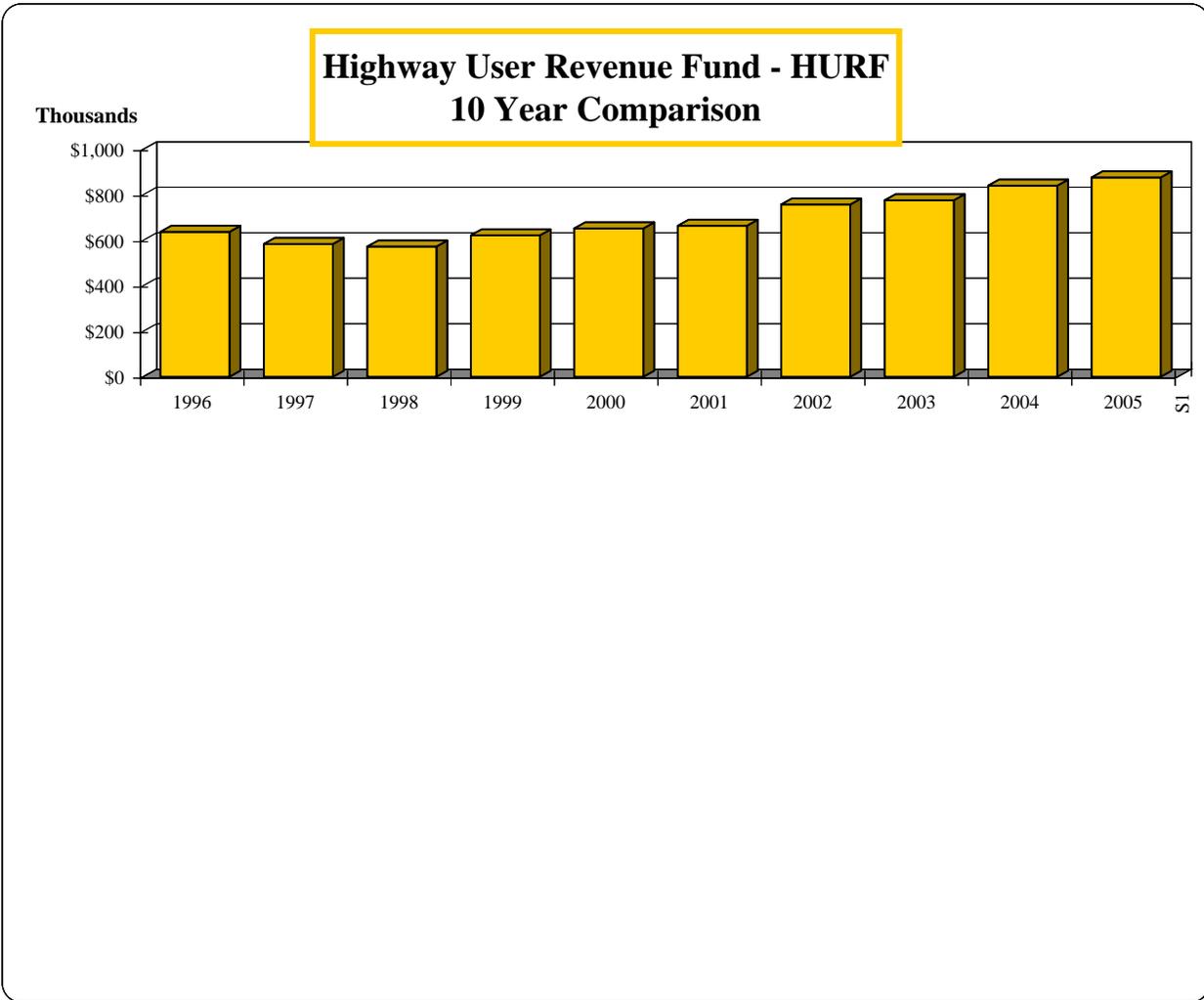
**Description:**

Arizona cities receive a share of state motor vehicle fuel taxes, and the formula is based on two separate calculations. The first half is based on a city's population in relation to the state's total population, the second is based on the county in which the revenues were generated. These funds must be utilized for the construction and maintenance of streets and highways.

**Analysis:**

This State Shared revenue has been fluctuating though it has not had a downward trend in the past 6 years. Revenues are projected to increase by 4.34% for fiscal year 2004-05. This projection is provided by the State Department of Revenue.

		Fiscal Year		
		Ending 6/30	Amount	% inc. / dec
		1996	637,268	10.31%
		1997	583,700	-8.41%
		1998	572,454	-1.93%
		1999	621,719	8.61%
		2000	652,017	4.87%
		2001	663,748	1.80%
		2002	757,505	14.13%
		2003	775,795	2.41%
	Est.	2004	839,920	8.27%
	Est.	2005	876,366	4.34%



Fiscal Year 2004-05 Budget  
**Local Transportation Assistance Fund Revenues - LTAF**

