

CITY OF PHOENIX FINANCIAL CONDITION REPORT FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF PHOENIX
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The information included in this report contains an overview of the City's economic condition and outlook, an analysis of the City's financial position and information concerning the City's assets and debt. The purpose of this report is to provide our residents with easily understandable information about how their tax dollars are spent.

This report is based primarily on the City of Phoenix Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011 which can be viewed in its entirety online at phoenix.gov/finance.

COMMUNITY PROFILE

Phoenix Population	1,502,757
Maricopa County Population	3,817,117
Area (in square miles)	519.1
Per Capita Income	\$36,286
Feet Above Sea Level	1,117
Average Annual Temperature (F)	74.2
Average Annual Rainfall (in inches)	8.27
Average Annual Sunny Days	334



City of Phoenix

MESSAGE FROM THE CITY MANAGER



David Cavazos, City Manager

Greetings:

This marks the inaugural City of Phoenix Financial Condition Report, which will provide an overview of the city's financial outlook, financial position, assets and debt.

Over the past two years, the city overcame a \$277 million deficit in fiscal year 2010-11 and a \$59 million deficit in 2011-12. I'd like to thank the Mayor and City Council for their leadership to position Phoenix in a much better financial position.

Although the city faced one of the worst economic climates in the history of the United States, Phoenix carefully planned, exercised strong fiscal management and saved taxpayers millions of dollars. Here are some highlights:

- The city's AAA credit rating is the highest credit rating of the six largest cities in the United States.
- The city's AAA credit rating was used to refinance and restructure debt to save taxpayers millions of dollars.
- We increased the city's General Fund contingency, or rainy day fund, to the highest level in the city's history.
- One of the first actions I took as city manager was to create the city's Innovation and Efficiency Task Force made up of private-sector representations and city employees. Task Force members developed innovative ways to more efficiently deliver city services saving more than \$40 million as of the end of the 2011 calendar year.
- Partnerships with employee bargaining units saved the city \$52 million in 2010-11, executive and middle manager compensation was reduced and more than 2,000 positions were eliminated over the past three years, giving Phoenix its smallest government in 40 years (10.4 employees per 1,000 residents).
- The city's top priority is to continue to provide outstanding customer service, a goal that can be accomplished with a leaner, more efficient organization. Despite reductions, the 2010 Community Attitude Survey results were the highest in 10 years, with 95% of residents responding they were treated professionally and courteously by city employees.
- Residents were invited to review and comment on Phoenix's Strategic Plan, a plan that concentrates on 10 study areas, which are detailed on this page. Going forward, the plan will help guide city decision-making and focus the city's efforts on its core priorities.

The past few years have been challenging for the city, but thanks to the leadership of our Mayor and City Council, by working with our community and city employees, I am optimistic about our city's financial future and dedicated to providing outstanding services to our residents.

Sincerely,
David Cavazos
City Manager

Phoenix Strategic Plan Focus Areas:

Financial Excellence - Maintaining fiscally sound and sustainable budgets that reflect community values and residents' priorities.

Infrastructure - Creating and maintaining high-quality and diverse infrastructure systems.

Public Safety - Maintaining safe neighborhoods throughout Phoenix.

Innovation and Efficiency - Seeking continuous improvement and maintaining our culture of innovation and efficiency, including right-sourcing.

Neighborhoods and Livability - Ensuring healthy, safe and beautiful neighborhoods that enhance the quality of life for all residents.

Economic Development and Education - Ensuring a sustainable and forward-looking economic development strategy that encourages high-wage jobs.

Social Services Delivery - Encouraging new methods of social services that support independence, quality of life, and sustainable service.

Phoenix Team - Supporting our employees, volunteers, and community partners to work together in order to serve our residents with the highest standard of quality and customer service.

Sustainability - Securing environmental and economic livability for future generations in the region, with an emphasis on solar energy.

Technology - Focusing on a "Web-Enabled City" that embraces technological innovation and automated city services.



City of Phoenix

MESSAGE FROM THE FINANCE DIRECTOR



Jeff DeWitt, Finance Director

**Finance Department Mission:
Stewardship, Integrity,
Innovation in service to our customers**

Financial Excellence Strategic Plan

- Maintain high bond ratings
- Develop capital and funding plans for critical infrastructure
- Provide accurate and reliable revenue and expenditure forecasting
- Maintain a transparent financial environment, free of fraud, waste, and abuse

Dear Reader:

In an effort toward complete transparency, I am pleased to submit to residents the City of Phoenix Financial Condition Report for the fiscal year ending June 30, 2011. The information presented in this report is based primarily on the City of Phoenix Comprehensive Annual Financial Report (CAFR) which is available in its entirety online at phoenix.gov/finance.

This is our first year creating a summary of the CAFR with the objective of providing an easily understandable summary of the city's financial status. This report focuses on the entire financial picture of the city for all functions provided to our residents. The report includes information about city management, an overview of the city's economic outlook and key financial information concerning the city's revenues, expenditures, capital assets and debt.

I hope that you find the information helpful and encourage you to access our audited CAFR on the city's website for more detailed information on the city's finances. Your questions, comments and suggestions regarding this report are welcome. You can contact the Finance Department at 602-262-7166.

Sincerely,

Jeff DeWitt
Finance Director



Calvin C. Goode
Municipal Building



City of Phoenix

ABOUT CITY MANAGEMENT

Phoenix operates under a Council-Manager form of government. Under this organizational structure, the Mayor and Council appoint a city manager to act as the chief operating officer. The Mayor and City Council set policy direction and the city manager implements those policies. In 1982, an initiative was passed by the Phoenix voters creating a district system for electing council members. The Mayor is elected at-large, while Council members are elected by voters in each of eight separate districts they represent. The Mayor and each Council member have equal voting power.

Phoenix City Council at 6/30/2011



**Mayor
Phil Gordon**



**District 1
Vice Mayor Thelda Williams**



**District 5
Councilman Claude Mattox**



**District 2
Councilman Bryan Jeffries**



**District 6
Councilman Sal DiCiccio**



**District 3
Councilman Bill Gates**



**District 7
Councilman Michael Nowakowski**



**District 4
Councilman Tom Simplot**



**District 8
Councilman Michael Johnson**

NOTE: The Mayor and Council members above were in office at the end of the fiscal year on June 30, 2011. At the beginning of 2012, a new mayor and two new City Council members were in office:



**Mayor
Greg Stanton**



**District 2
Councilman
Jim Waring**



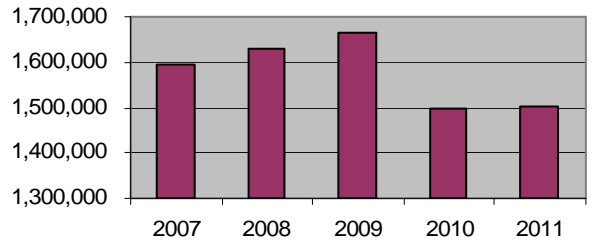
**District 5
Councilman
Daniel Valenzuela**



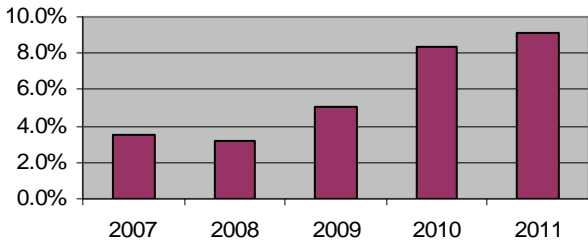
WHERE WE'VE BEEN

Phoenix continues to be an attractive place to live and work, and has been one of the most rapidly growing metropolitan areas in the country in recent decades in terms of population, employment and personal income growth. From 1999 to 2010, population growth was 28.2% in Greater Phoenix compared to 9.5% for the United States. During periods of slowing in the U.S. economy, the Phoenix area has usually continued to grow, albeit slowly.

City of Phoenix Population



Unemployment Rates

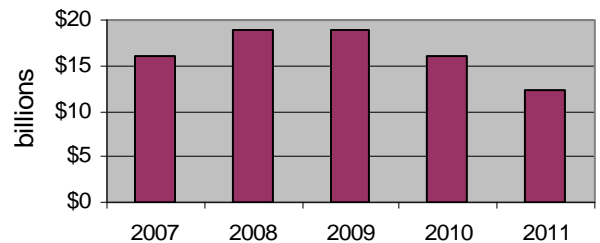


Over the last several decades, Greater Phoenix has become economically healthier and more diversified. The Greater Phoenix employment mix is well diversified and fairly similar to that of the United States as a whole. During the November 2001 to December 2007 expansion, employment in the Greater Phoenix area increased 21.3% versus an increase of 5.3% nationally. During the most recent recession from December 2007 to June 2009, the Greater Phoenix employment declined 1.0% versus an increase of 0.1% nationally.

The underperformance of Greater Phoenix employment during the last recession compared to most peer cities can be attributed to the fact that Greater Phoenix's major employment sectors such as construction and tourism were the most negatively impacted by the national recession all at the same time. However, since the most recent expansion began in June 2009, Greater Phoenix employment increased 3.1% versus a decrease of 0.3% nationally.

Following several years of robust growth, the City's property tax base decreased in 2011 due to the downturn in the national economy and the overbuilding that occurred in the real estate sector during the mid 2000's. The 2011 total secondary assessed valuation is \$12.3 billion, which represents a 23.3% reduction from 2010 assessed value of \$16.1 billion. The City's total property tax rate for fiscal year 2011-2012 remains at \$1.82 per \$100 of assessed valuation.

Secondary Assessed Valuation



A 2010-2011 General Fund budget deficit of \$277.3 million was addressed in April 2010 through an accelerated budget process with significant resident input. This deficit was addressed through a combination of employee pay concessions, staff reductions, financial transactions, innovation and efficiency initiatives, and new revenues from the elimination of the City's exemption on the taxing of food for home consumption. These significant actions have helped the City move to a long term structurally balanced budget.



City of Phoenix

WHERE WE'RE HEADED

One of the City's largest projects is the **PHX Sky Train** which is an automated people mover designed to carry more than 35 million riders annually through five stations at Phoenix Sky Harbor International Airport along a guideway spanning approximately five miles. Stage One of the PHX Sky Train will connect Phoenix's light rail system, Sky Harbor's east economy parking garages, and Terminal 4. Stage One has a budget of approximately \$644 million and is expected to be completed in early 2013. The Stage 1a Terminal 3 Line Extension will run from Terminal 4 to Terminal 3 with a walkway to Terminal 2. Stage 1a has a budget of \$240 million and is expected to be completed in 2015. Future stages will extend the PHX Sky Train to the Rental Car Center.



The City continues to improve and modernize its transit/light rail system. In July 2011, modernizations and security improvements totaling \$3.7 million were made to the Central Station. In addition, there were expansions at three park-and-ride facilities throughout the City totaling \$7.5 million. Improvements to comply with the Americans with Disabilities Act in the amount of \$4.0 million are scheduled to be made to 400 bus stops in Phoenix by December 2012.



CityScape is a 5-acre, mixed-use development that blends urban living with work, shopping, and entertainment and includes restaurants, retail stores, offices, and outdoor event space. The project encompasses two blocks in downtown Phoenix and is one block from the U.S. Airways Center and is within two blocks of Chase Field. Construction on CityScape began in the fall of 2007 and the first phase opened in March 2010. The first phase includes 660,000 square feet of Class A office space, 186,000 square feet of retail, 1,300 parking spaces, and the redevelopment of Patriot's Square Park. The next phase will include construction of a 242 room Palomar hotel that commenced construction in February 2011 and is expected to be completed February 2012. The final phases of the project will be built out over several years based on market demand.

A major effort initiated by the City Manager and approved by the Mayor and City Council to ensure City government is operating as efficiently as possible was the creation of the Innovation and Efficiency Task Force. The task force, initiated in January 2010, is comprised of private sector members appointed by the Mayor and City Council, and City staff. The objective of the task force is to explore, develop, and implement innovative processes that will result in a more efficient delivery of City services and maximize the use of limited taxpayer dollars. The Innovation and Efficiency Task Force has achieved \$40.5 million in savings with \$16.9 million in General Fund and \$23.6 million in Non-General Fund savings as of December 2011.



BASIS OF ACCOUNTING

The term “basis of accounting” is used to describe the timing of recognition, or *when* the effects of transactions or events should be recognized. The financial statements presented in this report were prepared using the Generally Accepted Accounting Principles (GAAP) basis of accounting. Other reports issued by the City may use the budget basis of accounting.



The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year and sets limits on the amount the City is able to spend on City functions. Some reports issued by the City use the budget basis of accounting to compare City financial activities to the adopted budget. Most of the statements in this report were taken from the City’s Comprehensive Annual Financial

Report, which is prepared using the GAAP basis of accounting.



The timing of revenue and expenditures may be different under the GAAP basis of accounting than under the budgetary basis of accounting. For example in GAAP accounting, revenues are recognized in governmental



funds as soon as they are both measurable and available. Under the budgetary basis of accounting, revenue may be deferred until amounts are actually received in cash.

Another difference occurs in the recognition of an encumbrance, which is an amount for which there is a legal obligation to spend in the future, such as entering into a contract with a business to supply the City a product or service. Under the budgetary basis of accounting, the encumbered amount can be classified as an expense when the contract is signed, but under the GAAP basis of accounting encumbrances are never classified as expenditures until the service has been performed.





STATEMENT OF NET ASSETS

Government Wide Statement of Net Assets

June 30, 2010 and 2011 (In Thousands)	Total City Government	
	2010	2011
Assets		
Cash	\$ 559,459	\$ 296,366
Current and other assets	4,310,806	4,785,380
Capital assets	11,337,175	11,649,120
Total assets	16,207,440	16,730,866
Liabilities		
Long term liabilities	7,308,832	7,460,219
Other liabilities	553,014	761,186
Total liabilities	7,861,846	8,221,405
Net Assets		
Invested in capital assets, net of related debt	5,331,707	5,317,335
Restricted	909,982	1,204,764
Unrestricted	2,103,905	1,987,362
Total net assets	\$ 8,345,594	\$ 8,509,461

Current and other assets - Assets that one can reasonably expect to convert to cash, sell, or use within one year.

Capital Assets - The City's long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Page 9 provides more detailed information on capital assets.

Long term liabilities - Represents mainly debt obligations of the City. The proceeds from these various debt issues are used to finance large projects such as road construction and major equipment purchases.

Other liabilities - These are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll, and accrued interest payable.

Invested in capital assets, net of related debt - This represents the City's investment in its capital assets less accumulated depreciation and any outstanding debt attributable to the acquisition, construction, or improvement of these assets.

Restricted net assets - Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service payments, development impact fees restricted to growth-related projects, other capital projects, and required reserves.