**Description:**

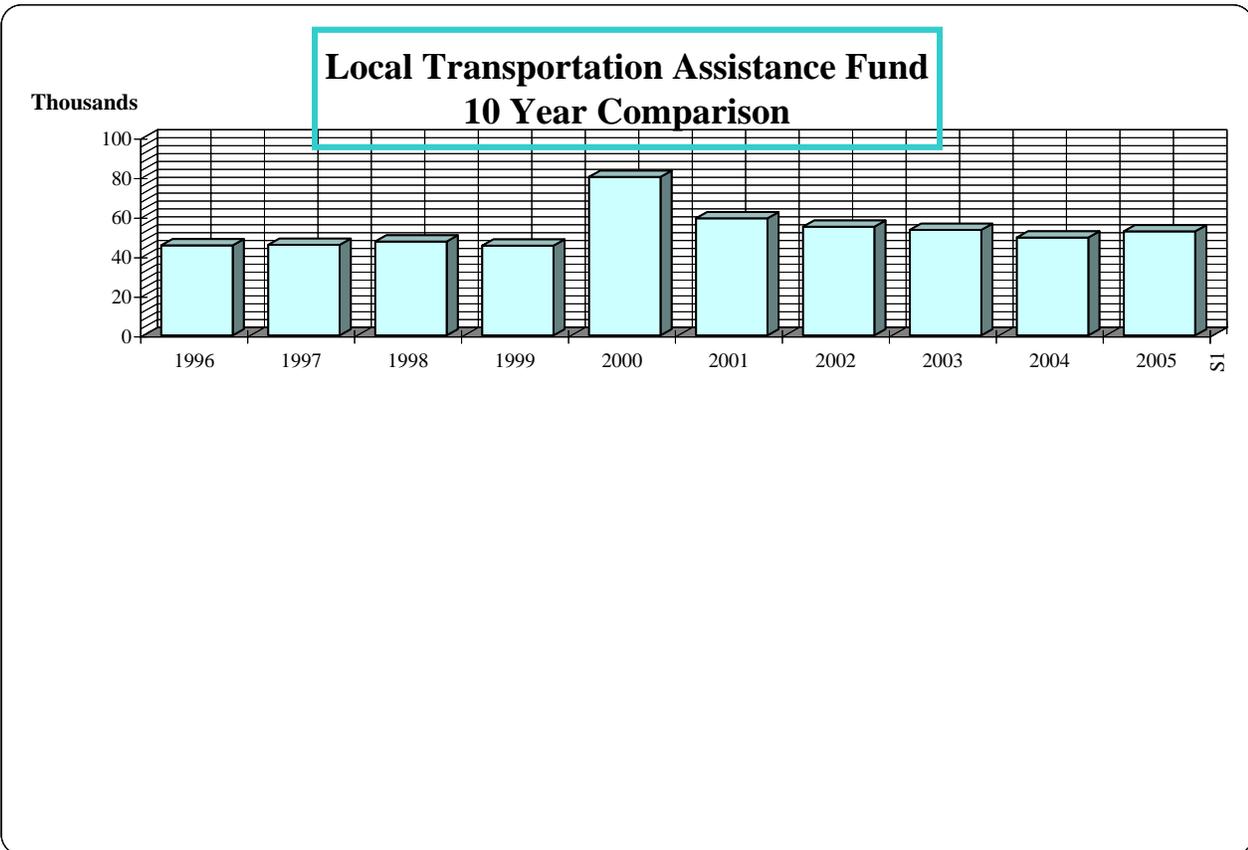
These revenues consist of two LTAF distributions. Arizona cities have been receiving a portion of the proceeds of the Arizona lottery since 1982. The original LTAF allocation is based on individual cities' population in relation to the total state population. Eligible expenditures for these funds include street and highway projects as well as transit programs.

The State has also been distributing proceeds from the Powerball Lottery in the form of LTAF II distributions since 1997. The LTAF II allocations are awarded as grant to Cities and Towns on a one to four match and can only be used for public transportation services, including operating and capital purposes.

**Analysis:**

The legislature set a ceiling on the amount of lottery funds which the state would have to share. This ceiling was set at \$23,000,000 since the program's inception, which explains the minimal fluctuation within this revenue. Despite the steady growth of our city, decreases in this revenue are basically due to other cities within the State of Arizona having a faster rate of growth than Cottonwood. This figure is provided by the State.

		Fiscal Year		
		Ending 6/30	Amount	% inc. / dec
		1996	45,557	-3.18%
		1997	45,744	0.41%
		1998	47,472	3.78%
		1999	45,400	-4.36%
		2000	80,132	76.50%
		2001	59,211	-26.11%
		2002	54,912	-7.26%
		2003	53,341	-2.86%
	Est.	2004	49,460	-7.28%
	Est.	2005	52,644	6.44%



Fiscal Year 2004-05 Budget  
**Wastewater Service Revenues**

Description:

User fees are charged to residential, commercial and industrial customers for the collection and treatment of wastewater. In addition, the city levies tap fees on all new construction.

Analysis:

These revenues have increased due to steady city growth. The system became operational October 1, 1990. The initial residential user fee was \$6.75 per month. The rate was increased in 1995 to \$13.20 per month which the council at the time froze it for a five year period. In 1997 another sudden increase is the result of the many construction projects within the City, including three new subdivisions, and the expansion of the local hospital. Still another substantial increase in 2000 is the result of increasing rates after five years of maintaining the same rate. The current rate is \$16.75 and these fees continue to be studied annually to determine if an increase is necessary.

Fiscal Year		
Ending 6/30	Amount	% inc. / dec
1996	462,909	3.63%
1997	594,057	28.33%
1998	624,826	5.18%
1999	696,887	11.53%
2000	920,547	32.09%
2001	974,698	5.88%
2002	1,138,908	16.85%
2003	1,201,130	5.46%
Est. 2004	1,267,000	5.48%
Est. 2005	1,305,010	3.00%