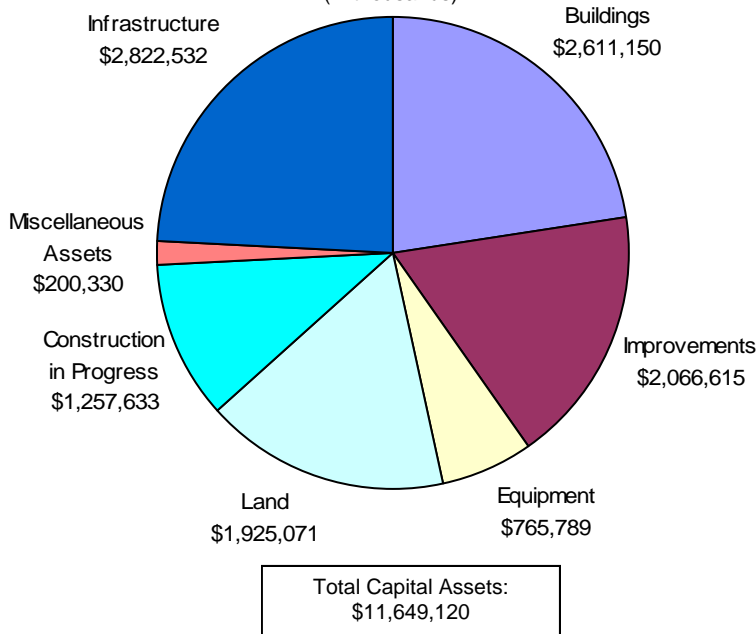
Unrestricted net assets - Resources available to the City to provide services to the citizens and creditors if there were no additional revenues or resources available.



CAPITAL ASSETS

The City invests in capital assets to provide services to and enhance the quality of life of our citizens. As shown on the previous page, the City's total investment in capital assets (net of depreciation) was \$11,649,120,000. This total is made up of the following asset categories:

**City of Phoenix Capital Assets
As of June 30, 2011**
(in thousands)



Asset Category Definitions:

- **Buildings** include police and fire stations, courts, libraries, recreation facilities and sports facilities.
- **Improvements** include upgrades such as parking lots, fences, bus shelters, playgrounds, sports courts and fields, and water treatment facilities.
- **Equipment** includes garbage and recycling trucks, police cars, fire engines, and light rail cars.
- **Land** means real estate purchased to provide services to residents like parks or police stations.
- **Construction in Progress** reflects the cost of all projects for construction of buildings, other improvements, and equipment that are in progress and not yet completed.
- **Miscellaneous Assets** include artwork, software, and water rights.
- **Infrastructure** includes water and sewer lines, streets, bridges and storm drains.



Major additions to capital assets during the fiscal year included the following:

<u>Project</u>	<u>Value</u>	<u>Asset Category/Service Provided</u>
• PHX Sky Train-Sky Harbor	\$227,500,000	Construction in Progress/Transportation
• Water/Sewer Mains	\$79,700,000	Infrastructure and Improvements/Utilities
• Public Safety Facilities/Equipment	\$33,500,000	Buildings and Equipment/Public Safety
• Sky Harbor Security Improvements	\$13,600,000	Equipment/Public Safety and Transportation
• Street Projects	\$110,100,000	Streets and Infrastructure/Transportation
• Parks/Preserve Land Acquisition	\$42,300,000	Land/Community Enrichment



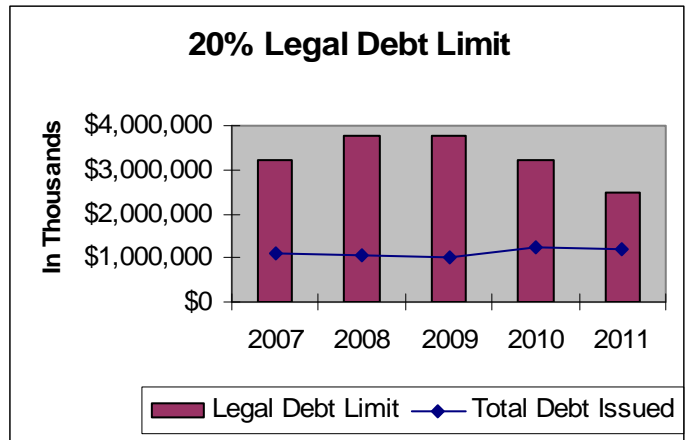
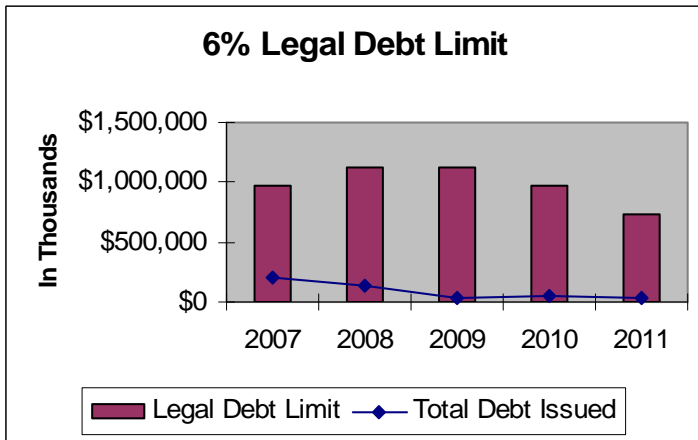
DEBT

The City utilizes general obligation bonds, revenue bonds, certificates of participation, and special assessment bonds for long-term financing of facilities.

General Obligation Bonds

The City typically issues general obligation bonds to fund the capital projects of general government (non-enterprise) departments. These projects include cultural facilities, fire, police, library, parks and recreation, mountain preserves, storm sewers, streets, and transportation. The annual debt service on these bonds is paid from secondary property taxes.

State law dictates that revenue collected for the City's secondary property tax levy be used solely to pay principal and interest on long-term debt. The law imposes two limits on the total of general obligation debt; an amount equal to 20% of the City's secondary assessed valuation can be issued to fund water, sewer, artificial light, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities projects and an amount equal to 6% of the secondary assessed valuation can be issued for all other purposes. These limits are known as the **Legal Debt Limit**.



City of Phoenix
General Obligation Bond Ratings
2011
S & P **Moody's**
AAA **Aa1**

Revenue Bonds

Revenue bonds are secured by taxes, user fees, and charges for services and are not considered a general obligation of the City. State law authorizes the City to issue voter-approved highway user revenue and utility revenue bonds. This includes Municipal Corporation bonds issued by the City of Phoenix Improvement Corporation (the "CIC"), an affiliated nonprofit corporation that issues bonds or certificates of participation to finance certain facilities and equipment. The City makes lease purchase payments to cover the principal and interest on those obligations.

Other Bond Types:

Certificates of Participation

The City has pledged excise taxes as security for certificates of participation. The pledge is subordinate to outstanding senior lien and junior lien excise tax obligations.

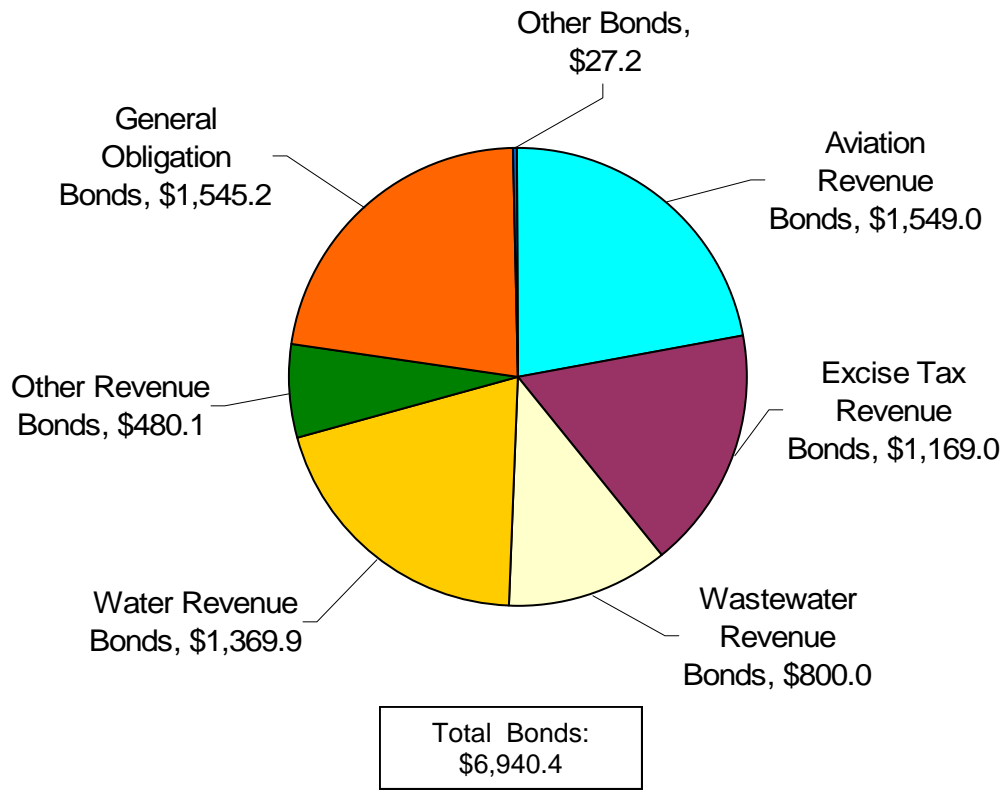
Special Assessment Bonds

Proceeds from special assessment bonds are used for improvements such as paving, sidewalks, and sewers. These bonds are secured by payments due from assessed property owners.

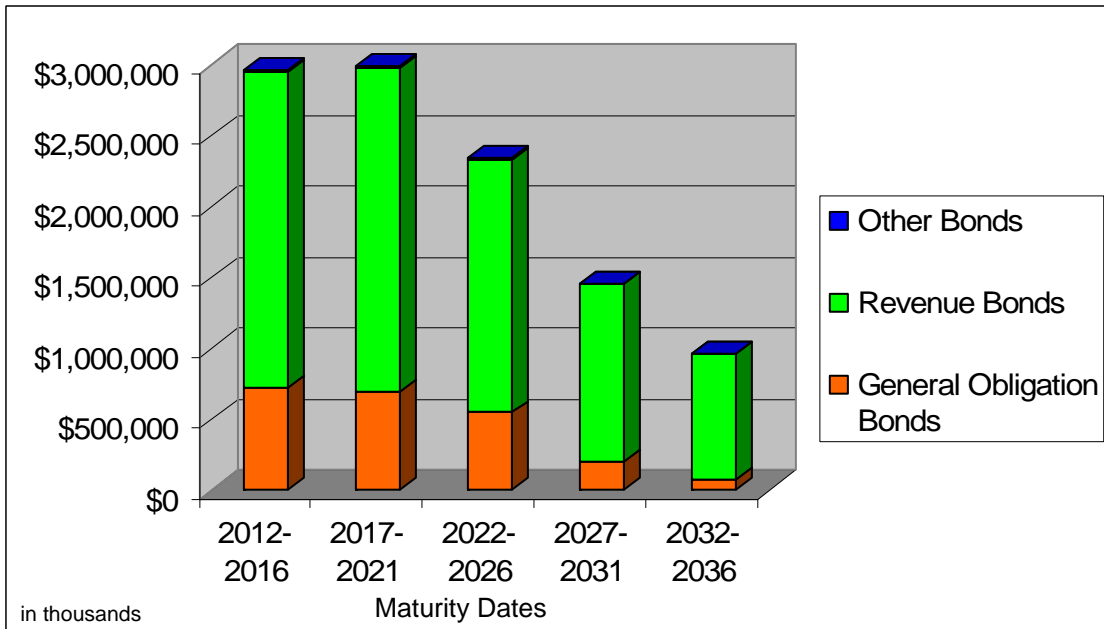


DEBT

2011 Outstanding Debt by Type (in millions)



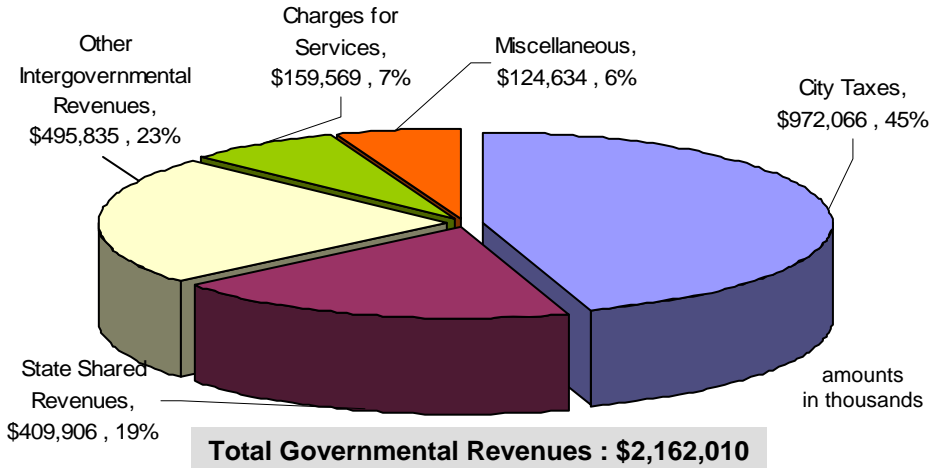
DEBT SERVICE REQUIREMENTS-GOVERNMENTAL and BUSINESS-TYPE ACTIVITIES





WHERE THE MONEY COMES FROM

Governmental Revenues Fiscal Year 2011



Governmental Revenues

Governmental funds are used to account for the basic functions of the City, such as police, fire, courts, streets, parks, libraries, and public housing.

The revenues to fund governmental activities come mainly from taxes and grants.

GOVERNMENTAL REVENUE CATEGORIES

City Taxes: Includes sales taxes, property taxes, franchise fees, special taxing district revenues, and payments in-lieu of taxes.

State Shared Revenues: The State of Arizona shares certain revenues with cities, such as income tax, state sales tax, vehicle license tax, and highway user revenues, as required by various state statutes.

Other Intergovernmental Revenues: Federal grants and revenues from other government sources.

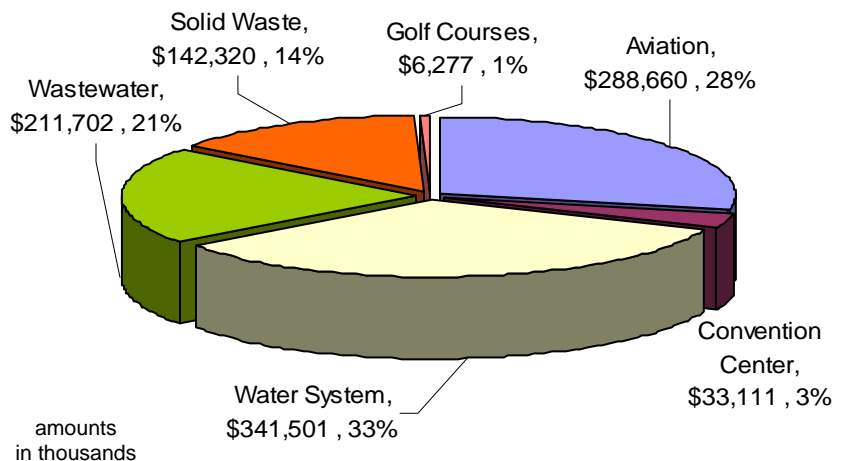
Charges for Services: Revenues collected for services such as building inspections, court and police fees, and public transit fares.

Miscellaneous: Investment income, dwelling rentals, concession sales, fines, licenses and permits.

Business-Type Revenues

Business-type funds are used to account for activities that are financed and operated in a manner similar to private businesses. These funds are considered self-supporting in that the services rendered are generally financed through user charges or fees. The operating revenues shown in the pie chart do not include grants or transfers.

In general, Business-type revenues can only be used to support the expenditures of the Business-type fund in which it was earned.





City of Phoenix

WHERE THE MONEY COMES FROM

Governmental Revenues Fiscal Year 2011

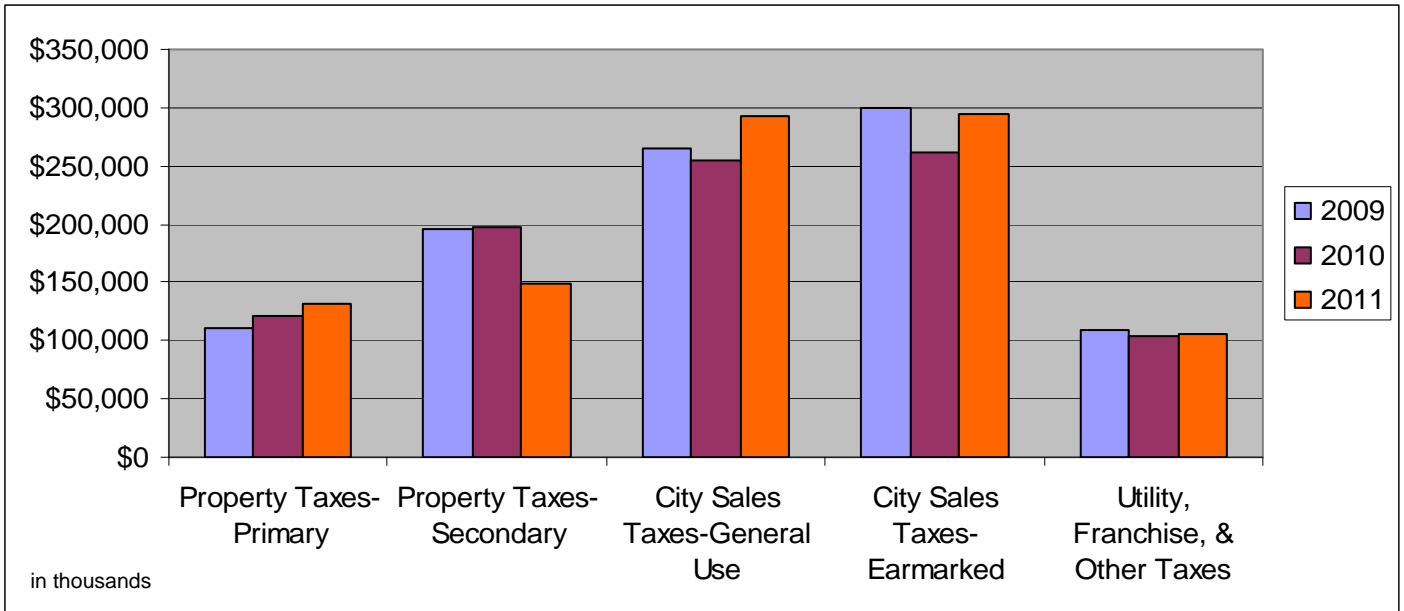
City Taxes

City taxes account for 45% of governmental fund revenues. Some revenues are earmarked for specific uses, while others are available for general use.

Property Taxes - Arizona's property tax system provides for two separate tax systems - 1) a primary system for taxes levied to pay current operation and maintenance expenses; and - 2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

City Sales Taxes - Sales tax revenues are either earmarked for specific uses, such as public safety, transit, or the convention center, or are available for general use. This category not only includes retail sales tax, but also hotel/motel taxes, commercial rental, construction contracting, and motor vehicle rentals among others.

Utility, Franchise, and Other Taxes - These taxes include franchise fees paid by public utilities, telecommunications companies, and cable television businesses. These taxes are available for general use.



Debt Service



Earmarked Spending



General Use



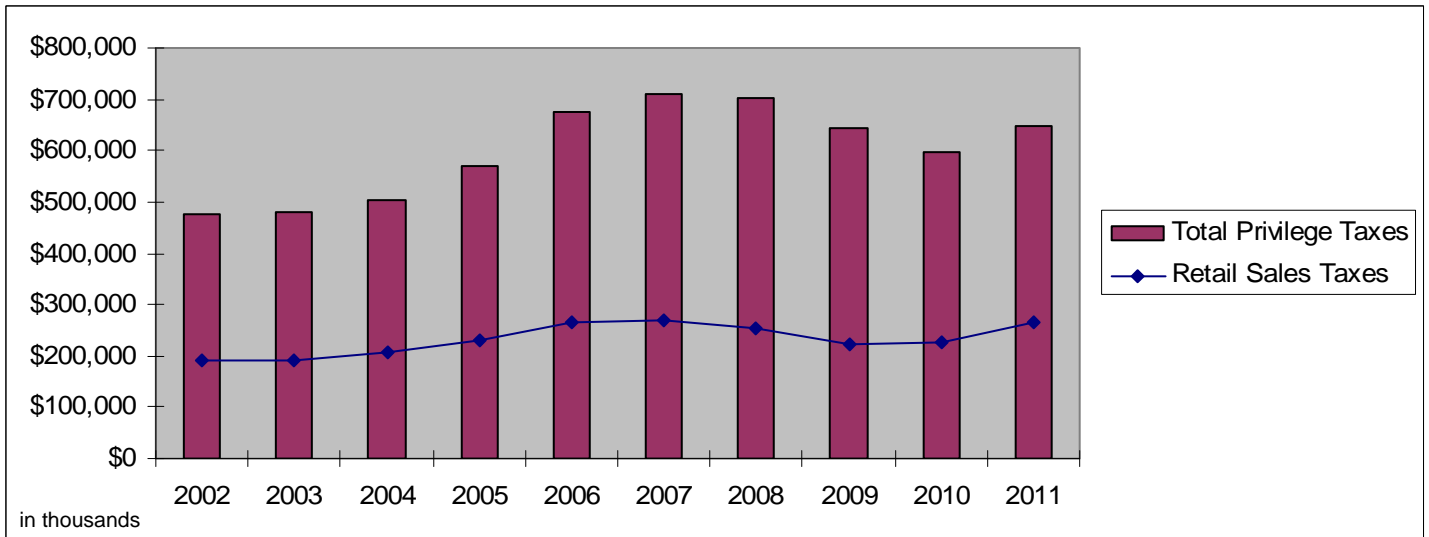
On average, for every total tax dollar the city earns, 15 cents is to be spent on debt service, and 31 cents is earmarked for specific spending purposes, such as public safety or transportation. That leaves 54 cents of every tax dollar to spend on general fund programs.



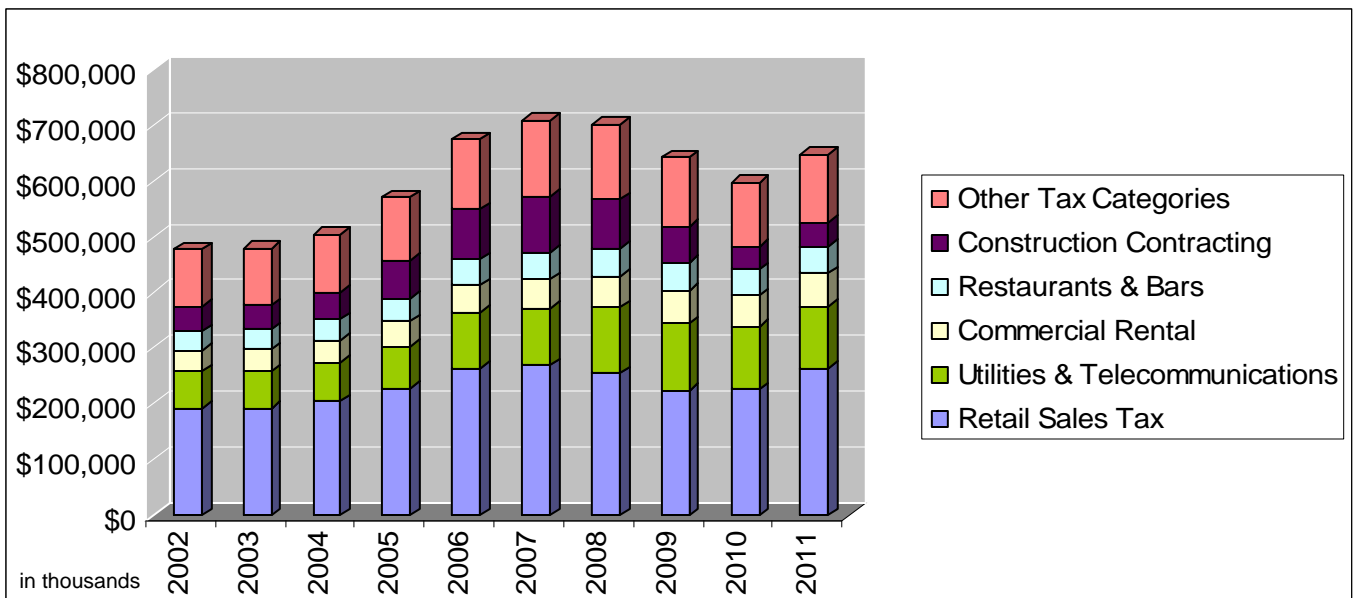
WHERE THE MONEY COMES FROM

Transaction Privilege Taxes are imposed on various business activities. Revenues from these activities or tax categories are distributed to various funds depending on the tax allocation structure approved by voters. The retail sales tax fund distribution is shown on the following page.

Retail Sales Taxes as a portion of total Privilege Taxes



City Transaction Privilege Taxes by Category



Other Tax Categories include Hotel/Motel Lodging, Apartment/Residential Rental, Motor Vehicle Rental, Amusements, Advertising, Job Printing, Publishing, Use Tax, and Jet Fuel.



WHERE THE MONEY GOES

Where Your Retail Sales Tax Dollar Goes

The retail sales tax rate for the City of Phoenix is 2.0%. Adding in the State and County sales tax rates, the total tax rate for items purchased at retail in the City of Phoenix is 9.3%.

- 2.0% **City of Phoenix**
- 6.6% **State of Arizona**
- 0.7% **Maricopa County**
- 9.3% **Total Phoenix Sales Tax Rate**

Where the Phoenix 2.0% Goes:

1.2% **General Fund**

The General Fund provides for many of the major functions of the City including public safety (police and fire), criminal justice, general government, transportation, community enrichment, community development, and environmental services. It is the primary operating fund of the City.

0.4% **Transit 2000**

Approved by voters in 2000, these funds are used for improvements in public transportation and traffic flow, and to help reduce air pollution. Funds have been used to expand bus service, construct and operate the light rail system, and for additional traffic control measures, such as bus pullouts and left turn arrows. This tax is to be in effect for 20 years.

0.2% **Public Safety Expansion**

This ordinance, approved by voters in 2007, provides for the funding of additional police officers and fire fighters.

0.1% **Neighborhood Protection Fund**

Created in 1993 as a result of the enactment of the Neighborhood Protection Ordinance (Proposition 301), this fund expanded Police, Fire, and Neighborhood Block Watch Programs.

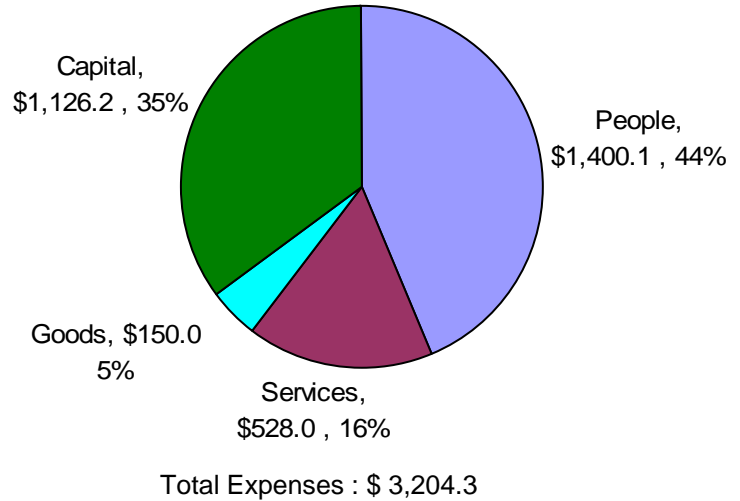
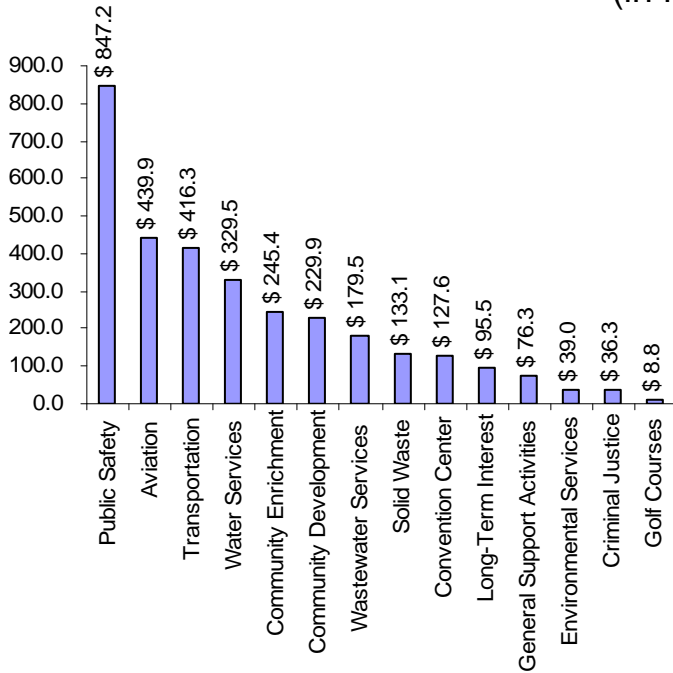
0.1% **Parks & Desert Preserves**

In 2007 Phoenix voters reauthorized the Phoenix Parks and Preserve Initiative that provides funds to save thousands of acres of state trust land, make improvements to neighborhood and community parks, and build regional parks.



WHERE THE MONEY GOES

City of Phoenix Expenses
For the Year Ending June 30, 2011
(in millions)



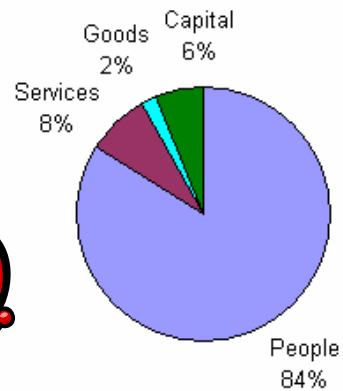
People - the cost of employees
Services - contractual services provided by external entities
Goods - inventories, supplies, and materials
Capital - costs of property, plant, and equipment, primarily depreciation and interest

	People	Services	Goods	Capital	Total
Public Safety	\$ 711.7	\$ 66.9	\$ 16.8	\$ 51.8	\$ 847.2
Aviation	75.2	100.2	11.3	253.2	439.9
Transportation	63.3	163.7	21.4	167.9	416.3
Water Services	93.9	9.8	43.9	181.9	329.5
Community Enrichment	111.9	69.1	11.9	52.5	245.4
Community Development	69.5	100.4	1.9	58.1	229.9
Wastewater Services	22.3	46.3	2.3	108.6	179.5
Solid Waste	46.9	50.2	4.3	31.7	133.1
Convention Center	23.9	20.5	0.7	82.5	127.6
Long-Term Interest	0.0	0.0	0.0	95.5	95.5
General Support Activities	102.8	(49.4)	2.5	20.4	76.3
Environmental Services	44.8	(57.4)	31.4	20.2	39.0
Criminal Justice	28.4	6.3	0.5	1.1	36.3
Golf Courses	5.5	1.4	1.1	0.8	8.8
TOTAL	\$ 1,400.1	\$ 528.0	\$ 150.0	\$ 1,126.2	\$ 3,204.3



WHERE THE MONEY GOES

Public Safety Expenditures
\$847,244
(in thousands)

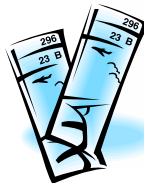
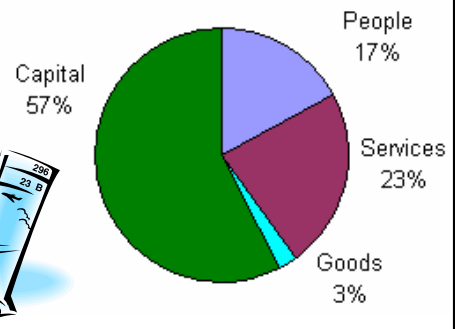


The City's largest expenditure category is for **Public Safety**. This includes the Police and Fire departments who protect the lives and property of our residents. The majority of Public Safety expenditures are spent for the police officers and firemen who watch over our city.

Aviation Expenditures
\$439,911
(in thousands)

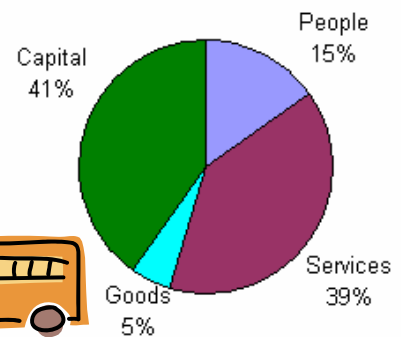


The **Aviation** Department provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial aviation in a safe, efficient, and convenient manner. Major facilities include Sky Harbor International Airport, Deer Valley Airport, Goodyear Airport, and the Rental Car Center at Sky Harbor.



Transportation Expenditures
\$416,344
(in thousands)

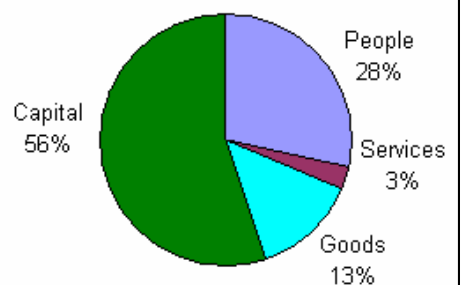
Transportation expenditures include costs incurred by the Streets and Public Transit departments. The Streets Department designs, builds, and maintains City streets along with the administration of street lights, parking meters, and traffic management. Public Transit oversees bus and light rail operations. For both of these departments the majority of their spending are for capital costs -- namely buses and street construction and maintenance.



Water Expenditures
\$329,457
(in thousands)



The City's **Water** Program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. All of Phoenix's water is treated at one of six water treatment plants before traveling through 7,000 miles of distribution lines to customers' taps within a 540-square-mile service area.

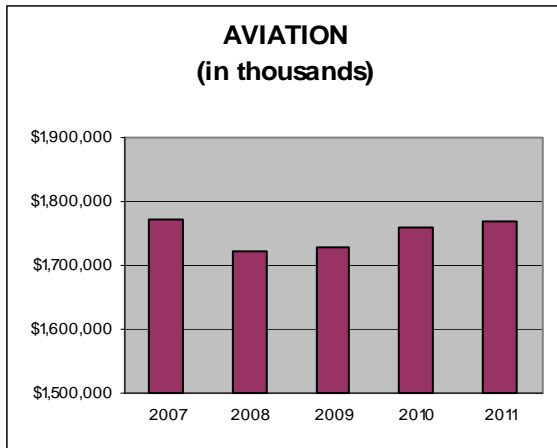




BUSINESS-TYPE NET ASSETS

Business-type funds (or Enterprise Funds) are used to report activity for which a fee is charged to users for goods or services, similar to private business. These funds can only be used to pay for the operational expenses of each business-type activity, including most of the capital improvements. Therefore, fees are set to recover all costs associated with providing these services.

The graphs on the next two pages show the net asset balances for the four largest City of Phoenix business-type funds. The net asset balance is the difference between the assets and liabilities of each fund. The largest portion of the City's net assets reflect investments in capital assets, such as land, buildings, and equipment. The excess of revenues over expenses in a fiscal year contribute to the net assets of a fund. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a fund's financial position.



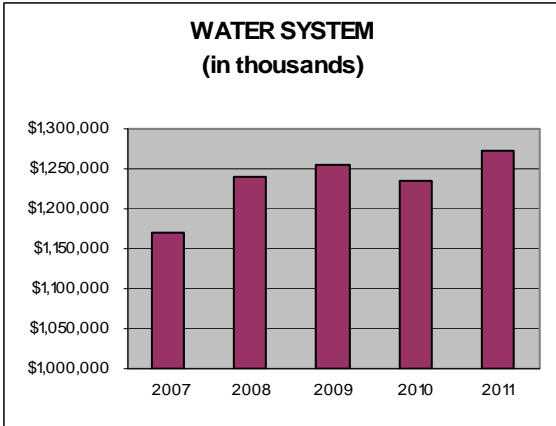
	2007	2008	2009	2010	2011
Scheduled Airlines	22	21	19	19	18
Aircraft Traffic Movement (in thousands)	1,130	1,085	1,038	984	941
Passengers Arriving and Departing (in thousands)	41,886	41,646	37,936	38,289	39,561

The Phoenix Aviation Department owns and operates Phoenix Sky Harbor International Airport, Phoenix Deer Valley Airport, and Phoenix Goodyear Airport. Aviation provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial aviation in a safe, efficient, and convenient manner.





BUSINESS-TYPE NET ASSETS

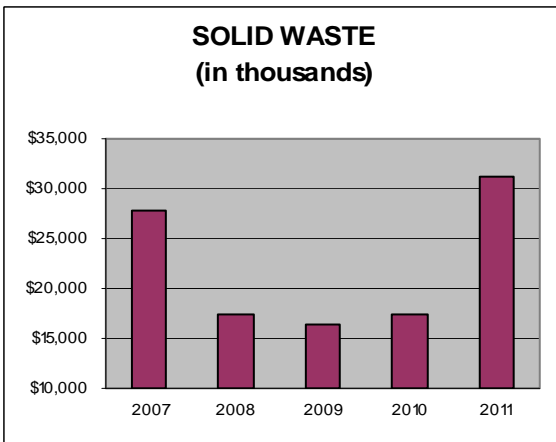
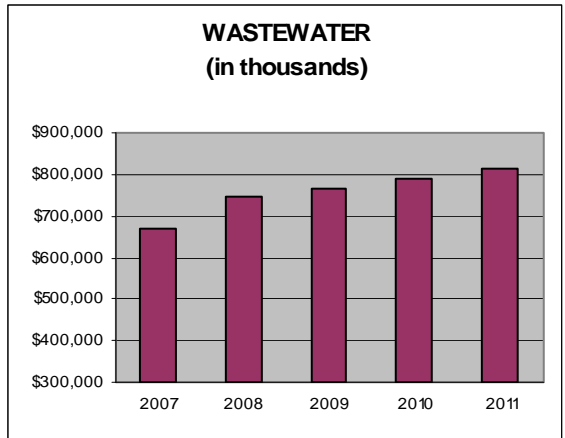


	2007	2008	2009	2010	2011
Production (billion gallons)	106.0	106.6	99.2	97.9	99.9
Average Daily Production (million gallons)	290.4	291.2	271.8	267.9	273.6
Miles of Water Main	6,790	6,905	6,935	6,955	6,962
Number of Accounts	401,937	403,752	402,926	403,104	404,647

The City's Water Services program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. The major component of the Water System's net assets includes water mains, hydrants, meters, and service connections.

	2007	2008	2009	2010	2011
Miles of Sewer Lines	4,730	4,943	4,960	4,975	4,980
Number of Accounts	373,035	374,555	373,588	373,123	391,267

The Wastewater program assists in providing a clean, healthy environment through the effective management of all water borne wastes generated within the Phoenix drainage area.



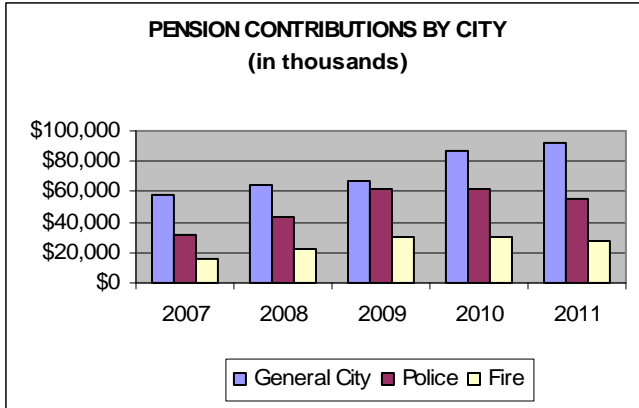
(in thousands)	2007	2008	2009	2010	2011
Residences Served	379	386	390	393	394
City Disposal (in tons)	732	711	710	650	645
Total Disposal (in tons)	1,151	1,054	1,039	975	1,046

The Solid Waste Fund assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, source reduction, and recycling activities.



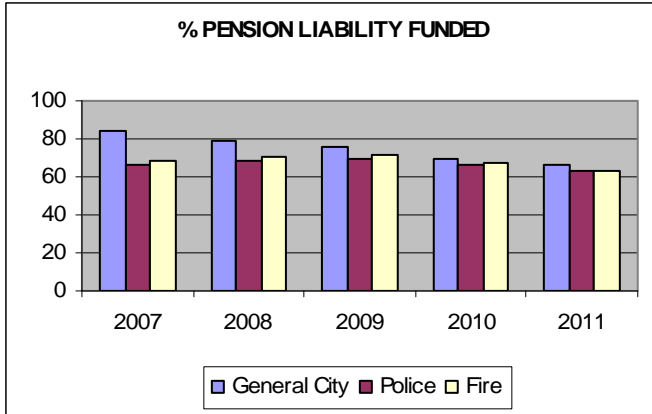
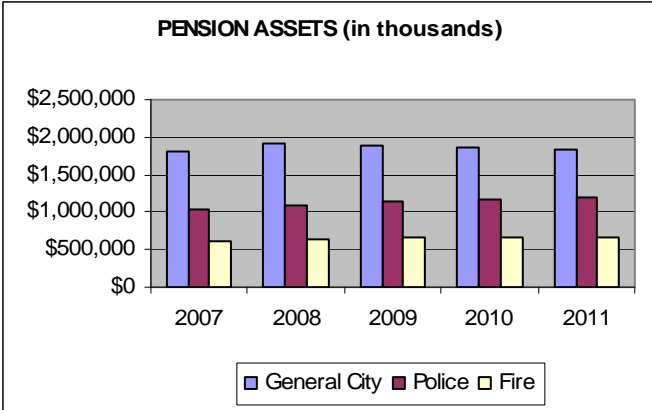
PENSION PLANS

Virtually all full-time employees and elected officials of the City are covered by one of three contributory pension plans. The City of Phoenix Employees' Retirement Plan (COPERS) covers general City employees. Sworn police and fire employees are covered by the Arizona Public Safety Personnel Retirement System (APSPRS) and elected officials are covered by the Elected Officials' Retirement Plan of Arizona (EORPA). Information related to COPERS and the City's portion of APSPRS are shown below.



The City contributes to each of the pension plans that covers its employees. The graph at left shows historical contribution information. Employees also contribute a percentage of their pay to the pension plans. The percentage required depends on the pension plan to which they belong.

Contributions by the City and the employees are held as assets by each of the respective pension plans. These assets are used to pay current and future retirees.



An independent actuary is hired each year to estimate the liability of each of the pension plans. Plan assets divided by the determined liability equals the percent funded.



KEY STATISTICS

SELECTED CITY PERFORMANCE MEASURES

	FY 2010	FY 2011
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	6	8
Police Employees	4,819	4,463
Dispatched Calls for Service	656,331	670,038
<u>Fire</u>		
Fire Stations	58	57
Fire Employees	1,972	1,945
Calls for Service	146,203	156,348
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	14,447	13,840
Total Stock (in thousands)	1,736	1,644
Number of Library Branches	16	16
<u>Parks and Recreation</u>		
Number of Playgrounds	164	166
City Parks (number of acres)	41,966	44,517
Acres of Golf Courses Maintained	755	755
Rounds of Golf Played	246,147	236,700
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	38,476	37,425
Dial-a-Ride	354	328
Light Rail	7,576	7,885
<u>Streets</u>		
Total Miles	4,811	4,824
Miles Resurfaced and Sealed	109	126
Street Lights in Use	90,870	91,133

